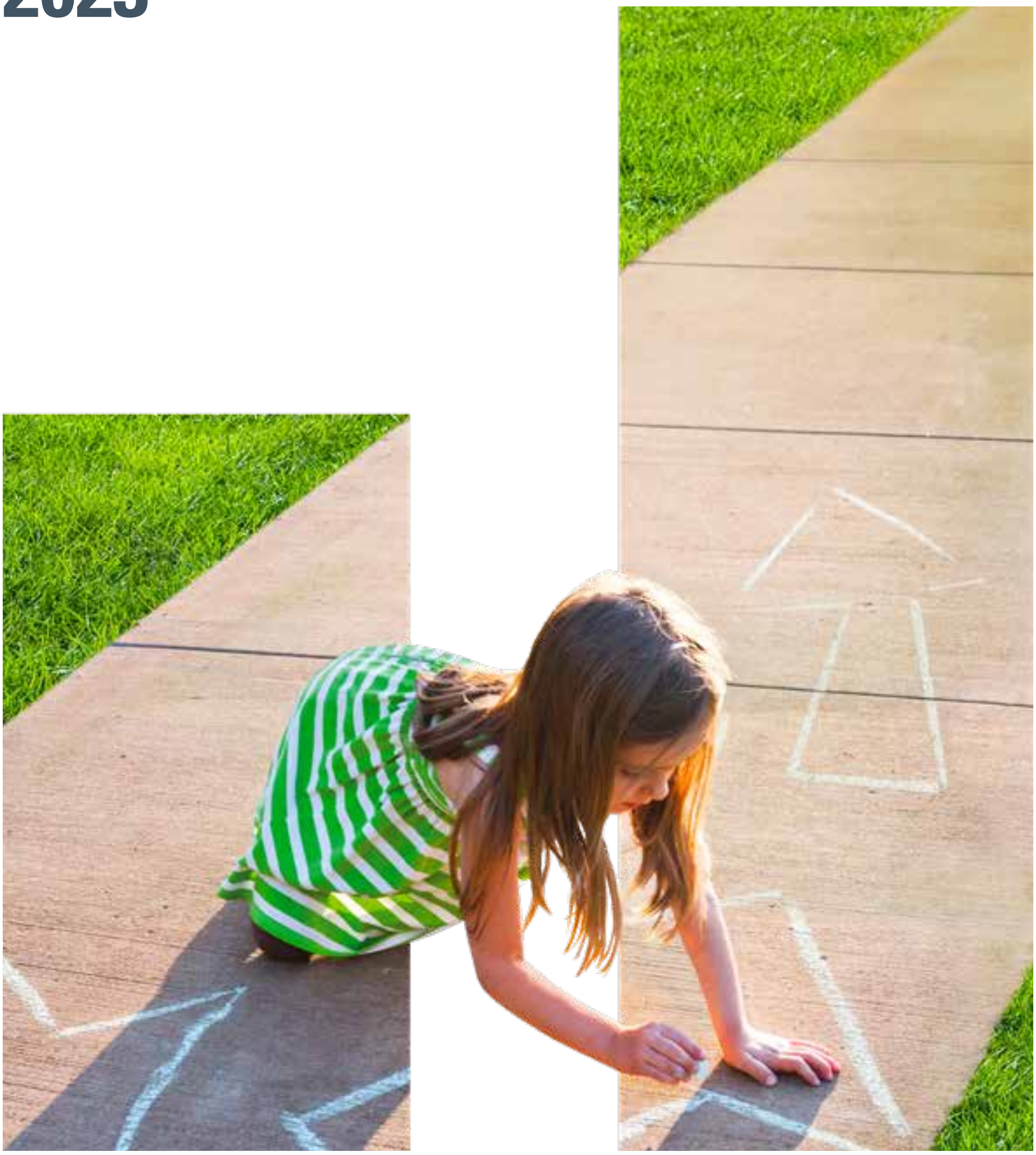
ANNUAL REPORT
2023



CDP Reti

cdp

CONTENTS

(Translation from the Italian original which remains the definitive version)

CORPORATE BODIES

BOARD OF DIRECTORS (*)

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

BOARD OF STATUTORY AUDITORS (*)

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

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

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

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

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

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

1.
REPORT ON OPERATIONS OF THE GROUP

1. PRESENTATION OF THE GROUP

1.1 ROLE AND MISSION OF THE GROUP

PARENT COMPANY

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

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

The corporate purpose of CDP RETI is the holding as well as ordinary and extraordinary management, directly and/or indirectly, of equity investments in Snam (31.35% as of 31 December 2023), Terna (25.99% as of 31 December 2023) and Terna (29.85% as of 31 December 2023), with the Company acting as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

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

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

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

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

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

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

DIRECT SUBSIDIARIES AND RELATED AREA OF CONSOLIDATION

For more than 80 years, **Snam** has been involved in the transport, dispatching, storage and regasification of natural gas (this being its core business) in the European and national energy markets, guaranteeing their energy security.

Conscious of the environment in which it operates, Snam has progressively integrated the Energy Transition Platform businesses - biomethane, hydrogen and energy efficiency - into its activities, becoming one of the enablers of the energy transition, which will also play a key role in achieving energy independence.

By creating synergies and by leveraging its know-how, sustainability and innovation, all of Snam's businesses, as a whole, will contribute to achieving Snam's emission reduction targets - carbon neutrality by 2040 and zero net emissions by 2050 - and, at the same time, to creating a pan-European multi-molecule infrastructure, i.e. capable of transporting and storing not only natural gas, but also renewable gases such as hydrogen and biomethane, at national and European levels.

The Gas Infrastructure Businesses

Transport

Through its transportation business, Snam transports natural gas from import points, regasification plants and production and storage sites located in Italy, to delivery points linked to import lines, and transports and then delivers it to redelivery points connected to local distribution networks and to large industrial and thermoelectric users.

Snam, through its subsidiary Snam Rete Gas, transports natural gas throughout Italy thanks to its pipeline network that ensures countrywide coverage. In this way, the Group is able to ensure a high degree of safety and environmental sustainability, avoiding road transport by leveraging pipe transport, which is more efficient and reliable, but also thanks to the specific Snam's know-how, which builds infrastructures whilst respecting the environment.

To this regard, and with a view to guaranteeing nationwide energy distribution and security, the company uses 13 compression plants located along the national gas pipeline network in order to maintain constant gas pressure along its entire route and thus ensuring the regular flow of gas.

In order to oversee and monitor the activities of the 48 Maintenance Centres distributed throughout Italy, Snam has set up a structure consisting of eight Districts and a Dispatching Centre, the technological "brain" of the Italian gas network, that remotely monitors and controls the transport network, coordinating the compression plants.

Snam's transportation services' users (so-called shippers) can carry out, through a special IT platform called Jarvis, gas transfers and exchanges in the vicinity of a Virtual Trading Point (PSV) of the national network.

Over the past few years, the existing transport network has undergone modernisation and refurbishment interventions to become hydrogen-ready (H2-ready), i.e. capable of transporting increasing percentages of hydrogen. In this regard, since 2021, 99% of Snam's gas pipelines are capable of transporting up to 100% hydrogen, thus contributing to ensuring flexible infrastructure, capable of meeting gas demand and, at the same time, ensuring diversified and sustainable supplies in the long term, supporting the transition path towards a multi-molecule network.

Storage

The storage of natural gas makes it possible to compensate for the different needs between gas supply and consumption, ensuring continuity of service even in the event of any rapid increase in demand or decrease in supply.

Through its subsidiary Stogit, Snam manages nine storage plants that work in synergy with the Group's other transport and regasification infrastructures, contributing to the country's energy security.

In fact, storage activity is essential to manage fluctuations in demand linked to seasonal volatility, representing a strategic solution against unforeseen events or unexpected increases in demand in response to particular weather conditions and to ensure the availability of the necessary gas quantities to meet any interruptions or reductions in non-European supplies, or to overcome temporary crises in the gas system.

In fact, the storage system stores gas during periods of lower demand (generally in the summer period) and then delivers it at peak demand or in the event of a shortage or temporary interruption of imports (typically in the winter period).

In line with the Strategic Plan 2023-2027 and similarly to the transport business, the storage system will also be upgraded and optimised, in order to adapt it to the storage of alternative and green gases, including hydrogen.

Regasification

Natural gas can be imported in gaseous state, through the methane pipeline network, or it can be imported from long distance reserve fields in the liquid state (LNG) through LNG carriers, representing a global source that guarantees more energy independence. In addition to liquefaction plants, Floating Storage and Regasification Units (FSRUs) promote greater security and diversification of Italy's energy supply.

Snam, through its subsidiary GNL Italia, deals with the regasification of liquefied natural gas delivered by sea. Once extracted, in fact, the natural gas is liquefied - becoming LNG - through a specific cooling process that allows a considerable reduction in volume, which is then transported more easily by LNG carriers.

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

To promote greater security and diversification of Italy's energy supplies, Snam has purchased two floating units (FSRUs), Golar Tundra in May 2022 and BW Singapore in December 2023, capable of storing and regasifying natural gas, i.e. vessels located close to a port area, on the quayside or offshore, which receive LNG at a temperature of minus 160 °C from other LNG carriers and regasify it (i.e. bring it to a gaseous state) in order to feed it into the national gas transportation network.

In terms of safety, including environmental safety, FSRUs are well known to be safe and low-impact infrastructures, as well as being well equipped with advanced leak detection tools and emergency systems.

There are 48 operational FSRUs in the world, 25 of which have LNG storage capacity between 160 thousand and 180 thousand cubic meters (source: Shipbroker).

Specifically, Snam acquired:

- Golar Tundra, moored in the port of Piombino, officially entered into commercial operation in July 2023 with the arrival of the first LNG carrier and the first LNG cargo, following the completion of all technical verifications. In the second half of 2026, Golar Tundra is scheduled to be relocated off Vado Ligure, in the province of Savona, about four km from the coast, where the FSRU would remain for 17 years;
- BW Singapore, located near the coast of Ravenna, is expected to be commissioned from the third quarter of 2024.

Both floating regasifiers feature a maximum storage capacity of about 170,000 cubic metres of liquefied natural gas and a nominal continuous regasification capacity of about five billion cubic metres per year.

As part of the 2023-2027 Strategic Plan, Snam intends to invest in the connection works between the FSRUs and the network, in the infrastructure investments necessary for the relocation of the FSRU Golar Tundra and in the commissioning of BW Singapore.

Small scale LNG and sustainable mobility

The geo-political volatility that characterised 2023 confirmed the need, since 2022, to rapidly develop and evolve the long-term strategies of energy companies, geared towards ensuring security of supply and infrastructure flexibility.

Unstable gas prices, coupled with the need to pursue and achieve energy independence for Italy, have led Snam to rethink the positioning of its assets, including that of Greenture (formerly Snam4Mobility), which has the mission of fostering the energy transition of land, sea and rail transport, as well as off-grid industrial and civil users, through promoting infrastructures mainly supporting the use of Bio C-LNG (Compressed and Liquefied Natural Gas) and H2 (hydrogen).

The company was founded in 2017 with the aim of contributing to the decarbonisation of mobility through the development of a network of L-CNG roadside refuelling stations and the offer of integrated mobility solutions and services.

In the course of 2022/2023, the focus of Greenture's activities was extended, not only to the automotive sector, but also to the construction of midstream infrastructures dedicated to heavy transport, the shipping and rail sectors, whose development is aimed at turning Snam into a reference infrastructure operator for small-scale projects, including small liquefaction and bunkering units to relaunch the sustainable Italian mobility of trucks and ships.

Under the 2023-2027 Strategic Plan, Snam intends to continue to develop Small-scale LNG infrastructure, expand LNG and bio-LNG station networks and eventually hydrogen, and adapt regasification terminals, construction of micro-liquefaction plants, and construction of coastal storage facilities.

The Energy Transition Businesses

Biomethane

With the support and technical know-how of Bioenerys, Snam is committed to promoting the development of biomethane infrastructure, as well as to spreading the use of biomethane throughout Italy, contributing to value creation, to promote the energy transition system of the country and to achieve decarbonisation targets.

In 2023, Bioenerys is a leading player on an industrial scale, with around 36 plants in operation[3] by the end of 2023, equivalent to 41 MW of biomethane and biogas capacity.

Biomethane represents a renewable and sustainable energy source that can be used in a flexible, programmable and efficient manner, contributing significantly to the achievement of emission reduction targets set at the European and national levels. Given its characteristics, green gas can be injected into existing infrastructure, creating significant economic and environmental benefits.

As part of the 2023-2027 Strategic Plan, Snam intends to accelerate the development of biomethane, expanding its production from agricultural and organic waste. This will be achieved through the collaboration with leading companies in the sectors, from which Snam will acquire new skills, with the goal of building infrastructure and plants with an installed capacity of about 80 MW and an expected production of about 135 million m3 per year by 2027.

Decarbonisation Projects

Established in 2022, the Decarbonisation Projects function manages Snam's hydrogen and carbon capture and storage projects, with the aim of accelerating their development and deployment as key players to ensure the achievement of European and global decarbonisation targets.

Hydrogen, in fact, represents a source of clean energy as, in its uses, does not generate emissions of carbon dioxide or other harmful or climate-altering gases and is suitable for use both in industrial applications (thermal, feedstock and fuel cell) and in sustainable mobility (trains, refuelling stations for light and heavy vehicles, airports) and, in particular, in the "hard-to-abate" sectors. In light of the potential deriving from the use of hydrogen, by 2027, Snam intends to move from an H2-ready perspective to an H2-proof perspective, that is, from verifying the compatibility of the Group's assets for hydrogen transport and storage to defining technical standards for gas transport, conducting physical tests and fostering the development of the sector and investing in hydrogen-integrated projects. With this in mind, participation in working groups, such as those with the European Pipeline Research Group (EPRG), and collaboration with other key sector players, including dCarbonX and De Nora, will enable Snam to meet the commitments set out in the 2023-2027 Strategic Plan. In addition, considering the future prospects, which sees increasing volumes in hydrogen demand, the Company has continued investments in the long-term strategy for infrastructure development, and, in particular, in the SoutH2 Corridor, the hydrogen backbone that will cross the entire country, connecting North Africa to the rest of Europe.

At the same time, Carbon Capture and Storage (CCS) represents a further opportunity for the decarbonisation of the most carbon-intensive sectors or where carbon input is tied to the production process and therefore cannot be replaced by alternative energy sources.

Additionally, by leveraging public funding, Snam intends to be at the forefront of the development of CO2 transport and storage infrastructure, for example through investments in the Ravenna CCS project, the first of its kind in Italy, born from the joint venture with Eni, and included in the European Commission's list of Projects of Common Interest (PCI).

With a view to assessing market opportunities for the development of hydrogen and CCS, in February 2024 Snam launched a market test on the demand for hydrogen in Italy and a collection of non-binding expressions of interest for CO2 transport and storage at the Ravenna site. Through the analysis of the data and information collected in the questionnaires that will be dispensed to interested companies, Snam will be able to plan the development of hydrogen and CCS supply chains in Italy.

Energy efficiency

Energy efficiency plays a central role in the fight against climate change and in the development of sustainable and competitive economic systems, fostering decarbonisation and economic and social development, and promoting innovation on a technology-neutral basis. In fact, energy efficiency measures allow energy to be used more rationally, reducing consumption and thus energy and environmental costs for citizens, businesses and public bodies.

On the strength of this realization, the European Union has identified energy efficiency as one of the three pillars of its Clean Energy for all Europeans strategy, with a 2030 efficiency improvement target of 32.5% over 1990 levels. Access to

[3] The figure includes the Marsala plant in the commissioning phase.

incentives provided at the national and local level and to forms of direct third-party investment increases the economic sustainability of efficiency interventions.

To date, Snam – through its subsidiary Renovit (founded in 2021 by Snam and CDP Equity and subsequently renamed B-Corp in 2022 and since 2023 renamed Società Benefit) is one of the main Italian providers of energy efficiency services in the residential, industrial, tertiary and Public Administration sectors. Through its subsidiary Renovit, Snam offers innovative energy efficiency solutions to its customers by investing directly in decarbonisation, digitisation and also promoting self-consumption.

As part of the 2023-2027 Strategic Plan, Snam will invest in the development of Renovit's portfolio towards customers in the public and industrial sectors, leveraging the Company's consolidated technical skills.

ENERGY TRANSITION

BIOMETHANE / BIOGAS

100% Bioenerys S.r.l.

100% Bioenerys Agri S.r.l. Agri biomethane

- 100% Agriwatt Castelgoffredo Società Agricola ar.l.
- 100% Bietifin S.r.l.
- 99.9% Biogas Bruso Società Agricola ar.l.
- 100% BYS Soc. Agric. Impianti S.r.l.
- 100% Emiliana Agroenergia Soc. Agric. S.r.l.
- 100% Maiero Energia Società Agricola ar.l.
- 100% Moglia Energia Società Agricola ar.l.
- 100% MST S.r.l.
- 99.9% MZ Biogas Società Agricola ar.l.
- 100% Soc. Agric. Agrimetano S.r.l.
- 100% Soc. Agric. Agrimetano Pozzonovo S.r.l.
- 100% Soc. Agric. Agrimetano Ro S.r.l.
- 100% Soc. Agric. Agrimezzana Biogas S.r.l.
- 100% Soc. Agric. Asola Energie Biogas S.r.l.
- 100% Soc. Agric. Biostellato 1 S.r.l.
- 100% Soc. Agric. Biostellato 2 S.r.l.
- 100% Soc. Agric. Biostellato 3 S.r.l.
- 100% Soc. Agric. Biostellato 4 S.r.l.
- 100% Soc. Agric. Carignano Biogas S.r.l.
- 100% Soc. Agric. La Valle Green Energy S.r.l.
- 100% Soc. Agric. San Giuseppe Agroenergia S.r.l.
- Soc. Agric. Sangiovanni S.r.l. (50% Bioenerys Agri - 50% SQ Energy)
  - 100% Soc. Agric. G.B.E. Gruppo Bio Energie S.r.l.
  - 100% Soc. Agric. Zoppola Biogas S.r.l.
- 100% Soc. Agric. Santo Stefano Energia S.r.l.
- 100% Soc. Agric. SQ Energy S.r.l.
- 100% Soc. Agric. T4 Energy S.r.l.
- 100% Soc. Agric. Tessagli Agroenergia S.r.l.
- 100% Soragna Agroenergie Società Agricola ar.l.
- 100% Zibello Agroenergie Società Agricola ar.l.

100% Bioenerys Ambiente S.r.l. Waste biomethane

- 100% Biowaste CH4 Anzio S.r.l.
- 100% Biowaste CH4 Foligno S.r.l.
- 100% Biowaste CH4 Genova S.r.l.
- 100% Biowaste CH4 Group S.r.l.
- 100% Biowaste CH4 Legnano S.r.l.
- 100% Biowaste CH4 Tuscania S.r.l.
- 100% CH4 Energy S.r.l.
- BYS Ambiente Impianti S.r.l. (55% Renerwaste Lodi - Bioenerys Ambiente 45%)
- 100% Ecoprogetto Tortona S.r.l.
- 100% Enersi Sicilia S.r.l.
- 85% Renerwaste Cupello S.r.l.
- 100% Renerwaste Lodi S.r.l.

ENERGY EFFICIENCY

60.05% Renovit S.p.A.

- **70% Evolve S.p.A.**
- **70% Renovit Public Solutions S.p.A.**
  - 85% T.Lux S.r.l.
- **100% TEP Energy Solution S.r.l.**

HYDROGEN

100% Asset Company 10 S.r.l.

GAS INFRASTRUCTURE

TRANSPORTATION

100% Snam Rete Gas S.p.A.

100% Asset Company 2 S.r.l.

- **100% Infrastrutture Trasporto Gas S.p.A.**

55% Enura S.p.A.

STORAGE

100% Stogit S.p.A.

REGASIFICATION

100% GNL Italia S.p.A.

100% Snam FSRU Italia S.r.l.

- **100% FSRU I Limited**
- **100% Ravenna LNG Terminal S.r.l.**

MOBILITY & LIQUEFACTION

100% Greenture S.p.A.

- **100% Cubogas S.r.l.**

OTHER INVESTMENTS

100% Gasrule Insurance DAC

100% Snam International BV

DOMESTIC INVESTMENTS

- E 33.34% Ecos S.r.l.
- E 21.59% Industrie De Nora S.p.A.
- E 13.473% Italgas S.p.A.
- E 49.07% OLT Offshore LNG Toscana S.p.A.
- E 49.9% Sea Corridor S.r.l.
- E 35.93% Zena Project S.p.A.

INTERNATIONAL INVESTMENTS

- E 40% AS Gasinfrastruktur Beteiligung GmbH
- E 50% DCarbonX Limited
- E 25% East Mediterranean Gas Company S.A.E. (EMG)
- E 12.327% Galaxy Pipeline Assets HoldCo Limited
- E 23.68% Interconnector Limited
- E 25% Interconnector Zeebrugge Terminal BV
- E 40.5% Teréga Holding S.A.S.
- E 20% Trans Adriatic Pipeline AG (TAP)
- E 84.47% Trans Austria Gasleitung GmbH (TAG)
- E 54% Senfluga Energy Infrastructure Holdings S.A.

- - - - Scope of consolidation

E Accounted using equity method

The changes in the area of consolidation of the Snam group as at 31 December 2023 compared to 31 December 2022 concerned the acquisition:

i) by the subsidiary Bioenerys Agri S.r.l.:
   - of 100% of the share capital of five companies 4 operating in the production of electricity through the use of agricultural waste and biomass;
   - of 100% of the capital of Bietifin S.r.l., a company that provides technical assistance to companies operating biogas plants;
   - of 100% of the capital of 2 companies5 that own power generation plants using agricultural waste and biomass, as part of the sale of Iniziative Biometano S.p.A.

ii) by the subsidiary Bioenerys Ambiente S.r.l.:
   - of 100% of the capital of two companies[6] that own plants for the production of biomethane from FORSU;

iii) by Snam FSRU Italia S.r.l. of FSRU I Limited, the company that owns the Floating, Storage and Regasification Unit (FSRU) "BW Singapore.

Changes in the scope of consolidation also concerned:

iv) the merger by acquisition of Golar LNG NB13 Corporation, owner of the floating unit (FSRU) "Golar Tundra", into Snam FSRU Italia S.r.l.;

v) the sale of Iniziative Biometano S.p.A., a company 51% owned by Snam through its wholly-owned subsidiary Bioenerys S.r.l., as well as four subsidiaries7 of the same Iniziative Biometano S.p.A.

The shareholder structure of Snam S.p.A. as at 31 December 2023 is shown below (share capital consisting of 3,360,857,809 shares without nominal value):

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
Snam S.p.A.	CDP Reti S.p.A.	31.35
	Snam S.p.A. (treasury shares)	0.22
	Romano Minozzi	7.46
	Other shareholders	60.97

The **Terna** group ("Terna" – "Trasmissione Elettrica Rete Nazionale") is the largest independent electricity transmission operator in Europe and one of the leading operators in the world by km of managed lines (more than 75,000 km).

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

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

The electrical system is composed of:

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

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

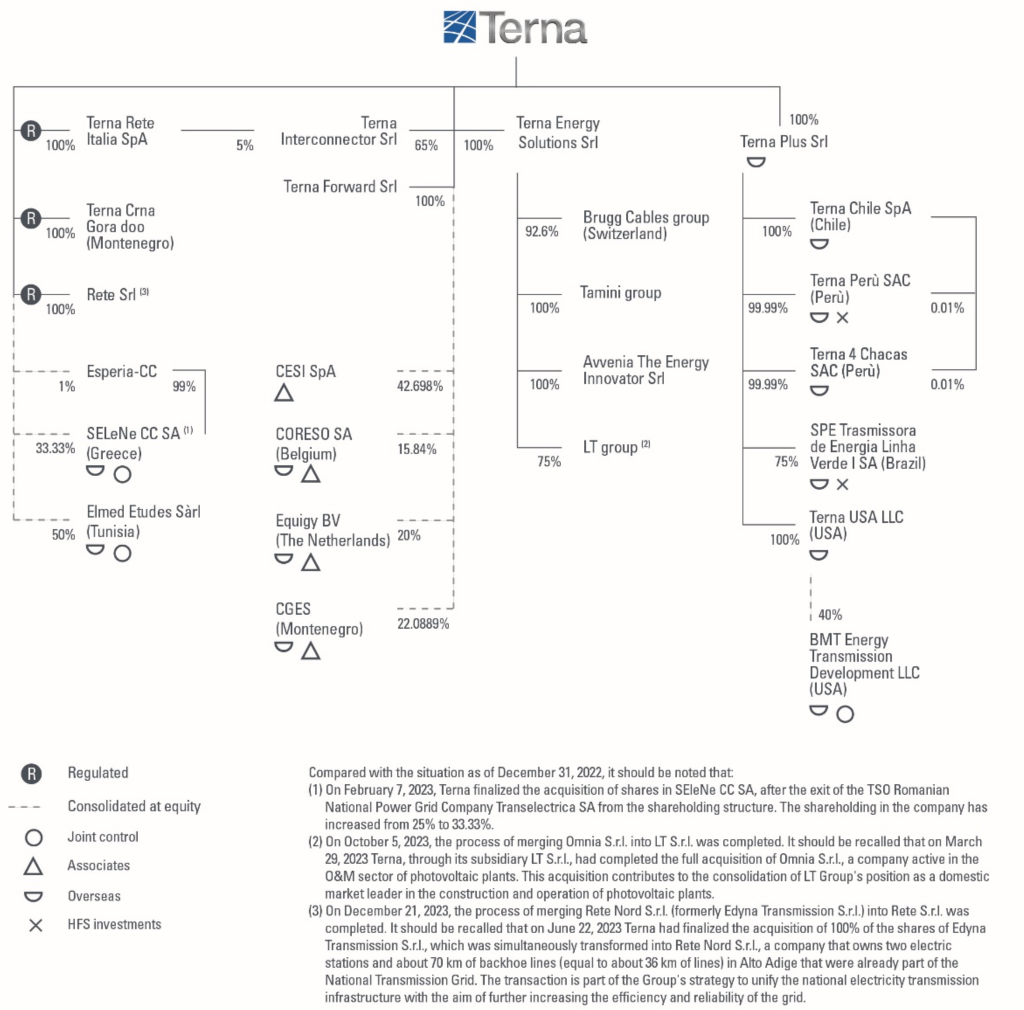
In line with the role and objectives of the enabler and director of the ongoing ecological transition, the group's corporate structure at 31 December 2023 recorded a series of updates reported in the notes.

[4] The following are the companies that have been acquired: 1) Agriwatt Castel Goffredo Società Agricola ar.l., 2) Società Agricola Agrimetano Pozzonovo S.r.l., 3) Società Agricola Agrimetano Ro S.r.l., 4) Soragna Agroenergie Società Agricola S.r.l., 5) Zibello Agroenergie Società Agricola S.r.l.

5 The following companies were acquired: 1) Moglia Energia Società Agricola ar.l., 2) MST S.r.l.

6 Below are the companies acquired: 1) Biowaste CH4 Legnano S.r.l., 2) CH4 Energy S.r.l.

7 The following companies were sold: 1) Ca' Bianca Società Agricola Società ar.l., 2) EBS Società Agricola ar.l., 3) Motta Energia Società Agricola Società ar.l., 4) Società Agricola Ariano Biometano S.r.l.



The changes compared to 31 December 2022 are:

On 7 February 2023, Terna completed its acquisition of shares in SEleNe CC S.A., following the exit of Romania's TSO, National Power Grid Company Transelectrica S.A., from the shareholder structure. As a result, Terna's equity investment in the company rose from 25% to 33.33%;

On 5 October 2023, the merger process of the company Omnia S.r.l. into LT S.r.l. was completed. It is worth remembering that on 29 March 2023, Terna, through its subsidiary LT S.r.l., completed the full acquisition of Omnia S.r.l., a company engaged in the operation and maintenance of photovoltaic power stations. The acquisition was another step in consolidating the LT Group's position as a leading domestic market player in the construction and management of photovoltaic systems;

On 21 December 2023, the merger of Rete Nord S.r.l. (formerly Edyna Transmission S.r.l.) into Rete S.r.l. was completed. It should be noted that on 22 June 2023, Terna completed its 100% takeover of Edyna Transmission S.r.l., renamed Rete Nord S.r.l. following the acquisition of its share capital. The company owns two electrical power stations and about 70 km of three-phase conductors (equivalent to approximately 36 Km of lines) in South Tyrol, which are already part of the National Transmission Grid. The transaction is part of the Group's strategy to unify the national electricity transmission infrastructure, with the aim of further increasing network efficiency and reliability.

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

Based on the periodic assessments carried out by the company, 48.1% of Terna's shares are held by Italian Shareholders and the remaining 51.9% by Foreign Institutional Investors, mainly in in the USA and in Europe (excluding the UK).

The purchase by the Parent Company of 917,611 treasury shares (or 0.046% of share capital) for a total value of approximately 6,999,997 euro, serving the new 2023-2027 Performance Share Plan, was concluded in July.

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
Terna S.p.A.	CDP Reti S.p.A.	29.85
	Institutional investors	56.3
	Retail	13.9

The **Italgas** group is the leading gas distribution operator in Italy and Greece and the third in Europe: with its investee companies and the work of 4,341 people employed in the various locations throughout Italy and Greece, it manages a gas distribution network of 82,034 km, through which, during 2023, approximately 8,000 million cubic metres of gas were distributed to 7,974 thousand users. In Italy, the group owns 1,905 distribution concessions, with a historical presence in Italy's major cities, including Turin, Venice, Florence and Rome, and a market share of more than 33%. In Greece, Italgas holds distribution licences in 145 municipalities, of which 106 are already in operation.

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

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

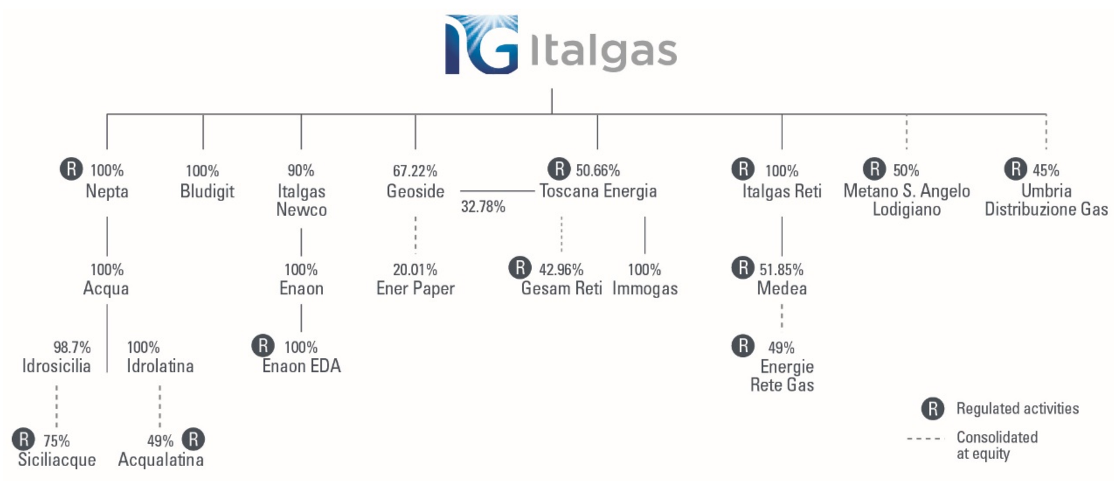
The rules governing customers' access to the services offered are established by the relevant regulatory Authority provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and include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

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

Compared to 31 December 2022, the structure of the Italgas group at 31 December 2023 has changed as a result of:

- of the merger by acquisition of Janagas into Medea, with legal effect from 10 July 2023 and accounting and tax effects from 1 January 2023;
- of the merger by acquisition of EDA Thess and EDA Attikis (operating companies of the Depa Infrastructure group) into DEDA, effective as at 30 September 2023. On 14 February 2024, the company name of DEPA Infrastructure was changed to Enaon S.A. and that of DEDA was changed to Enaon EDA S.A.;
- of the acquisition, completed on 16 October 2023, from the Veolia Environnement S.A. group, of the business units responsible for the Italian water sector concessions, which were merged into Italgas Acqua S.p.A., whose company name has been simultaneously changed to Nepta S.p.A.

Further details are given below:



The company's share capital at 31 December 2023 consisted of 810,745,220 shares, without indication of nominal value, for a total share capital of 1,003,227,568.76 euro.

Based on the evidence in the shareholders' register, the information available and the communications received pursuant to art. 120 of the Consolidated Law on Finance, the holders of significant equity investments as at 31 December 2023 are listed below.

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
Italgas S.p.A.	CDP Reti S.p.A. (*)(**)	25.99
	Snam S.p.A.	13.47
	Lazard Asset Management Llc	9.75
	Romano Minozzi.	4.22
	BlackRock Inc.	3.72
	Crédit Agricole S.A.	3.48
	Other shareholders	39.37

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

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

1.2 REFERENCE SCENARIO

With reference to **Snam** and the key business and sectors in which it operates, the following should be noted:

Gas Infrastructure Business

In 2023, the volume of gas injected into the grid, at 64.07 billion cubic meters, decreased by 11.35 billion cubic meters (or by -15.0% compared to 2022) against the backdrop of the general decrease in consumption in Italy and Europe, the significant reduction in exports and lower injections into storage. Demand for gas in Italy in 2023 was 61.85 billion cubic meters, a decrease of 6.86 billion cubic meters, or -10.0% compared to 2022 due to the decline in consumption recorded in all major business sectors. Specifically, the reduction in gas demand is attributable: (i) to the thermoelectric sector (decreased by 4.10 billion cubic meters; or -13.6%) as a result of the increase in electricity imports, resulting mainly from the recovery of French nuclear power, higher hydroelectric production, reduced electricity demand as a result of the slow recovery of the industrial sector, and the increased use of renewable sources supported by photovoltaic in the civil sector; (ii) to the residential and tertiary sector (decreased by 2.16 billion cubic meters; or -8.6%), in the face of overall milder temperatures than in 2022, as well as the energy efficiency and consumption containment actions that influenced the first months of the year; (iii) to the industrial sector (decreased by 0.61 billion cubic meters; or -5.2%) influenced, as in the previous year, by commodity price trends and the unstable macroeconomic situation, which led to a decline in industrial production in certain "energy intensive" sectors.

In normalised terms based on temperature levels, the demand for gas, estimated at 63.35 billion cubic meters, shows a reduction of 6.01 billion cubic meters (-8.66%) compared to the corresponding value of 2022 (69.36 billion cubic meters), against a general contraction in consumption, due to the progressive increase in energy efficiency measures and modernisation of heating systems with more efficient boilers, together with the actions to contain the demand for natural gas required to cope with the winter risk resulting from the reduction in imports from Russia (measures suspended for winter 2023-2024).

Total Storage Capacity: managed by the Snam Group as at 31 December 2023, including strategic storage, amounted to 16.7 billion cubic metres, the highest in Europe during this period of supply difficulties. Total capacity includes 4.5 billion cubic meters related to strategic storage as established by the Ministry of Environment and Energy Security (unchanged from thermal year 2022-2023) and 12.0 billion cubic meters related to available capacity. As at 31 December 2023, the available capacity offered for the thermal year 2023-2024 was fully booked (94% booked capacity as at 31 December 2022).

Gas volumes handled by the Snam Storage System in FY 2023 amounted to 13.72 billion cubic meters, down from FY 2022 by 4.75 billion cubic meters; or -25.7%. The reduction is due to lower injections into storage (decreased by 3.51 billion cubic meters, or -33.6%, compared to FY 2022) and lower deliveries (decreased by 1.24 billion cubic meters, or -15.5%, compared to FY 2022) due to overall milder temperatures than in FY 2022 and to the general decline in gas consumption in Italy and Europe.

The volumes of liquefied natural gas (LNG) regasified during 2023 amounted to 3.69 billion cubic meters (an increase of 1.45 billion cubic meters compared to 2022; or +64.7%), and 74 LNG carriers (tanker loads) were unloaded, compared to 59 unloading operations in 2022. The increase in the volumes regasified and the consequent increase in the unloading of vessels carried out was due to the impact of the Russia-Ukraine conflict on the gas market, which led to an increase in the demand for LNG to cover domestic demand. The higher volumes of activities also reflect the commissioning of the FRSU

Piombino plant, which in the second half of 2023 regasified a total of 1.12 billion m^3, making 12 unloading operations from LNG carriers, compared with 14 uploading operations contributed.

Energy Transition Business

At the end of 2023, there were 36 biomethane/biogas plants in operation[8], an increase of 4 compared to 2022, with an installed capacity of 41 MW compared to 40 MW at the end of 2022. The increase is due to the entry into the portfolio of 10 new waste (FORSU) and agricultural plants for a total of 11 MW of installed power. In addition, during the year, four biogas and agricultural biomethane plants ceased to form part of the Bioenerys portfolio following the termination of the joint venture Iniziative Biomethane S.p.A. with an installed operating capacity of eight MW. During 2023, the operation of two agricultural Biogas production plants near Ostellato with an installed capacity of two MW was suspended to allow for the subsequent registration in a competitive procedure according to the Biomethane Decree 2022 and to start the reconversion works of these plants. Installed megawatts (MW) on co-trigeneration and photovoltaic plants for customers' energy efficiency interventions amounted to 70, an increase of 24 MW compared to 2022 mainly due to the commissioning of more than 25 plants for industrial customers. With regard to the backlog, there was a decrease compared to 2022. The decrease is mainly due to the completion of the considerable redevelopment of private and public buildings driven by the Superbonus (110%) incentive mechanism.

Regarding **Terna** and the demand for electricity in Italy, in 2023 such demand was equivalent to 306,090 GWh (provisional figures), down by 2.8% from 2022, which had ended with a slight decline (-1.0%) compared to the previous year.

This reduction in demand is the result of two phases with different characteristics. The period from January to September was characterised by a sharp reduction in demand compared to the same period last year, due to the trend in average temperatures (rising in the winter months and falling in the first part of summer), and especially due to the reduction in industrial consumption. In the last quarter of 2023, on the other hand, the demand was higher than in the same period of 2022, which had been affected by the significant reduction in electricity consumption as a result of the energy markets being under severe tension due to rising commodity prices.

In 2023 about 36.8% (provisional data) of the total energy demand was made up by renewable sources. The value of production from renewable sources increased (+15.4%) compared to the previous year.
Regarding the performance of individual renewable sources, production from hydropower increased by 36.1% whereas bioenergy decreased by 6.1%.

In this context, with a European scenario geared towards decarbonisation and a strong penetration of renewable energies, high voltage grids represent an enabling factor for the growth of renewable generation. The robustness of the grid infrastructure and the system management actions undertaken by Terna have made it possible to safely accommodate record levels of intermittent production, amounting to 23.4 TWh from wind power and 30.6 TWh from photovoltaic sources.

In 2023, there was a return to pre-2022 values with regard to the number of hours in which the coverage of demand from renewable energy sources exceeded the thresholds of 30%, 40% and 50%. This trend reversal compared to previous years, is mainly due to a lower coverage of demand from renewable sources attributable mainly to the 2022 water crisis.

At 31 December 2023, **Italgas**, including its investee companies, was the holder of gas distribution concessions in 2,050 Municipalities (2,044 at 31 December 2022), of which 1,967 in operation (1,950 at 31 December 2022).

- Gas distributed: at 31 December 2023, Italgas, including the investee companies over which it does not exercise effective control, had distributed 8,145 million cubic metres of gas (8,500 million cubic metres of gas at 31 December 2022).
- Distribution network: the gas distribution network at 31 December 2023, including the investee companies over which it does not exercise effective control, extended for 82,034 kilometres (81,309 kilometres at 31 December 2022).
- Meters: at 31 December 2023, the meters in service at the re-delivery points, including the investee companies over which it does not exercise effective control, amounted to 7,974 million (7,959 million at 31 December 2022).

[8] The figure includes the Marsala plant in the commissioning phase.

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

CDP RETI

Refinancing of the debt from the short-term bridge loan entered into in 2022

Introduction

In May 2023 the refinancing of the CDP RETI debt deriving from the short-term bridge loan entered into in May 2022 (the "**Bridge Loan**") was finalised by taking on a new loan for a total amount of 252.9 million euro, with a duration of 3 years, fully destined for the repayment of the remaining amount of the Bridge Loan (the "**Refinancing**").

Description

Prior to the Refinancing, the financial debt of CDP RETI consisted of the following:

- a term loan entered into on 19 May 2020 for a total amount of approximately 938 million euro (the "**2020 Term Loan**"), with a maturity of 5 years (i.e. maturity 5 May 2025) and an interest rate equal to the 6-month Euribor rate increased by 105 bps and converted to the fixed rate of 0.796% through an Interest Rate Swap ("**IRS**").
- the Bridge Loan having a residual amount of 252.9 million euro and maturing on 25 May 2023 (subject to the exercise of the option to extend the duration for a further 6 months) and with an interest rate equal to the 3-month Euribor rate increased by a step-up margin.
- a bond issued on 25 October 2022 for a total nominal value of 500 million euro, with a maturity of 5 years (i.e. maturity on 25 October 2027) and an annual coupon of 5.875%.

In view of the approaching initial maturity of the Bridge Loan, CDP RETI has taken steps in coordination with the relevant structures of CDP to identify the best strategy for refinancing the maturing debt.

Following an analysis, it was decided that the best refinancing strategy was to take on a new loan with a pool of banks for a total amount of up to 252.9 million euro and a duration of 3 years (the "**New Term Loan").**

The main features of the New Term Loan are as follows:

- Total amount: 252,900,000 euro;
- Due date: 22 May 2026;
- Repayment: bullet repayment at maturity (except in the case of cancellation or early repayment);
- Spread on the 6-month Euribor rate: 140 bps;
- Arrangement fee: 30 bps.

Therefore, on 25 May 2023 CDP RETI repaid the outstanding amount of the Bridge Loan at the same time the New Term Loan was disbursed for a total amount of 252,900,000 euro.

The New Term Loan has enabled CDP RETI to:

- pay off the remaining Bridge Loan.
- extend the average duration of the outstanding financial debt, obtaining greater flexibility in the event of a possible total restructuring of its financial debt.
- improve certain contractual provisions, such as for example the one relating to the new financial indebtedness allowed.

In order to ensure a greater stability and predictability in CDP RETI's Income Statement, in line with the approach taken for the 2020 Term Loan, the interest rate of the New Term Loan was converted through an IRS transaction into a fixed rate of 4.806%. Since CDP RETI does not engage in derivative transactions on the market, this IRS was entered into with the parent CDP, which in turn entered into a back-to-back swap with counterparties with which it has derivative transactions in place.

Other significant events occurred in the period

Regarding the **dividends received** from subsidiaries, totalling **550.4 million euro (517.6 million euro in 2022)**, during the reporting period about 289.9 million euro were collected from Snam (2022 interim dividend equal to 116 million[9] euro and 2022 final dividend equal to 174 million euro), about 193.7 million euro from Terna (2022 final dividend equal to 125 million euro and 2023 interim dividend equal to 69 million euro[10]) and about 66.8 million euro from Italgas (2022 dividend).

The increase (+33 million) compared to 2022 is due to the higher collections deriving from the dividend policies (in terms of dividend per share) of Snam (+13.8 million), Terna (+14.4 million) and Italgas (+4.6 million).

Furthermore, on 08 November 2023 the Board of Directors of Snam approved the distribution of interim dividend on the 2023 net income, of which 119 million was paid to CDP RETI (in January 2024).

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

With regard to **dividends paid** to shareholders, **amounting to around 511.7 million euro** before tax **(491.8 million euro in 2022)**, the following amounts were distributed during the year:

- the balance of the 2022 net income (i.e. approximately 169 million[11] euro before tax), of which about 100 million distributed to CDP and 59 million to State Grid Europe Limited, was up compared to the final dividend distributed in the first half of 2022 (i.e. 160 million euro).
- Moreover, it should be noted that a part (332 million) of the 2022 net income was distributed in November 2022 as an interim dividend.[12];
- an interim dividend on the 2023 net income[13] equal to 343 million before tax, of which about 203 million to CDP and 120 million to State Grid Europe Limited.

More generally, it should be noted that the Shareholders' Meeting held on 13 April 2023 approved some proposed amendments to CDP RETI's By-laws aimed, among other things, at implementing consolidated practices related to attending meetings of corporate bodies via audio and/or video conference.

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

- on 9 March 2023, in implementation of the incentive plan called "2018-2020 Co-Investment Plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018 - and the decision of the Board of Directors of Italgas to freely assign a total of 499,502 new ordinary shares of the company to the beneficiaries of the Plan (the so-called third cycle of the Plan) and launch the execution of the third tranche of the capital increase approved by the aforementioned Shareholders' Meeting, CDP RETI's equity investment in Italgas went from 26.01% to 25.99%;
- on 21 March 2023, CDP RETI and Snam signed an agreement amending the shareholders' agreement[14] concerning the shares held by them in Italgas. By virtue of this amending agreement, changes were made to certain forecasts concerning the circulation of Italgas shares owned by Snam. In essence, these changes are related to the possibility for Snam to transfer even only a portion of its equity investment in Italgas, provided that such partial transfer takes place at the time of redemption of one or more convertible bonds (exchangeable bonds, convertible into Italgas shares). Specifically, in this case Snam could transfer shares with voting rights representing no more than 6.75% of the entire capital of Italgas to third parties without altering its governance rights pursuant to the shareholders' agreement, including by means of one or more transfers. Unlike what is generically envisaged in the shareholders' agreement with respect to the transfers of the shares held by Snam in Italgas to third parties, in this case (i) CDP RETI will not be entitled to exercise any pre-emption right, (ii) no approval (including non-discretionary approval) or consent of CDP RETI will be required to make the transfers and (ii) the transferees of the Italgas shares will not be required to sign the shareholders' agreement;
- on 13 April 2023, CDP RETI's Shareholders' Meeting, pursuant to the By-laws, authorised the resolutions taken on the same date by the Board of Directors regarding the designation and appointment of candidates for the office of director and statutory auditor of Terna (with the term ending at the shareholders' meeting convened to approve the financial statements at 31 December 2022), for the three-year period 2023-2025, in preparation for the Shareholders' Meeting scheduled for 9 May 2023.

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[9] Interim dividend (equal to 0.1100 euro per share, with payment starting from 25 January 2023, with coupon due on 23 January and record date 24 January) approved by the Board of Directors of Snam S.p.A. on 9 November 2022 and recognised in the financial statements of CDP RETI S.p.A. at 31 December 2022.

[10] Interim dividend (equal to 0.1146 euro per share, with payment starting from 22 November 2023, with coupon due on 20 November and record date 21 November) approved by the Board of Directors of Terna S.p.A. on 08/11/2023.

[11] 1,044.08 euro distributed for each of the 161,514 shares.

[12] The interim dividend of 2,054.80 per each of the 161,514 shares was approved by the Board of Directors on 21 November 2022 on the basis of the company's accounting situation at 30 June 2022, prepared in accordance with IFRS. The company ended the period with a net income of approximately 332 million and available reserves of approximately 3,369 million.

[13] The interim dividend of 2,123.92 per each of the 161,514 shares was approved by the Board of Directors on 21 November 2023 on the basis of the company's accounting situation at 30 June 2023, prepared in accordance with IFRS. The company ended the period with a net income of approximately 343 million and available reserves of approximately 3,369 million.

[14] The shareholders' agreement concerning Italgas shares has a term of three years, with the possibility of automatic renewal for three years, subject to the right of each party to terminate the shareholders' agreement with 12 months' notice. The expiry date of the shareholders' agreement is on 7 November 2025.

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

The following are the main significant events that occurred during 2023 relating to Snam group:

- SeaCorridor, the company with joint governance between Eni and Snam, was established to manage the international gas pipelines connecting Algeria to Italy, Trans Tunisian Pipeline Company S.p.A (TTPC) and Trans-Mediterranean Pipeline Company (TMPC);
- In agreement with the Ministry of Environment and Energy Security, Snam is promoting the "Small gestures, big impact" campaign to raise awareness toward the conscious and responsible use of energy;
- Snam presents its 2022-2026 Strategic Plan with a focus on development, digitalisation, and decarbonisation, with a strong acceleration on investments in energy security and transition;
- Snam and the Politecnico di Milano renew their collaboration on energy security and transition, innovation and education, with a specific focus on the potential of green molecules, such as hydrogen and biomethane, and on technologies for decarbonisation, such as Carbon Capture and Storage (CCS);
- Snam becomes the sole shareholder of Arbolia, acquiring 49% from Fondazione CDP;
- Snam presents the SoutH2Corridor an initiative in which Snam is collaborating together with Trans Austria Gasleitung (TAG) and Gas Connect Austria (GCA) in Austria and Bayernets GmbH in Germany to transport hydrogen produced in North Africa to Italy, Austria and Germany, and rewards the winners of the second edition of Hyaccelerator;
- the Emilia-Romagna Regional Council awards funding to IdrogeMO, the joint project between Snam and Hera to build a hub that will produce up to 400 tons of hydrogen a year from water and renewable energy;
- Snam wins the "Transition Bond of the Year" award for its first bond aligned with the EU Taxonomy;
- Snam's new website is online, with a renewed graphic design interface, user experience and information architecture;
- The Shareholders' Meeting approved the 2022 financial statements and the distribution of a dividend balance of 0.2751 euro per share;
- the first phase of testing of the FSRU Golar Tundra begins in the port of Piombino;
- Snam obtains ISO 37001:2016 certification for the "Management System for the Prevention of Corruption";
- Snam, through the Snam Foundation, supports the emergency in Emilia-Romagna through a fundraiser among employees;
- Snam confirmed its place among the world's top companies with its inclusion in the "A- List" of CDP (formerly Carbon Disclosure Project) for combating climate change;
- Snam joins Tech4Planet as a corporate partner, the national sustainability technology transfer hub of CDP Venture Capital SGR to foster market access and support the growth of new businesses, conceived within research laboratories and dedicated to environmental sustainability;
- Snam and Terna published the Document describing the 2023 scenarios jointly drawn up by the two operators pursuant to resolutions 468/2018/R/gas of ARERA;
- as part of The European House – Ambrosetti Forum, the Strategic Study "Carbon Capture and Storage: a strategic player for decarbonisation and industrial competitiveness" was presented, hosted by The European House - Ambrosetti in collaboration with Eni and Snam;
- Snam announces the successful placement of senior unsecured EU taxonomy-aligned transition bonds totalling 500 million euro maturing in 2028 and convertible into existing ordinary shares of Italgas;
- "T.E.C. to the future. Discovering Tomorrow's energy company", the documentary that tells SnamTEC's story through its innovation programme applied to the operations with which Snam is building the energy company of tomorrow, is broadcast on Mediaset Infinity;
- Snam presents Metamorphosis, an immersive journey inside the Panigaglia plant, captured by the camera of Brescian artist Carlo Valsecchi;
- Snam integrates its diversity and inclusion policies with one dedicated to "gender social transition", counting itself among the first companies in the energy sector in Italy to make this kind of commitment;
- Greenture, Lidl Italia and LC3 launch a project to promote the development of a sustainable zero-emission supply chain;
- Snam, Rystad Energy and IGU present the Global Gas Report 2023;
- Snam, through the Snam Foundation, involves over 500 employees in volunteer activities to combat food poverty during the "Insieme per gli altri" project;
- Snam renewed the Euro Medium Term Notes (EMTN) Programme, confirming the total maximum value to 13 billion euro to ensure greater flexibility for the company;
- Snam successfully issues its second 650 million euro EU Taxonomy-Aligned Transition Bond with a 4% coupon, the proceeds of which will be used to finance projects supporting the energy transition;
- Moody's Investors Services (Moody's) confirmed Snam's long-term corporate credit rating at Baa2 and revised the outlook to negative from stable.
- The SoutH2Corridor and Callisto Mediterranean CO2 Network projects, in which Snam is involved as a partner, are included in the European Union's sixth list of Projects of Common Interest (PCI);
- Snam is the first Transmission System Operator (TSO) globally to join SBTn's (Science Based Target for Nature) new Corporate Engagement Programme (CEP) to assess its impact on nature and achieve a status of positive contribution to the environment;

- Snam is awarded the Gold Standard under the UN Oil and Gas Methane Partnership (OGMP 2.0) protocol for its commitment to reducing methane emissions, with a score of 8.5 out of 9;
- Snam takes second place in the Webranking Europe 500 2023-2024 ranking for corporate and financial digital communication compiled by Lundquist in cooperation with Comprend;
- Snam finalises the purchase of the 5 billion cubic metre “BW Singapore” floating regasifier for the port of Ravenna from BW LNG;
- Snam is included for the fourteenth time in S&P’s Dow Jones Sustainability World Index, with a score of 82/100;
- Snam obtains ISO 50001 certification for its “Energy Management System”.

TERNA (DISPATCH AND TRANSMISSION OF ELECTRICITY)

Management and development of the NTG:

- Tyrrhenian Link:
  - East Branch: the executive design of the land route on the Sicily side and the detailed marine survey have been completed. Both the executive design and cable qualification tests on the Campania side are underway and construction work is due to start in Sicily at the end of December 2023. After the completion of the geognostic investigations and the removal of existing structures, the construction site works for the Eboli and Termini Imerese conversion stations began in November and October 2023 respectively.
  - West Branch: Following the authorisation decree obtained in September 2023, the executive design of the connections, qualification tests, detailed marine surveys and sea trials are underway. The converter station’s design and the analysis of archaeological findings discovered at the station sites are underway.
- Adriatic Link: In January 2024 the authorisation decree was issued, following the transposition of regional agreements. Following the authorisation, the contract for the supply and construction of high-voltage direct current (HVDC) cable connections was signed and, in February 2024, the contract for the supply, design and construction of converter stations was also signed;
- Elba Island-Continent connection: The 132 kV Colmata-Portoferraio power line came into operation in July, as did the Portoferraio Reactor;
- Olympic Projects: during 2023 the construction sites of the CP Livigno, CP Laion-CP Corvara, CP Brunico-SE Vandoies, SE Moena-CP Campitello were opened and the excavation and installation activities began;
- Interconnection Italy – France: Commissioned (regulated hub) in August;
- Paternò-Pantano-Priolo:
  - 380 kV Paternò-Pantano power line: commissioned in December at the same time as the 380 kV, 220 kV section and the related transformer of the Pantano Station. Work continues on the 150 kV section and the remaining transformers;
  - 380 kV Pantano-Priolo power line: Environmental Impact Assessment (EIA) extension obtained in October, activities resumed in November on site with the construction of 56 foundations and the erection of 50 supports out of a total of 115 and laying power line conductors of approximately 19 km out of a total of 45 km;
- Colunga-Calenzano: 380 kV Colunga-Calenzano power line: on the Emilia-Romagna side, the construction sites have been opened and the construction activities have begun on both the new 380 kV aerial power line and on the cable connections; on the Tuscany side, we are waiting for the release of the last missing compliance requirements by the competent authorities in charge, in order to proceed with the opening of the construction sites. Futa (FI) station construction site has been opened;
- Cerignola Station: The 380 kV section, a 150 kV section and the related transformer came into operation in December. The construction of the second 150 kV section and the installation of the remaining transformers continues;
- Sorgente-Rizziconi connection: 380 kV Bolano-Annunziata cable variant: construction activities are underway, approximately 2 km of civil works have been carried out on 3.4 km of connection and the procurement of the main equipment of the Annunziata station has begun;
- the construction of the 150 kV Vizzini – SE Licodia Eubea connection continues;
- Magenta Station: The new 380 kV section and one of the three planned transformers came into operation in October;
- Italy-France Interconnection: Entry into operation (regulated hub) in August;
- Synchronous condensers:
  - Codrongianos condensers: commissioned in May;
  - Rosara condensers: commissioned in December;
  - Suvereto condensers: commissioned in December;
- STATCOM:
  - Montalto: commissioned in August;
  - Aurelia: commissioned in October.
- Reactors: Montecorvino, Partinico, Casuzze, Bari Ovest, Fulgatore and Roma Est: commissioned in the first half of 2023 with the exception of Roma Est which became operational in the second half of 2023;
- Fiber for the grid: this project aims to boost availability of information from the field to benefit secure management of the electricity system, consisting of the upgrading and expansion of the optical fibre network;
- In December 2023, 20 stations were reached via proprietary optical fibre, for a total of 555 stations connected remotely.

- Renewal of electrical industry asset: the commitment to the renewal of electrical assets aimed at improving the reliability and resilience of the NTG continues. In 2023, after the renewal of overhead lines and station machinery were carried out, about 1,816 km of three-phase conductors and 20 machines were replaced (14 TR-Transformers / ATR-Autotransformers and 6 reactor units, of which 2 with local storage).

Non-Regulated and International Activities:

- Connectivity: the infrastructure, widespread throughout the territory, is made available to meet the ever-increasing need for fast and reliable digital connections. The partners are also supported to develop smart solutions in the field of connectivity, through the connection of the right of use of optical fibre, rental of the pylons and Housing and facility (installation of telecommunication equipment within already operational Terna spaces);
- Fibre Optic: through the granting of rights to use fibre optic, Terna allows the customer to have a new infrastructure available, featuring a higher performance than the standards of underground cables both in terms of reliability (much lower number of annual failures per km) and quality (low attenuation), with significant savings in terms of length compared to ground connections (>20% on long distance). In total, since 2017, approximately 36,500 km of fibre pair were granted under IRUs, for which Terna provides maintenance and Housing service for regeneration. The main contracts, which continued into 2023, are with Open Fiber, Irideos, Fastweb, Eolo, WIND and E-Distribuzione's customers. Under these contracts, a total of 3,661 km of fibre optic pairs were delivered during 2023. Among the above-mentioned deliveries, in relation to the framework agreement signed in February 2023 for the transfer of Indefeasible Right of Use (IRU)'s rights for the construction of an infrastructure needed to connect the Primary Cabins to the Operations Centre, during 2023, 150 Sections were delivered to E-Distribuzione for a total of 2,461 km of optical fibre pair. The framework agreement provides for the delivery, between 2023 and 2027, of approximately 42,000 km of fibre pairs that will connect 1,923 E-distribuzione cabinets through 153 rings;
- Energy Solutions: Engineering, procurement and construction (EPC), operation and maintenance (O&M), and digital services. In particular, among these, the main initiatives of the year are outlined below;
- Smart Grid: creation of "turnkey solutions" for companies that want to evaluate, design and integrate renewable plants (photovoltaic or wind), storage systems (batteries) and cogeneration/trigeneration solutions into their production cycle. Complex systems for generation, storage, active demand behind the meter, utility scales and advanced control of the systems themselves are created that are able to optimise their operation;
- LT Group Renewables: LT Group is engaged in the operation and maintenance of photovoltaic power stations, the revamping and repowering of existing stations and the construction of new photovoltaic farms on behalf of third parties. The 2023 turnover, amounting to approximately 106 million euro, was in line with forecast, and compared to 2022, turnover increased by approximately 64 million euro mainly attributable to Energy Performance Contract (EPC), revamping and repowering activities, which grew by approximately 300%. On 5 October 2023, the merger process of the company Omnia S.r.l. into LT S.r.l. was completed. It is worth remembering that on 29 March 2023, Terna, through its subsidiary LT S.r.l., completed the full acquisition of Omnia S.r.l., a company engaged in the operation and maintenance of photovoltaic power stations. The acquisition was another step in consolidating the LT Group's position as a leading domestic market player in the construction and management of photovoltaic systems;
- Other projects: in 2023, the construction of an electrochemical storage plant in Assemini (Metropolitan City of Cagliari) was completed. Additionally, the construction and commissioning of two Statcom systems relating to the production facilities of two different steel plants in Lombardy and Veneto were also completed. Civil works were also completed and electromechanical assembly started on the Storage plant under construction on the island of Pantelleria, which is part of the Smart Island projects. With regard to refurbishment/repowering contracts for photovoltaic plants, the Alfonsine II (Ravenna) plant and the construction of rooftop solar power plants (FTV) for an important industrial company in Emilia Romagna were completed. Additionally, module and inverter refurbishing activities also continued for all the other plants involved. In addition, module refurbishment and inverter repowering activities continued for eight third-party plants located in Puglia, Emilia-Romagna, and Lazio;
- High voltage: 2023 saw the completion of the construction of a new Regional Transmission (TR) stall and related control system for an industrial operator in the Veneto region, as well as the construction of a new stall and refurbishment of the low voltage section for an industrial operator in Emilia-Romagna, alongside the Technical Works Plan (PTO) activities for the construction of a connection infrastructure to the Rete Elettrica di Trasmissione Nazionale (i.e. Italian National Grid aka RTN) for an industrial customer in Tuscany. In addition, the construction and supply of a High Voltage (HV) cable duct was completed and a refurbishment contract was signed for an HV/Medium Voltage (MV) Electric SubStation (SSE) at another industrial site. Furthermore, the design of the intervention and procurement activities of the HV components and the transformer also began. Work under the framework agreement with RFI for the "Design, supply, installation, certification and commissioning of Metering Equipment" is also continuing. During 2023, 82 application contracts were signed and 15 installations were carried out, for a total of 60 systems installed. Completed the executive design for the construction of an SSE in Puglia; started the construction activities of another SSE in Sardinia (both intended for the connection of FTV Utility Scaled Systems and preparatory design activities are being completed to start the construction of a similar SSE in Lazio. The construction of a temporary SSE for the connection of another Utility Scaled Photovoltaic system is underway in Sicily. Started the preparatory activities for a "turnkey project" for the construction of a connection infrastructure to the RTN (SSE and HV Cable) for a major customer operating in the data centre sector in the province of Milan;

- South America – sale of the LatAm portfolio: as part of the initiatives abroad, the project to enhance the activities in South America started in the last part of 2021 continues (the so-called sale project), with the aim of selling up to 100% of the LatAm portfolio.
- The sale will be closed in several stages, with the biggest tranches closed in November and December 2022, respectively with the sale to CDPQ of SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A. and then Difebal S.A.;
- During 2023, in Brazil, the construction works for the SPE Transmissora de Energia Linha Verde I S.A. project were completed, creating a 500 kV Governador Valadares-Mutum power infrastructure, running across a length of approximately 150 km and located in the State of Minas Gerais, which is scheduled to be handed over in 2024;
- The operation and maintenance activities in Peru of the 132 km long 138 kV line between Aguaytìa and Pucallpa also continued, following the entry into commercial operation of the works on 16 May 2021;
- North America: efforts to develop the North America market continued during 2023 through the companies Terna USA LLC and BMT Energy Transmission Development LLC, with the aim of identifying business opportunities tied to the acquisition, development and construction of major onshore and offshore projects for electricity transmission infrastructure in the United States.

Finance:

- Other funding available to Terna as at 31 December 2023 included several ESG-linked Credit Facility Agreements for a total amount of 900 billion euro, two ESG-linked Revolving Credit Facilities for a total amount of approximately 3.5 billion euro and a 1 billion euro ESG-linked Euro Commercial Paper (ECP) programme. On 12 May 2023, the ESG-linked Revolving Credit Facility signed in April 2019 was refinanced, extending the maturity of the facility by another 5 years and raising the credit ceiling to a total 1.8 billion euro. The new arrangement also modified the ESG indicators to which a premium/penalty mechanism applied to the contractual provisions relating to the commitment fee and margin is linked. The three-year Euro Commercial Paper programme (short-term bonds intended for qualified investors) allows Terna to issue ESG Notes, on the condition that it obtains and maintains a Top 10% Global ESG Score in the S&P Sustainability Yearbook for the Electric Utilities sector. On 2 May 2023, Terna published a first Supplement to the Information Memorandum of the programme of 16 July 2021;
- On 10 July 2023, the programme for the purchase of treasury shares covering the 2023-2027 Performance Share Plan was concluded, for a maximum disbursement of about 7 million euro and the purchase of 917,611 ordinary shares of the Company (representing approximately 0.046% of the share capital). Lastly, in line with Terna's commitment to the issues of sustainability and social and environmental responsibility, the programme includes a mechanism linked to the achievement by the company of specific environmental, social and governance targets;
- In January 2021, beyond its inclusion in the main ESG indices, Terna became the first Italian electric utility to join the Nasdaq Sustainable Bond Network, the platform managed by Nasdaq dedicated to sustainable finance, which brings together investors, issuers, investment banks and expert organisations;
- Moreover, Terna continues to participate in the CFO Coalition for the SDGs, previously known as the CFO Taskforce for the SDGs, the initiative launched at the end of 2019 by the UN Global Compact for the development of sustainable finance, of which Terna is among the founding members. The Coalition aims to continue on the path of sustainability, expand the global community, and follow the example provided by the CFOs that founded the Task Force;
- Providing further evidence of its commitment to play an active role in the development of sustainable finance, Terna participates in the Corporate Forum on Sustainable Finance, a network of leading European companies that are committed to developing sustainable finance as a tool to promote a more sustainable and responsible society;
- Finally, Terna, both individually and within the framework of the aforementioned Corporate Forum on Sustainable Finance, constantly monitors the development of European legislation, paying particular attention to the impacts of the taxonomy for sustainable finance.

ITALGAS (GAS DISTRIBUTION SECTOR)

Extraordinary operations, M&A and Tenders

In March 2023, Italgas entered into exclusive negotiations with the Veolia Environnement S.A. Group for the acquisition of the shareholdings held by the Veolia Group in companies active in the water service in the regions of Lazio, Campania and Sicily.

On 9 June, Italgas and Veolia signed the sale and purchase agreement and, following the conclusion of the process with the Granting Bodies, on 16 October 2023, the acquisition of the business unit responsible for the concessions held in Italy in the water sector that have merged, with the concessions of Caserta and its province, into Italgas Acqua S.p.A. was completed. At the same time, the Extraordinary General Meeting of Italgas Acqua S.p.A. resolved to change the company name to Nepta S.p.A.

On 13 April 2023, the subsidiary Italgas Reti signed an agreement for the distribution of natural gas in ATEM Torino 1, following the award of the relative tender. The contract, effective from 1 May 2023 and with a duration of 12 years, entails a single management of distribution service for all the ATEM municipalities.

In June 2023, the merger by incorporation of Janagas S.r.l. into Medea S.p.A. was completed, with civil law effect from 10 July 2023 and with accounting and tax effects from 1 January 2023.

Effective 30 September 2023, the merger of EDA Thess and EDA Attikis into DEDA, operating companies of the Depa Infrastructure Group, was finalised. As a result of the merger, DEDA universally takes over all the rights and all obligations and in general all the legal relationships pertaining to the merged operating companies. On 14 February 2024, the company name of DEPA Infrastructure was changed to Enaon S.A. and that of DEDA to Enaon EDA S.A.

In September 2023, Italgas Reti submitted its bid for the ATEM CATANZARO - CROTONE tender, for which the evaluation process is currently underway.

On 29 November 2023, the Municipality of La Spezia contracting entity officially awarded to Italgas Reti the contract for the natural gas distribution service in the “La Spezia” territorial area, which includes La Spezia and 32 municipalities of the province. The award of the ATEM, consisting of about 110 thousand customers served, allows Italgas to give continuity to the management of the service and to actively contribute to the efficiency and decarbonisation of consumption through investments of about 230 million euro.

Rating and debt structure optimisation

On 1 June 2023, Italgas successfully launched a new 500 million euro bond issue under the Euro Medium Term Notes (EMTN) programme. The fixed-rate bonds pay an annual coupon of 4.125% and mature on 8 June 2032.

On 29 September 2023, the Italgas Board of Directors resolved on renewing the EMTN Programme launched in 2016, already renewed in 2017, 2018, 2019, 2020, 2021 and 2022 confirming the maximum nominal amount of 6.5 billion euro, which was subscribed on 24 October 2023.

On 20 November 2023, Fitch Ratings (Fitch) confirmed Italgas’ long-term credit rating at BBB+ with a stable outlook.

On 21 November 2023, Moody’s Investors Service (Moody’s) confirmed Italgas’ long-term credit rating at Baa2, revising the Outlook from negative to stable. The rating action followed Moody’s change of the outlook of the Italian government’s Baa3 debt rating from negative to stable on 17 November.

Equity transactions

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

Legal and regulatory framework

The Authority notified before the Council of State the appeal against the judgment by the Lombardy Regional Administrative Court which, in January 2023, accepted the appeal filed by Italgas Reti for the annulment of Resolutions no. 603/2021/R/com and no. 604/2021/R/com with which the Authority had imposed on distribution companies communication obligations on the subject of two-yearly limitation of electricity and gas consumption. On 29 December 2023, the Council of State, confirming the Lombardy Regional Administrative Court’s ruling, rejected ARERA’s appeal and cancelled the effectiveness of certain provisions of the above-mentioned resolutions.

In February 2023, Italgas Reti challenged Resolution no. 654/2022/R/com, with which ARERA confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of TIWACC 2022-2027. Following the application of the so-called trigger mechanism, provided for by Article 8 of the TIWACC 2022-2027 for the update of the WACC for the 2022-2024 sub-period, the calculation of the WACC shows a variation, for each service, lower than 50 bps with respect to the value in force. Scheduling of the hearing is pending.

Under Resolution 123/2023/R/gas of 28 March 2023, the Authority initiated a procedure to comply with Council of State decision 9607/2022 in relation to the determination of the premiums due to Italgas Reti for safety recovery operations planned in 2016, 2017, 2018 and 2019 at 24 gas distribution plants in the locations affected by the findings of the investigation referred to in Annex A to Resolution 494/2018/E/gas. On 7 February 2024, the Authority’s System Services and Energy Monitoring Department communicated its positive assessment of the arguments and evidence produced by Italgas, proposing at the same time to the Board the full recognition of the premiums for a total amount of 4,049.9 million euro.

On 25 July 2023, with Resolution No. 340/2023/R/efr, the Authority determined the tariff contribution to be recognised for the 2022 compulsory year as the cap sum 250 euro/TEE and the additional unit contribution of 0.68 euro/TEE, to be recognised in the event the average market price of securities is greater than the cap, as defined in Resolution No. 270/2020/R/efr.

With Resolution No. 454/2023/R/efr of 10 October 2023, the Authority increased the unit tariff contribution paid on account as follows:

- a value equal to the total unit contribution paid out in the previous obligation year, to be applied to a maximum amount of Energy Efficiency Certificates (TEE) equal to 50% of the current year's target only;
- a value of 240 euro/TEE, for the remaining amount.

With Determination No. 3/2023 of 31 October 2023, the Authority defined the national quantitative obligations to increase the energy efficiency of natural gas end-use, to be achieved in the year 2023 by distributors with more than 50,000 end-customers connected to their distribution network on 31 December 2021. For the subsidiaries and affiliates of Italgas S.p.A., the quantitative obligation for the year 2023, expressed in number of White Certificates, is equal to: a) 345,378 for Italgas Reti, b) 49,277 for Toscana Energia and c) 2,693 for Umbria Distribuzione Gas.

On 31 May 2023, the Italgas Group cancelled a total of 59,931 TEEs and additionally purchased 940 TEEs short from the Energy Services Manager (GSE). In the November 2023 interim cancellation session, covering the 2023 obligation year (01 June 2023 - 31 May 2024), Italgas Group purchased and cancelled a total of 219,597 TEEs.

On 28 November, the Council of State partially upheld ARERA's appeal against the ruling of the Regional Administrative Court of Milan on Resolution no. 570/2019/R/gas and related RTDG. In particular, the Council of State upheld ARERA's appeal with regard to the issue of Beta Metering, considering that the regulation introduced with Resolution No. 570/2019/R/gas is supported by an adequate preliminary investigation; and with regard to the issue of IRMA, considering that this item is a nominal value debt in nature rather than a dominant currency debt and, as such, it must only be revalued, without accruing legal interest pursuant to Article 1282 of the Italian Civil Code. On the other hand, the Council of State upheld the ruling of the Lombardy Regional Administrative Court insofar as Resolution No. 570/2019 was deemed unlawful due to the lack of transparency and lack of motivation with regard to the determination of recognised operating costs (COR), actual operating costs (COE) and X-factor. The ground of censure proposed by ARERA against the Head of the Milan Regional Administrative Court (TAR)'s ruling, which considered the failure of the AIR experiment to be illegitimate, was then declared inadmissible for lack of interest.

On 19 September, with Resolution No. 409/2023/R/gas, the Italian regulator corrected the calculation errors relating to the determination of the recognised operating costs and the X-factor, in compliance with the rulings of the Lombardy Regional Administrative Court (TAR), which partially upheld the appeals of a number of operators, including Italgas, for the annulment of the 2020-2025 RTDG set out in Resolution No. 570/2019/R/gas. In particular, the resolution redetermines the unit fee values to cover the operating costs recognised for the gas distribution service for the years from 2020 to 2023, for municipal or supra-municipal managements and for area managements, as well as the annual reduction rate of the unit costs recognised to cover operating costs (X-factor), at the rate of 3.39% instead of the previous 3.53%.

Determination No. 1/2023 - DINE defined the operating procedures for recognising the residual costs of smart meters installed up to 2018, with a year of manufacture no later than 2016, and decommissioned before the end of their useful life for tariff purposes. The Authority must prepare a phase of new acquisition of data relating to the disposal of smart meters, through an extraordinary session of RAB GAS data collection, with the publication of the relevant operating instructions.

Resolution no. 556/2023/R/com updated, for the year 2024, the parameters provided for verifying the activation of the trigger mechanism, on the basis of which the conditions for the annual update of the WACC are verified, determining, for the year 2024, the value of the WACC for the natural gas distribution and metering service equal to 6.5%.

On 14 December 2023, with Resolution No. 590/2023 R/gas, the Authority approved the ranking of the applications submitted by operators to the pilot projects for the optimisation of the management and innovative use of infrastructures in the natural gas sector and the relative incentive mechanism provided for by Resolution No. 404/2022/R/gas. In particular, with regard to the applications submitted by Italgas, the Authority has admitted the following projects to the trials and incentives:

- Digital Reverse Flow, falling under Project Area 1 - methods and tools for optimised grid management, aimed at bringing back into the network the biomethane not used locally, for which a tariff contribution of 1.4 million euro is recognised;
- 3D Asset Mapping, falling under Project Scope 3 – innovation interventions on regulated infrastructures in the natural gas supply chain aimed at increasing energy efficiency, to which a tariff contribution of 1.8 million euro is recognised.

Resolution No. 631/2023/R/gas approved the mandatory tariffs for natural gas distribution, metering and marketing services for the year 2024.

The proceedings on the merits concerning the redetermination of the amount owed to Italgas Reti by the operator that was awarded the ATEM Napoli 1 contract by way of reimbursement value is currently suspended because, at the Judge's request, proceedings have been commenced before the Corte di Cassazione to determine the jurisdiction of the Civil Judge or, alternatively, of the Administrative Judge.

The Greek Regulatory Authority for Energy, Waste and Water (RAEWW), in its decision E-71/2023, announced the RAB (Regulated Asset Base) for 2023 for the Enaon Group's DSOs, setting it at 8.57% (compared to 7.03% in 2022 and 2021). The decision was taken in accordance with the provisions of Article 260 of Law 5037/2023.

Other events

On 19 January 2023, Italgas presented to the stakeholders the 2022-2028 Sustainable Value Creation Plan, "Builders of the future", approved by the Company's Board of Directors on 14 December 2022. This plan, integrated with the Strategic Plan, defines ambitious actions and targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates.

On 7 February 2023, Italgas was included for the fourth consecutive year in the S&P Global Sustainability Yearbook, the annual publication of S&P Global that gathers best practices, experiences and success stories from the world's leading companies on sustainability issues.

Italgas also confirmed its leadership with the inclusion in the "Top 1% S&P Global ESG Score" category, by virtue of the excellent performance recorded. The result was achieved downstream of the Corporate Sustainability Assessment (CSA) conducted in 2022: 708 companies, among the 7,800 evaluated, were included in the Sustainability Yearbook 2023 based on their ESG scores.

In May 2023, Italgas ranked first among the only two Italian companies included by the American magazine Newsweek of the 100 Global Most Loved Workplaces, an annual list that recognises companies that excel in employee satisfaction and engagement. The ranking takes into account a wide range of aspects of employee satisfaction and opinion, including the level of respect, engagement and care, their sense of belonging and CEO leadership.

On 5 June 2023, Italgas joined the Istituto Grandi Infrastrutture (IGI) as a member of the Board of Governors, with the aim of promoting innovation and efficiency in the implementation of large-scale infrastructure, with a focus on the energy sector.

On 12 June 2023, Italgas and the City of Turin presented the new Italgas innovation centre to be built in Corso Regina Margherita. The centre will also develop research on methane, biomethane and green hydrogen, actively contributing to the decarbonisation process and the transition towards a more sustainable future. It will also house the new Italgas centre will host the group's Cyber Range, where the cybersecurity and resilience of next-generation digital devices and systems will be developed and tested.

On 15 June 2023, Italgas presented to analysts, investors and the press, the Group's 2023-2029 Strategic Plan, approved on the same date by the Company's Board of Directors. The Plan envisages investments totalling 7.8 billion euro, targeted mainly at projects for the development of assets and gas distribution operations in Italy and Greece, energy efficiency measures and the development of the water sector.

On 27 July 2023, the Italgas shares were confirmed for the seventh consecutive year among the members of the FTSE4Good Index Series, which groups the best global companies that stand out for their attention to sustainable economic development. The current review resulted in a sustainable performance rating for Italgas of 4.3 points (out of a maximum of 5), an improvement on the previous score of 4.2. The result achieved, puts Italgas above the average for Italian companies and above the average for its sector at international level too.

On 7 September 2023, Italgas obtained the UNI/PdR 125:2022 certification for gender equality, which recognises the ability of organisations to adopt a systemic approach and cultural change to create inclusive and equal working environments. This important result, achieved after an intensive internal audit process, was certified by DNV, an independent body operating in more than 100 countries in the field of certification, assurance and risk management services.

On 14 November 2023, Italgas and Coldiretti signed a protocol for the development of biomethane with the aim of supporting the creation of new plants, the conversion of biogas plants and connection to distribution networks.

On 4 December 2023, Italgas and Tokyo Gas Network signed a Memorandum of Understanding at the Italian Embassy in Tokyo to start a collaboration in the strategic areas of gas distribution and aimed at the development of joint projects in the field of innovation and digitalisation.

KEY CONSOLIDATED MANAGEMENT FIGURES

The accounting situation of the companies of the CDP RETI Group as at 31 December 2023 is presented below from a management accounting standpoint.

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

Key financial figures

Items		2023	2022
Total revenue	(million of euro)	9,291	8,004
EBITDA	(million of euro)	5,767	5,338
EBITDA margin	(%)	62%	67%
Operating profit (EBIT)	(million of euro)	3,062	3,007
EBIT margin	(%)	33%	38%
Net income	(million of euro)	2,197	1,774
Profit margin	(%)	24%	22%

Key balance sheet and cash flow figures

Items		31/12/2023	31/12/2022
Property, plant and equipment	(million of euro)	40,894	38,633
Intangible assets	(million of euro)	12,561	12,083
Long-term financial liabilities	(million of euro)	32,687	30,741
Equity	(million of euro)	18,877	18,570
- attributable to the parent company CDP RETI	(million of euro)	*4,976*	4,917
- attributable to minority interests	(million of euro)	*13,901*	13,653
Net financial debt	(million of euro)	(33,897)	(28,017)

Other key figures

Items		2023	2022
Technical investments	(million of euro)	4,971	3,923
Net cash flow for the period	(million of euro)	(1,390)	143
Average workforce	(numbers)	13,707	13,282
Dividends distributed to shareholders during the period			
- *from Snam S.p.A.*	(million of euro)	*(933)*	*(866)*
- *from Terna S.p.A.*	(million of euro)	*(666)*	*(592)*
- *from Terna S.p.A.*	(million of euro)	*(258)*	*(239)*
- *from CDP RETI S.p.A.*	(million of euro)	*(512)*	*(492)*

Ratios

Items		2023	2022
ROE	(%)	12%	10%
Net financial debt/EBIT	(numbers)	11.1	9.3
Net financial debt/Equity	(numbers)	1.8	1.5

With regard to key management figures, 2023 results were as follows:

Total revenues amounted to 9,291 million euro (8,004 million euro in 2022), an increase of 16.1% on the previous period.

EBITDA amounted to 5,767 million euro (5,338 million euro in 2022), with an EBITDA margin of 62% (slightly down compared to 2022) and an increase of 429 million euro (+8.0%) compared to 2022. The contribution to the EBITDA margin was 26% for Snam, 23% for Terna and 13% for Italgas.

EBIT amounted to 3,062 million euro (3,007 million euro in 2022), with an EBIT margin of 33% (slightly down compared to 2022). These figures also reflect the amortisation/depreciation and impairment resulting from the process of purchase price allocation (PPA) of the assets and liabilities of Snam, Terna and Italgas[15].

Net income amounted to 2,197 million euro (1,774 million euro in 2022), with a percentage impact on revenues of 24% (22% in 2022). The amount pertaining to the Parent Company was 631 million euro (513 million euro in 2022).

Net financial debt was equal to 33,897 million euro, increasing by 5,880 million (+21%) on 31 December 2022. The total amount of 34 billion euro refers to Snam (45.1%), Terna (30.5%) and Italgas (19.7%), and the remaining portion (4.7%) to the Parent Company CDP RETI.

Technical investments amounted to 4,971 million euro at 31 December 2023 and related to Snam (36%), Terna (46%) and Italgas (18%).

Net cash flow for the year was negative by 1,390 million euro (with cash and cash equivalents decreasing from 4,530 million euro to 3,140 million), attributable to Terna (-777 million euro), Snam (-374 million euro), Italgas (-202 million euro)

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

and CDP RETI (-37 million euro). Operating activities and financing activities generated resources of 423 million euro and 2,535 million euro, respectively, which were fully absorbed by investing activities (net of divestments) of -4,348 million euro.

ALTERNATIVE PERFORMANCE MEASURES[16]

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

Non-GAAP[17] financial reporting must be considered as supplementary and does not replace the information drafted in accordance with IFRS. In fact, the APMs presented in this Annual Report are considered significant for assessing operating performance with reference to the results of the CDP RETI Group as a whole. Furthermore, it is believed that they ensure better comparability over time of the same results, even though they are not substitutes or alternatives to the results determined by applying IFRS.

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

i) "EBITDA": Profit for the year (from the statutory income statement) adjusted by the following items (included in the reclassified income statement of the consolidated/separate financial statements): (i) Net income on assets available for sale and discontinued operations, (ii) Income taxes, (iii) Financial income/expenses (including the effects of equity investments accounted for using the equity method), (iv) Amortisation, depreciation and impairment;
ii) "EBITDA margin": the percentage impact of EBITDA on total revenues. This margin represents an indicator of the Group's ability to generate profits through its revenues. In fact, the EBITDA margin measures the Group's operating performance by analysing the percentage of revenues that become EBITDA;
iii) "EBIT": EBITDA less amortisation, depreciation and impairment;
iv) "EBIT margin": the percentage impact of EBIT on total revenues. This margin represents an indicator of the Group's ability to generate profits through its revenues. In fact, the EBIT margin measures the Group's operating performance by analysing the percentage of revenues that become EBIT;
v) "ROE" (Return on equity): the ratio of Net income/loss for the period (over 12 months, from 1 January to 31 December) to average Total Equity at the beginning and at the end of the reporting period;
vi) "Net financial debt"[18]: the sum of short-term and long-term debt, including financial payables for lease obligations pursuant to IFRS 16 net of cash and cash equivalents and other current financial assets. See the specific section for further details. Net financial debt represents an indicator of the ability to meet one's financial obligations;
vii) "Net financial debt/EBIT" ratio: this measure is calculated by the Group as the ratio of Net financial debt, as monitored by the Group, to EBIT;
viii) "Net Financial Debt/Equity" ratio: this measures the level of solidity and efficiency of the capital structure in terms of the relative impact of borrowing and equity sources of financing (level of dependence on outside sources of financing). It is calculated as the ratio of Net financial debt, as monitored by the Group, to Equity.
ix) "Net financial debt/Dividends" ratio: this indicator is calculated as the ratio of Net financial debt to dividends for the period;
x) Operating Income/Loss: calculated as the sum of income and financial expenses (excluding dividends for the period), amortisation/depreciation charges and administrative expenses;
xi) "Dividends/Financial Expenses" ratio: this indicator is calculated as the ratio of dividends for the period to financial expenses;
xii) Market value of equity investment portfolio: product of the number of CDP RETI shares multiplied by the official price per share at the end of the period of Snam, Terna and Italgas.

The calculation of these measures, unchanged with respect to those used at 31 December 2022, is consistent with that recorded in the comparison period.

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

3. ORGANISATIONAL STRUCTURE

3.1 THE ORGANISATIONAL STRUCTURE

At 31 December 2023, CDP RETI had four employees (plus nine under part-time secondment), all on permanent contracts. Compared to 31 December 2022, with a view to ensuring better operational efficiency and effective monitoring of relevant activities, in December 2023 one new resource was added and the previous secondment model was confirmed.

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

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

Reported below are the average figures of the three groups Snam, Terna and Italgas:

SNAM

(average numbers)	31/12/2023	31/12/2022
Senior Managers	139	145
Middle Managers	675	639
Office staff	2,037	1,925
Manual workers	875	841
Total	**3,726**	**3,550**

TERNA

(average numbers)	31/12/2023	31/12/2022
Senior Managers	107	98
Middle Managers	887	819
Office staff	3,205	2,941
Manual workers	1,523	1,476
Total	**5,722**	**5,334**

ITALGAS

(average numbers)	31/12/2023	31/12/2022
Senior Managers	75	74
Middle Managers	381	378
Office staff	2,471	2,488
Manual workers	1,329	1,457
Total	**4,256**	**4,397**

3.2 RISK FACTORS

INTRODUCTION

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

This section illustrates the main risks to which the CDP RETI Group is exposed in the ordinary management of its business activities, as measured and managed at the level of Terna, Snam and Italgas. For the description of the financial risks, reference is made to the specific "Financial risk management" section of the notes to the Consolidated Financial Statements, and to the "Information on risks and related hedging policies" section of the Separate Financial Statements.

The main risks identified at sector level and by risk categories are listed below.

SNAM GROUP

RISKS AND UNCERTAINTIES ARISING FROM SNAM'S ORDINARY OPERATIONS

STRATEGIC RISKS

Regulatory and legislative risk

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

With reference to the energy transition businesses, as from 2023, the maximum deduction rate for the Superbonus equal to 100% of the expenses incurred no longer applies. The deduction rates confirmed for the year 2024 and 2025 are those envisaged by Law 77/2020 and subsequent amendments, equal to 70% and 65% of the expenses incurred, respectively. Considering the effectiveness of these incentive mechanisms at the national level in recent years with reference to the residential sector, Snam believes that this overall system of incentives for energy efficiency and for the construction sector in general can be maintained for future years, even if in a context of gradual reduction, however, future regulatory revisions could have an impact on the group's economic and financial performance.

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

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

Macroeconomic and geopolitical risk

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

With reference to 2023, persistent uncertainties remain related to geopolitical tensions, amplified by the conflict that erupted in the Middle East and the general slowdown in global economic activity.

The protracted Russian-Ukrainian conflict, which has been going on for almost 24 months, and the possible widening of the Middle Eastern front, could compromise or delay the progressive stabilisation of the world economy; in particular, significant effects on international trade, Italian imports and exports, and supply chains could occur in the event of further and repeated attacks on commercial vessels transiting the Red Sea, which represents a transit route for 12% of world goods and for 40% of all Italian maritime trade.

At the economic level, the dynamics already observed since the last quarter of 2022, which put an end to the prolonged growth phase in the prices of energy goods that began in the third quarter of 2021, gradually consolidated during 2023.

The extraordinary European investment plan for the protection of energy security and the diversification of gas supply sources, also favoured by the mild weather conditions of the last winter season, contributed decisively to the continuation of the downward trend in energy commodity prices.

Since March 2023, on the Dutch TTF spot market, the price of natural gas has been consistently below 55 euro per MWh. Gas prices, although substantially decreasing, still remain higher than observed before 2022, thus affecting the competitiveness of European and national companies.

Therefore, in a time of crisis characterised by a scenario of future uncertainty and extreme volatility, Snam has made the security of supply a priority, working to ensure greater flexibility and the adequate sizing of gas infrastructure through new FSRU, the roll-out of the Adriatic Line and an expansion in TAP capacity.

On the indication of the Italian Government, two floating storage and regasification units (FSRU) were purchased that will be able to contribute to the security and energy diversification of the country by enhancing the LNG capacity entering Italy. The first regasifier, the Golar Tundra, was moored in the port of Piombino in March 2023. It guarantees a storage capacity of 170,000 cubic metres and an annual regasification capacity of 5 billion cubic metres of gas. The second FSRU, the "BW Singapore", whose acquisition was completed in December 2023, was built in 2015 and also has a maximum storage capacity of about 170,000 cubic metres of liquefied natural gas and a nominal regasification capacity of about 5 billion cubic metres per year. It will be moored in the Upper Adriatic, off the coast of Ravenna.

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

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

Market risk

Lastly, as to the risk linked to gas demand, under the current tariff system applied by the Energy Networks and Environment Regulator (hereinafter ARERA or the Authority) to natural gas transport, Snam's revenues, through its directly controlled transport subsidiaries, are partly correlated to volumes redelivered. However, with Resolution 114/2019/R/gas, for the fifth regulatory period (2020-2023), and Resolution 139/2023/R/gas, for the sixth regulatory period (2024-2027), ARERA confirmed the guarantee mechanism covering the share of revenues correlated with redelivered volumes already introduced in the fourth regulatory period on volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with output volumes. This mechanism guarantees about 99.5% of the authorised overall revenues from transmission activities.

Under the current tariff system applied by ARERA to natural gas storage, Snam's revenues, through Stogit, are correlated to the use of infrastructure. However, ARERA has introduced a guarantee mechanism covering these revenues, which allows companies to cover a main share of the authorised revenues. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenue was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution 419/2019/R/gas extended the level of guarantee to all recognised revenue (100%).

Finally, with reference to the tariff regulatory criteria for the LNG regasification service for the fifth regulatory period (2020-2023), Resolution 474/2019/R/gas confirmed the mechanism to cover reference revenue at a guaranteed minimum level of 64%. Resolution 196/2023/R/gas relating to the tariff regulation criteria for the sixth regulatory period (2024-2027) confirmed the mechanism and established a fund for the new regasifiers pursuant to Legislative Decree 50/2022 (art. 5), allocating an annual 30 million euro from 2024 through to 2043, earmarked to cover the portion of revenues for the regasification service, including the cost of purchase and/or construction of new plants, with priority placed on the portion exceeding the application of the revenue coverage factor. In general, the changes in the current regulatory framework might have adverse impacts on the Snam group's business, financial position and results.

Abroad, market risk protections are offered by French, Greek and Austrian regulation even if for the latter the tariff framework does not guarantee full coverage of volume risk. Another type of protection comes from TAP's long term contracts, GCA (with gradual maturity dates up to 2031), Teréga (with gradual maturity of the long term contracts at the point of interconnection with Spain from 2023) and Adnoc Gas Pipeline (20 years tariff-based with minimum ship or pay).

The UK regulation does not guarantee coverage against volume risk, but the current capacity reserves of the investee Interconnector already exceed the regulatory ceiling for the period 2023-2026.

With reference to the investee SeaCorridor, a joint venture that manages the international pipelines linking Algeria to Italy, although operating in an unregulated context and exposed to volume risk, the company can benefit from medium- to long-term contracts already in place and a prospect of utilization close to maximum capacity given that it represents one of the main sources of imports to replace Russian gas. In addition, the contractual arrangements of the purchase and sale with Eni, provide protection to Snam toward volume fluctuations from pre-set estimates.

With reference to the macroeconomic market framework, and consumption framework, 2022 witnessed a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption by end users (industrial players/private individuals) and switching to other energy carriers. This growth is due to a number of factors including: post-Covid consumption increase, structural reduction in the continental production of gas, reduction in imports from Russia, lower production from electrical renewables (wind, solar), especially in Northern Europe, gas consumption increase and LNG imports at a global level in Asia, and increase in the CO_2 prices on the Emissions Trading System (ETS) market.

Although in the first half of 2023 spot market gas prices were lower than those in the previous year, the contingent trend in commodity prices in Europe and the high energy dependence on imports could represent elements of vulnerability for the Italian energy system, both in the short term (in particular with reference to the next winter) and in the medium term (fuelling the phenomenon of energy poverty).

Regarding gas, Snam has already mitigated this risk thanks to a series of counter measures adopted over the last few years such as: investments in import capacity from new supply routes to ensure the diversification of the sources of procurement (such as the commissioning of the TAP gas pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g.: peak shaving via regasification terminals, interruptibility service for withdrawals from the transport network).

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

Climate change risk

Achieving global climate targets will require significant investment in the decarbonisation of the energy sector over the next 30 years.

In recent years, Snam has repositioned itself to benefit from the new energy transition mega-trends, through its infrastructure, which will be crucial to achieving decarbonisation targets, its presence in the energy transition businesses, international expansion and a disciplined approach to investments.

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

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

With Resolution 139/2023/R/gas of 5 April 2023, ARERA defined the regulatory criteria for the sixth regulatory period (2024-2027) of the natural gas transmission and metering service, including – among other things – the recognition of costs related to the Emission Trading System (ETS). With Resolutions 419/2019/R/gas and 196/2023/R/gas, the recognition of costs relating to the ETS mechanism was introduced also for the storage services (regulatory period 2020-2025) and for the regasification service (2024-2027).

Climate change scenarios could also lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas (and on volumes transported).

On the one hand, in the short and medium term, gas could benefit from its greater sustainability than other fossil fuels and represent a bridging solution towards the complete decarbonisation of some sectors.

On the other hand, individual policies and choices could lead to a progressive reduction in natural gas consumption, with a consequent impact on the current use of infrastructure. The rise in the decarbonisation targets at EU level, including the new legislative proposals being issued on energy transition (such as the EU's Fit for 55 package and EU Taxonomy) and the publication of studies of major importance in the international energy scene (such as the IEA-International Energy Agency's Roadmap to Net-Zero Emissions), could in fact accelerate the progressive reduction in demand for and supply of fossil natural gas. On the other hand, this could encourage a greater and earlier penetration of renewable, low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) in the energy mix, supporting the promotion of Snam's new businesses.

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

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

Snam joined the Oil & Gas Methane Partnership (OGMP) 2.0, a voluntary initiative launched as part of UNEP to support Oil & Gas companies in reducing methane emissions. Snam participated, and is still actively involved, in various UN working groups which led to developing a framework able to provide governments and the general public with the guarantee that methane emissions are treated and managed in a responsible manner, with progress against stated objectives, and offering transparency and cooperation, including the implementation of best practices. The protocol suggests the targets to reach: -45% by 2025 compared to 2015.

Since 2021, Snam has raised its target to reduce methane emissions from -45% to -55% by 2025 compared to 2015 for operating assets. This is a more ambitious target than the Oil & Gas Methane Partnership protocol (OGMP 2.0), which has already been achieved and has become a key part of the Decarbonization Strategy.

In relation to its operating business, in 2023, Snam raised the new target for reducing methane emissions by 2030 compared to 2015, from -65% to -70% (and to -72% by 2032), a target which is aligned with the recommendations set by OGMP 2.0.

UNEP has confirmed its Gold Standard for Snam for 2023. Already achieved by Snam in 2021 and 2022, the Gold Standard is the highest level of achievement under the OGMP 2.0 protocol, rewarding the company's commitment to reporting and reducing its methane emissions.

Energy transition and development of the hydrogen market and technologies

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

The consolidated ability to create and manage projects to transport and store natural gas, the new skills acquired in green gas and on the new energy transition trends, and a presence along the major corridors for the supply of natural gas and hydrogen in the future, all combined in a strategy that focuses on ESG factors, will be essential to help develop a competitive, secure and zero net emission energy system of the future. The diversification of its business will strengthen Snam's position as an enabler of the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation, with a long-term vision in line with the group's purpose and the European objectives.

The new strategic Vision for 2030 presented by the company in January 2024, together with the 2023-2027 Strategic Plan, should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which the energy transition is expected to accelerate sharply in order to achieve the carbon neutrality targets with growing investments, in particular, in energy transport and storage infrastructure, in an H2-ready perspective that will enable the long term development of the hydrogen backbone, as well as in innovative green gas development projects (hydrogen and biomethane) and contributing to the decarbonisation of consumption through energy efficiency measures and adopting CCS (Carbon Capture and Storage) technology with the development of CO2 transport and storage infrastructure for the decarbonization of primary industrial hubs.

In this context, and with particular reference to the group's strategy, the main risk factors include the risks posed by technological innovation in favour of switching to the use of electrical technologies, and/or the delay in the development of new technologies for the production, transport and storage of green gas at competitive costs (hydrogen in particular). Added to these factors is the risk of a delay in or non-fulfilment of planned investments (infrastructure, projects, new acquisitions) as a result of unknown operational, economic, regulatory, authorisation, competitive and social factors, as well as a lack of development of the hydrogen market with reference to the value chain that should feed the infrastructure.

In particular, with reference to the energy efficiency business, given the current regulatory framework in place, there is a risk in relation to failure to meet the deadlines for the completion of all the documentation necessary for the recognition of the tax credit related to the superbonus; this risk, although significantly limited, could prevent the use of the tax credits generated from the work performed.

Finally, it must be considered that the uncertainty of the still evolving regulatory plan slows down the creation of projects and the implementation of financing for hydrogen production and for the development of other decarbonisation projects of interest to the group (i.e. CCS).

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

LEGAL AND COMPLIANCE RISK

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

On the other hand, the violation of specific regulations (by way of example but not limited to: violation of regulations aimed at protecting the health and safety of workers and the environment, violation of regulations for the fight against corruption) may entail the administrative liability of entities against the company pursuant to Legislative Decree No. 231 of 8 June 2001, with consequent disqualification and/or pecuniary sanctions, including significant ones. Snam, which has always been driven by carrying out its business activities with ethical standards and principles of fairness and transparency, has therefore adopted an adequate internal control and risk management system aimed at enabling the identification, measurement, management, prevention and monitoring of the main risks relating to the activities carried out.

Snam is fully committed to the mission of pursuing an anti-corruption policy: it strives to identify potential weaknesses and to eliminate them, strengthening control and working constantly to raise all workers and third parties' awareness of how to identify and prevent corruption in all business contexts. In 2023, as a result of a project to implement the Company's Corruption Prevention Management System in accordance with the ISO 37001: 2016 standard launched in 2022, it has: i) adopted an Anti-Corruption Policy, approved by the Board of Directors of Snam S.p.A. of 18 January 2023, as an expression of the commitment of Top Management and the Board of Directors to the prevention of corruption, in line with the values and ethical principles already consolidated for some time, incorporating the essential elements referred to in the ISO 37001 standard and the adoption of the "zero tolerance" approach to all corrupt practices in relations with public and private stakeholders; ii) the establishment of an Anti-Corruption Committee that performs the function of Compliance for the Prevention of Corruption referred to in the aforementioned ISO ("FCA") and that avails itself of the operational support of the Compliance & Business Integrity function, which was already assigned the role of anti-corruption function overseeing Snam's pre-existing Anti-Corruption Compliance Programme. In May 2023, the adequacy of the Snam system was certified by an independent certification body (DNV Assurance Italia S.r.l.). Additionally, reputational checks on business associates and the requirement for suppliers and subcontractors to accept and sign an Ethical and Integrity Agreement and/or specific contractual clauses concerning compliance and anti-corruption are the pillars of the set of controls designed to prevent the risks associated with illegal conduct and criminal infiltration of the third parties, with the aim of ensuring transparent relationships, reliability and professional morality requirements in the entire chain of companies and for the duration of the relationship. Snam is also a member of the United Nations Global Compact and, in 2023, strengthened its collaborations and partnerships with institutions and bodies active in the fight against corruption (i.e. Transparency International, the Organisation for Economic Co-operation and Development (OECD) and the Business and Industry Advisory Committee (BIAC)).

Snam has been a partner of the General Secretariat of Transparency International since 2016 and, thanks to its active role within the Italian Chapter of the Business Integrity Forum, the company has been involved in several working groups and institutional events, in which it is called upon to present its best practices in the field of business integrity and anti-corruption. In November 2023, in fact, through the Compliance & Business Integrity function and the Counterpart Risk & Travel Security function, it participated in the Business Integrity Forum (BIF) National Event entitled 'Ethics & Compliance', speaking on the topic of 'Reputational Audits of Suppliers and Rozes Index' and 'Corporate Compliance - New Perimeters and New Perspectives'. In January 2024, the Compliance & Business Integrity function took part in the presentation of the

2023 edition of Transparency International’s Index of Perception of Corruption, a measurement of the perception of corruption in the public sector and politics.

In 2017, Snam started working with the OECD (Organization for Economic Cooperation and Development), joining the Business at OECD Committee (BIAC), and in October 2019 – as the first Italian company – it joined the Leadership as Vice-Chair of the Anticorruption Committee. In 2023, as a testament of the Group’s constant commitment to prevent and manage corruption risks and with a view to enhance its mission, Snam adopted the principles of the “Zero Corruption Manifesto”, promoted by the Anticorruption Committee of the BIAC, a policy document that contains the 10 principles that guide and direct the work of companies and reflect the best practices formalised by the OECD, and participated in various events, including the OECD’s annual Paris Conference “Racing to Zero - Education and Digitalisation as Enablers in Fighting Corruption”, held on 24 and 25 May 2023, at which the General Counsel spoke on the topic of the Snam’s role in the education of the fight against corruption, both among the corporate population and among suppliers, and also participated in the preparation of the BIAC paper for the “Education for the Fight Against Corruption” project.

As part of multilateral collaborations, in addition to the above, Snam also participated in the work of the BIAC Committees: “Corporate Governance Committee”, where it supervised the revision process of the OECD “Guidelines for Multinational Enterprises"; "Responsible Business Conduct Committee”, alongside the update of the document “Revised G20/OECD Principles of Corporate Governance”; “Governance and Principles for Transparency and Integrity in Lobbying and Influence”.

OPERATIONAL RISKS

Ownership of gas storage concessions

For Snam, the risk connected with keeping storage concessions stems from the business operated by its subsidiary Stogit, on the basis of concessions awarded by the Ministry of Enterprise and Made in Italy. For eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala), Stogit applied to the Ministry of Enterprise and Made in Italy for extensions, as permitted by law. The extensions for the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020, with a new expiration date of 31 December 2026, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022 also expiring on 31 December 2026. For Alfonsine concession, the procedure is still pending at the Ministry. For the extension still pending, the Company, as provided for by the reference standards, will continue to operate under the old concessions, whose expiry is automatically extended for the purpose until completion of the renewal process. A concession (Fiume Treste) expired in June 2022, which was already subject to a ten-year extension in 2011, and for which a request for a second 10-year extension was submitted on 18 May 2020. Lastly, a concession (Bordolano) will expire in November 2031 and may be extended for another ten years. If Stogit is unable to retain ownership of one or more of its concessions or if, at the time of renewal, concessions are awarded under terms less favourable than current ones, the Company may experience negative effects on its business, financial position and results.

Failures and unforeseen interruption of the service

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

Delays in infrastructure work progress

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

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

Environmental risks

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

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

Cyber security

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

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

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

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

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

Employees and personnel in key roles

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

Risks linked to foreign equity investments

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

Risks linked to future acquisitions/equity investments

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

EMERGING RISKS

The group's Enterprise Risk Management model pays particular attention to identifying changes in the operating environment in order to detect events or macro-trends originating from outside the organisation that could have a significant medium-to-long-term impact (3-5 years and more) on Snam's business or its industry sector. These changes may give rise to new risks in the long term, but may also have immediate consequences for the company, changing the nature and extent of the potential impacts and likelihood of occurrence of the risks already identified. The purpose of the process of identifying emerging risks is to be able to assess their impacts in a timely manner to be able to put in place the necessary strategies and related mitigation actions to prevent and control those risks. In this area, some of the emerging risks identified by Snam are exposure to global LNG market dynamics as well as Technological Innovation and Artificial Intelligence (AI).

Exposure to global LNG market volatility

Description

With the gradual enfranchisement of gas from Russia, to compensate for what was previously imported, a series of measures have been introduced to ensure greater diversification of import sources, in particular by integrating increasing shares of LNG into the gas system partly through increased regasification capacity (new FSRUs). This new configuration of the gas system calls for further consideration on the security of gas supply. Previously, most of the gas imported came from countries bordering Europe (Russia, Azerbaijan, North Africa) interconnected with the Continent thanks to the presence of a pipeline network capable of ensuring stability of contractual relations with the interlocutors over time and consequently favouring continuity of supply from importing countries. In contrast, LNG is a more flexible source whose routes are more sensitive to global market dynamics (increased gas demands in Asia, changes in shale gas extraction policies in the U.S., competition between countries for resources, etc.).

Impact

We have therefore moved from a regional gas market with limited competition to an extremely competitive global one with the risk that, both in the short and long term, exogenous geopolitical factors may generate direct repercussions on the sustainability of supplies, worsening the country's energy security and destabilising the energy system even at European level.

Not only that, but such possibility could also favour fuel switching measures, as it has partly already happened with the increased use of coal in Europe in 2022 with direct consequences on Snam's businesses (i.e. reduced gas demand, with limited impacts at present given the current regulatory framework, network operational management under more critical conditions) and potential reprioritisation of investment strategies.

Key mitigation actions

To this end, Snam is already taking a number of mitigation actions that result in supporting the development of green and decarbonised gas. In particular, the growth of biomethane volumes (through new production plants and the construction of the works to connect these plants to the Snam network) can contribute to the sustainability of the gas system as a renewable, programmable and locally produced source. Similarly, the development of a hydrogen transport network makes it possible to create a multi-molecule energy system by extending the available resources as conditioned by global market dynamics also through the possibility of enabling future import of shares of such gas from North Africa via pipeline.

Technological Innovation and Artificial Intelligence (AI)

Description

The changing geopolitical environment and the awareness of increasingly complex scenarios make it necessary to identify more effective solutions to consciously invest in innovation and enhancement of technological assets. These are aimed at ensuring, in the near future, the development of new solutions and opportunities to support the evolution of corporate businesses, also taking into account the need of having a system that is capable of transporting multi-molecule energy. Technological innovation, and, in parallel, the development of artificial intelligence, directly impacts Snam's businesses which, if not managed and used appropriately, in the long run, could have a negative impact on the regulated and energy transition business.

Impact

Development that is not focused on technology neutrality (but that is more aimed at finding innovative solutions without multi-molecular enhancement) could lead to a faster reduction in natural gas demand than projected in the reference scenarios (Snam-Terna Scenarios) and also have a negative impact on green gas development and emerging carbon capture, transport and storage technologies. This risk may be so significant that it could lead to a revision of the company's growth strategy and business model.

Key mitigation actions

To mitigate this risk, during 2023, various stakeholders took the initiative to define an organic process of transparent and integrated innovation development and management that can be aligned with Snam's strategic and industrial goals, and consequentially, an Innovation and Technology Committee was established. The objective is to identify early technological trajectories useful to Snam in supporting the energy transition of gas system. The activities and results identified by the Committee are internally aimed at analysing and evaluating technologies that may have impacts on Snam's businesses and reducing the risk that the gas system may be exposed in the innovation arena from the development of non-gas oriented technologies. However, despite the aforementioned mitigating actions, a residual risk remains in connection with exogenous factors mainly associated with the external counterparties that Snam interacts with (research institutions, universities, start-ups) that, if proved inadequate, can make these risk mitigating actions ineffective.

TERNA GROUP

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

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

For the coordination of Risk Management activities carried out by management in different areas, the Group's Risk Governance Model has, since its inception, highlighted the need to adopt a common reference framework outlining the objectives that allow the creation or maintenance of the Group's values. The objectives framework was updated in 2023, in order to align it with changes in the context and/or objectives of the new Business Plan, and to make ESG issues more explicit, in particular regarding Human Rights, Governance (& Organisational Framework) and Environment.

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

Starting from the Objectives framework, each identified risk event is assessed through the combination of i) the Risk Impact (falling into four categories: Economic & Financial, Reputational, Operational and Health, Safety, Environment (HSE) & Sustainability), and ii) the Probability of occurrence based on the existing Plan horizon and on the Maturity Level of the Risk Management systems. In relation to these elements, the priority and specific ways to deal with risks are selected, through the identification of mitigating or corrective actions.

A company's risk profile is not static, it's dynamic. In fact, it can change as the external reference context changes and/or as a consequence of internal organisational and business decisions. Risk monitoring activities are carried out with reference to the evolution of the Group's risk profile and to the progress of the defined mitigation actions.

The Risk Assessment update, carried out in 2024 according to the model described above, was characterised by a process of progressive integration between risk analysis and ESG issues.

In fact, given that companies and markets, are increasing their appetite towards sustainable finance instruments and are becoming more conscious about sustainability issues and objectives, a greater focus is given to ESG factors and their related risks, especially environmental (climate change) and social (erosion of social cohesion) risks, both of which may cause stakeholders to form a negative view of the Group thus impacting on its reputation and potentially leading to financial losses.

The inclusion of ESG factors in the perimeter of risks to be identified, monitored and managed is a significant indicator of good corporate governance. In fact, this has been highlighted since 2020, in the "Corporate Governance Code" drawn up by Borsa Italiana, which encouraged directors and management to adopt sustainability-oriented strategies to achieve the sustainable success of their organisation.

The integration process between risk analysis and ESG issues in Terna has been concretely implemented in a number of different measures, according to the following three guidelines:

- methodological review: in addition to the aforementioned new approach of the Objectives framework, the Impact Ratings, used for risk assessment, have been reworked with descriptions more akin to the ESG world, in order to facilitate the assessment of "inside-out" risks, with a main focus on reputational impact and HSE & Sustainability impact;
- strengthening of information flows, to further consolidate collaboration between the Enterprise Risk Management structure and those dealing with ESG issues and by arranging "Review and Challenge" meetings during the performance of the respective analyses (Risk Assessment and Materiality Analysis), and sharing the results emerged, to ensure consistency and greater synergy between the risk analysis and the Materiality analysis carried out in the ESG field;
- review of the risk reporting analysis, to enhance synergies between the Risk Assessment and Materiality Analysis and minimise duplication of information provided.

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

Risks related to Service Continuity and Quality

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

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

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

Management actions:

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

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

Management actions:

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

Inadequate availability of primary energy: Risk associated with inadequate potential availability of primary energy (e.g. gas), mainly due to the current geopolitical environment and the effects of climate change (water crises, droughts.)

Management actions:

- Participation in the Emergency Technical Committee and monitoring of the gas system at the Ministry (MASE);
- Process for assessing the adequacy of the national and European system.
- Awareness-raising campaign “We are Energy”.

Innovation and digitisation

Coordination and governance in cross-cutting projects: Risk of ineffective coordination between different corporate departments involved and governance of cross-cutting projects and initiatives. Lack of coordination could lead to reworking, negatively affecting motivation and collaboration between company departments.

Management actions:

- Accurate project monitoring (time, cost, quality) in accordance with best practice project management methodologies;
- Integrated project portfolio monitoring;
- Timely management of critical issues at interdepartmental level when needed.

Evolution of the National Electricity Grid

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

Management actions:

- Centralised management of processes regarding major works;
- Monitoring the progress of the works;
- Careful management of company liquidity;
- Organisational model for project management, with periodic review and progress;
- Definition of the phases of the Project Control process and their outputs.
- Strengthening coordination between the corporate departments involved in the process.

Customers, Suppliers and Business Partners

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

Management actions:

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

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

Management actions:

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

Energy Solutions/Connectivity

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

Management actions:

- Due Diligence of the entities that maintain relations with the group and the materials and/or services subject to exchange, with regard to orders with export aspects;

- Monitoring of the geopolitical framework;
- Continuous monitoring of regulatory updates with a focus on sanctioning aspects.

People Development & Change Management

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

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

Human Rights

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

Management actions:
- National programme of cultural transformation in the field of H&S Excellence in Security;
- Qualification and monitoring process for contractors and subcontractors;
- Worksite Safety Monitoring Plan;
- Regulatory supervision;
- Technical tables (e.g. Terna-ANIE) on HSE and occupational safety issues for the entire supply chain.

ITALGAS GROUP

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

OPERATIONAL, STRATEGIC AND BUSINESS RISKS

Italgas has adopted an Internal Control and Risk Management System integrated into its organisational, administrative and accounting structure and, more generally, into its corporate governance, which ensures compliance with laws and corporate procedures, the protection of corporate assets and which contributes to the management of activities by ensuring the soundness of the accounting and financial data processed.
The main risks mapped in the Enterprise Risk Management (ERM) process and monitored by the company and the mitigation actions taken are outlined below.
It should be noted that despite the mitigation actions introduced to monitor and prevent the occurrence of significant risks, the Company does not exclude that the occurrence of specific events may lead to the recognition of liabilities in the financial statements.

Climate Change

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

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

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

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

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

The countermeasures are reported in brief below. For more details, please refer to the "2022 – 2023 Driving innovation for energy transition – TCFD Report":

- operational countermeasures as described in the risk "Continuity of service: malfunctions, accidental or extraordinary events" that mitigate impacts and/or reduce intervention times in the case of extreme natural events;
- reduction targets for net greenhouse gas emissions:
- i) by 2030: Scope 1&2 emissions reduction of 42% and Scope 3 emissions reduction of 33%, compared to 2020 values
- ii) by 2050, the Net Carbon Zero target;
- net energy consumption reduction of 33% by 2030, compared to 2020 values;
- use of the Picarro Surveyor technology;
- adoption of internal SLAs for leakage repair that are more stringent than those defined by the Regulator;
- network modernisation actions;
- process for transforming the network into digital infrastructure to enable the distribution of gases other than methane, such as hydrogen, biomethane and e-gas;
- adherence to the United Nations Global Compact and the UNEP OGMP 2.0, active participation in consultations called by the Government or bodies of the European community on issues of relevance and presence in the main sector associations;
- execution of energy efficiency projects and investments made to increase the Group's presence in the water and energy efficiency sectors;
- actions to promote the development and dissemination of biomethane and power-to-gas technology.

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

Risk of concessions not awarded in planned areas, or the award of concessions on less favourable terms.

Risk of higher operating costs for the group compared to its operating standards, if concessions are awarded for districts (ATEM) previously managed by other operators.

Risk of judicial and/or arbitration proceedings, due to the complexity of regulations governing the expiry of concessions held by Italgas.

Risk that the reimbursement value of the concessions, which might be awarded to a third party at the end of the assignment process, is lower than the value of the RAB.

Main risk management methods:

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

A harsher geopolitical context

Risk of negative developments in the geopolitical context and/or the occurrence of atypical events with potential tensions in the financial markets, impacts on business continuity and/or on the health and safety of personnel and/or on the supply chain:

- Group Security Operation Center (G-SOC) and central platform for correlating information from security systems.
- Travel security and operational intelligence platform.
- Integrated Security Cloud Command Centre, an intelligence centre for integrated security management and multi-domain crisis scenario management for risk containment.
- PSIM (Physical Security Information Management), management centre for security operations.

Main management methods with reference to the Russia-Ukraine and Israel-Palestine conflicts:

- there are no production activities or personnel located in the countries involved;
- supply chain control and monitoring have been stepped up, confirming that there are no first or second level suppliers involved in the areas affected by both conflicts, which impact the group's business continuity.

Smart meter malfunctions

This risk refers to a possible increase in the levels of malfunctioning of remote meters, with the loss of/no meter readings and/or the need for replacement or reconditioning.

With reference to the 2023 financial year, Italgas put in place the following measures for the oversight of this potential risk:

- the adoption of Nimbus, the next-generation smart meter (prototype released in November 2023 that will be field-tested in 2024 and installed at scale from 2025);
- the maintenance of an adequate fund to cover malfunctions;
- the issue of appropriate warranties by suppliers of materials;
- the decision ARERA/DINE 01/2023, under which the residual value of smart G4/G6 meters produced by 2016 and installed by 2018 and decommissioned before the end of their regulatory useful life must be recognised;
- the plan for the replacement and/or repair of malfunctioning meters;
- operational centres for the reconditioning of malfunctioning Smart Meters;
- audits of suppliers and testing of materials supplied;
- updating of technical specifications, also in view of technological developments.

Service continuity: malfunctions, accidental or extraordinary events

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

The actions adopted by Italgas during the 2023 financial year, to monitor, prevent and manage these risks involved the following measures being taken:

- third Party Liability and Asset Protection insurance covers;
- procedures and systems to manage emergencies, emergency plans with measures defined for securing plants and guaranteeing continuity of service;
- health and safety procedures, communication campaigns, training and awareness-raising meetings on accident prevention, initiatives that also involve suppliers/contractors;
- activation of the Plant and Networks Operational and Control Centre (CIR), which operates 24/7;
- activation of digital applications for the remote control of worksites;
- gradual adoption of DANA – Digital Advanced Network Automation – the innovative network operational and control system;
- smart maintenance: the GIS model for the smart maintenance of Italgas networks;
- scheduled leak detection using the most advanced systems and technologies (Picarro Surveyor) and covering a greater portion of the network than required by standards defined by the Regulator;
- adoption of internal SLAs for leakage repair that are more stringent than those defined by the Regulator;
- continual modernisation of the network;
- prevention of potential damage to pipes caused by third parties.

Cyber attacks

Cyber attacks refer to attacks in the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors.

With reference to the 2023 financial year, the Group has adopted the following measures:

- activation of specific insurance cover for cybersecurity risks;
- obtaining ISO 27001 Bludigit certification for Information Security;
- activation of a Group Policy on Integrated Security, Resilience and Crisis Management;
- definition of an organisational and operational model for cybersecurity, business continuity, the network and information security and emergency and crisis management;
- activation of monitoring of the Group's Bitsight Cyber risk rating index, currently placed in an advanced range (high level of maturity of safeguards);
- identification and application of conditional access solutions based on certain factors and Multi-Factor-Authentication for Group employees, suppliers and contractors;
- activation of security measures to protect endpoints;
- activation of an information classification and protection system according to criteria of Confidentiality, Integrity and Classified Information and a Data Loss Prevention solution to protect the group's information assets;
- specific training on cyber risks, common vulnerabilities, phishing and spam and phishing simulations;
- Secure Product Development Lifecycle process, which integrates measures to prevent and mitigate cybersecurity risks, starting from the earliest stages of procurement and/or development;
- security measures to protect the network infrastructure from unauthorised alteration, disruption, erroneous applications and unauthorised disclosure of data;
- periodic IT and OT vulnerability assessments and penetration tests run by third parties;
- continual real-time monitoring of IT and OT systems, through the Security Information and Event Management (SIEM) solution;
- industry-leading suppliers with the highest levels of security defined and monitored;

- "Cybersecurity Awareness for third parties" - which Italgas Group suppliers must formally undertake to comply with Cyber threat intelligence

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

With this definition, reference is made to:

- the risk of accidents and/or injuries to employees and staff of partner companies;
- the risk that Italgas may incur costs or liabilities, also of a significant amount, as a result of environmental damage, also in view of changes in environmental protection regulations and the possibility of litigation;
- risks associated with the spread of pandemics or new diseases that could have repercussions on Italgas in terms of health and safety, operating environment and consequent economic and financial conditions.

Italgas has put in place the following main management methods:

- activation of insurance policies for people (occupational and non-occupational accidents, death from illness);
- activation of an HSE system in compliance with reference standards, certified according to international standards in the areas of health, safety, environment and energy efficiency, with compliance audits carried out by a certification body;
- activation of research and technological innovation activities and processes and measures for energy efficiency, the improvement of safety conditions, and the environmental remediation of former manufactured gas production sites;
- monitoring of HSE regulations;
- HSE training;
- activation of digital applications for reporting and recording near misses and for waste management;
- analysis of accidents and root causes, implementation of improvement action;
- activation of HSE communication campaigns and awareness sessions, using innovative, digital tools and reward systems for virtuous operational units;
- HSE training and information sessions with suppliers/contractors and for the standardization of operating practices;
- activation of internal procedures providing for specific measures against suppliers/contractors in the event of non-compliance in the HSE area and a reward system for virtuous behaviours;
- activation of contractor audits during their qualification and activities;
- activation of the promotion of health and wellbeing;
- activation of specific operational measures that can be activated in case of need to minimise contacts;
- remediation activities:
    - a dedicated provision was set up to cover the estimated costs of compliance with current legislation;
    - contaminated sites remediation process that defines the tasks, operating methods and guidelines with respect to waste removal operations, site analysis, implementation of safety measures and/or remediation of sites contaminated by previous activities;
    - unit dedicated to monitoring the design and implementation phases. Inspections of remediation sites carried out by in-house and external personnel, both during the work and for final testing.

Risks related to Human Resources

“Risks related to the development of human resources” mean risks such as key staff leaving the company, a lack of technical and specialist know-how, an increase in the age of the company's workforce, a fall in the level of satisfaction and/or an increase in labour disputes. Italgas has adopted the following initiatives for the oversight of this risk:

- Top Employers 2023 certification that certifies the adoption of processes and methodologies in the field of HRO, in line with best international benchmarks;
- Italgas Academy, Italgas’s Corporate University for the continual growth of people and the group;
- training courses in partnership with universities;
- a multimedia platform that allows access to all group training initiatives in the areas of "Excellence", "People" and "Innovation";
- knowledge transfer system;
- I-Grow programme (induction training, training programmes and structured job rotation);
- initiatives for fostering a digital culture and knowledge;
- Smart Rotation system, Italgas internal Job Posting, and Iscout, the Italgas Referral Programme, to facilitate upskilling and reskilling;
- succession plan for top management roles;
- personnel search and selection process, performance management system and career development plans with personalised training programme;
- Italgas Human Rights Policy;
- Italgas Diversity & Inclusion Policy;
- units dedicated to diversity and inclusion and HR sustainability;
- gender equality certification UNI/PdR 125:2022;
- workplace satisfaction survey for all Group employees;

- welfare system.

Risks related to quality and service level

Possible risks related to quality and service level mainly refer to a failure to comply with commercial service levels for the provision of services to sales companies and/or risk of delayed or partial compliance with commitments, such as, for example, execution of the investment plan for concessions that impose obligations on the part of the concession-holder.

The main management activities identified and implemented by Italgas, with reference to the 2023 financial year, are:

- the continual monitoring of Key Performance Indicators for business processes;
- the adoption of procedures and operating instructions for the Commercial Management of the Service;
- the activation of a Capexforce application, developed in partnership with Salesforce, for the digital monitoring of the investment process;
- surveys of sales companies;
- the activation of a portal dedicated to Gas2be sales companies, to strengthen the partnership, facilitate the accreditation process and allow direct access to Italgas information and news;
- the activation of a ClickToGas portal, the suite of free digital and sustainable services dedicated to end customers;
- the mapping of existing concession commitments, monitoring and activation of network technical units for timely intervention;
- constant engagement with bodies granting concessions.

Supply chain risks

“Supply chain risks” refer to the risks associated with the availability and cost of materials, services and supplies, with operational capacity and scalability, and with the reliability, from a reputational and compliance standpoint (including respect for human rights) of the Group’s suppliers and contractors.

Italgas has put in place the following measures for the oversight of these risks:

- procurement planning, analysis and monitoring of function KPIs;
- activation of a supplier qualification process with financial/economic, reputational and ESG checks and the mapping of sub-supplies (Tier II and Tier III) through recognised external providers;
- implementation of "on-site", technical and ESG checks, for the purposes of Critical/Strategic Supplier qualification;
- definition of a "Supplier Code of Ethics";
- activation of standardised tender processes and specifications, with a request for details of sub-supplies (Tier II and Tier III);
- definition of a tender committee;
- activation of an IT4Buy digital platform to cover the supplier registration and qualification, tendering and contract management processes;
- definition and implementation of ESG award criteria during the tender phase. ESG audit and Action Plan implementation;
- implementation of anti-mafia checks during tender procedures relating to special sectors, analysis of the solidity/financial resilience of strategic suppliers;
- appraisal of supplier performance, also in terms of sustainability, supplier risk assessment;
- procurement diversification and scouting of innovative goods, produced with alternative materials
- definition of technical specifications which are continually updated;
- implementation of an "Anti-Corruption" and "Cybersecurity" Policy for third parties;
- implementation of a renewed logistics model.

Risk associated with changes in regulation and legislation

This risk refers to the possibility of developments in the regulatory and institutional framework at European or national level regarding the natural gas sector, and the risk of an unfavourable update of the rate of return on net invested capital recognised by the Regulator. Focus on Greece: Risk of review by the Greek Regulator of the investment and tariff plans submitted for approval.

Main risk management methods:

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

Risk of non-compliance and regulatory developments

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

Main risk management methods:

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

4. BALANCE SHEET AND INCOME STATEMENT FIGURES

An analysis of the accounting situation as at 31 December 2023 is provided below, based on the statements reclassified according to operational criteria to provide a clearer understanding of the results.

For the purposes of preparing the reclassified financial statements for the year 2023, the international financial reporting standards (IFRS) endorsed by the European Commission and in force at 31 December 2023 were applied.

4.1 RECLASSIFIED CONSOLIDATED BALANCE SHEET

4.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

As at 31 December 2023, the assets section of the reclassified consolidated balance sheet of the CDP RETI Group included the following aggregates:

Assets

(million of euro)

tems	31/12/2023	31/12/2022
Property, plants and equipment	40,894	38,633
Intangible assets	12,561	12,083
Trade receivables	7,331	7,729
Other assets (1)	9,908	9,281
Cash and cash equivalents	3,140	4,530
TOTAL ASSETS (*)	**73,834**	**72,256**

(1) The figures of the consolidated financial statements that are not represented in the riclassified Assets are included in Other assets.
(*) The item includes discontinued operations and assets held for sale attributable to Terna (85 million euro in 2023 and 70.7 million euro in 2022) and Terna (6.6 million euro). In 2022 the item included also the discontinued operations and assets held for sale attributable to Snam (84.2 million euro in 2022).

At 31 December 2023, the balance sheet assets of the CDP RETI Group amounted to 73,834 million euro, up by 2.2% on 31 December 2022, and consisted mainly of "property, plant and equipment" (55.4% of the assets), which mainly related to Snam (18.9 billion euro) and Terna (17.6 billion euro), as well as the impact - on this item - from consolidation (4 billion euro)[19].

The increase in "property, plant and equipment" (+2,261 million euro, +5.9%) compared to 31 December 2022 is mainly due to changes attributable to Terna (+1,396 million euro) and Snam (+1,082 million euro), offset only in part by the effects connected with the PPA.

In particular, this increase, in addition to the effects of the scope of consolidation of the subsidiaries[20], is mainly due to the investments of:

- Snam (1,521 million euro, mainly relating to the transport sector for 983 million euro);
- Terna (2,074 million euros, relating to Regulated Activities for 2,017 million euro, and in particular to design activities for the construction of the Tyrrhenian Link and the start of preliminary activities related to the construction of the Adriatic Link),

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

The item "intangible assets", largely attributable to the Italgas service concession arrangements analysed in greater detail in the notes to the financial statements, increased by 478 million euro, mainly thanks to the contribution of Italgas.

[19] Effects related to the Purchase Price Allocation (PPA) process of Snam, Terna and Italgas.
[20] These include in particular the assets acquired by Snam from the acquisition of 100% of the capital of FSRU I Limited, owner of the floating storage and regasification unit "BW Singapore".

This item also includes goodwill (1,042 million euro), representing (i) the amount (781 million euro) recognised as a result of the process of allocating the differences between the prices paid for the purchase of the equity investments and the related equity, and (ii) the goodwill recognised in the consolidated financial statements of Terna, Snam and Italgas.

"Trade receivables", down by approximately 398 million euro compared to the end of 2022, mostly relate to:

- Snam (4,359 million euro) chiefly concerning the transport sector (2,738 million euro mainly referring to receivables from users for the additional components and for the default service for a total of 2,003 million euro), and the energy transition (1,381 million euro) and natural gas storage (195 million) sectors;
- Terna (2,123 million euro) of which: (i) 602.6 million euro relating to receivables for the so-called "pass-through" items [21] pertaining to the activities carried out by Terna S.p.A.; (ii) 654.8 million euro relating to receivables for user fees; (iii) 576.2 million euro for the grid transmission fees corresponding to remuneration granted to the Terna group and other owners for use of the National Transmission Grid by electricity distributors; (iii) 278.7 million euro relating to receivables due from customers in the Non-Regulated segment.

"Other assets", up by +13.4% compared to 31 December 2022, mainly relate to (i) equity investments (2,919 million euro), accounted for using the equity method, mostly relating to Snam's equity investments, (ii) deferred tax assets (952 million euro, of which 457 million euro attributable to Snam, 288 million euro to Terna, around 207 million euro to Italgas) recognised as at 31 December 2023, (iii) non-current financial assets (671 million euro, mainly relating to Terna and Snam), (iv) inventories - compulsory stock[22] (363 million euro) of Snam and (v) current financial assets (413 million euro), mainly relating to Terna (384 million euro).

Lastly, "cash and cash equivalents" were down compared to 31 December 2022 (-30.7%) and refer to:

- Snam (1,382 million euro): mainly refer to current accounts and bank deposits in euro attributable to Snam S.p.A. (1,209 million euro), representing the use of cash held for the group's financial needs, and the cash equivalents from subsidiaries (total 173 million euro);
- Terna (1,378 million euro): short-term, highly liquid deposits (1,195 million euro) and bank current accounts and cash in hand (184 million euro);
- Italgas (250 million euro);
- CDP RETI (129 million euro).

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

4.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

As at 31 December 2023, the liabilities section of the reclassified consolidated balance sheet of the CDP RETI Group included the following aggregates:

Net Equity and Liabilities

(million of euro)

tems	31/12/2023	31/12/2022
Long-term financial liabilities	32,687	30,741
- non-current (1)	*28,721*	*27,407*
- current (2)	*3,966*	*3,334*
Current financial liabilities	4,733	2,068
Trade payables	4,506	6,251
Other liabilities (3)	13,031	14,626
Equity	18,877	18,570
- attributable to the parent company CDP RETI	*4,976*	*4,917*
- attributable to minority interests	*13,901*	*13,653*
TOTAL LIABILITIES (*)	**73,834**	**72,256**

(1) In consolidated financial statements: Loans
(2) In consolidated financial statements: Current portion of long-term loans
(3) The figures of the consolidated financial statements that are not represented in the reclassified Equity and Liabilities are included in Other liabilities
(*) The item includes discontinued operations liabilities held for sale attributable to Terna (4.6 million euro in 2023 and 9.6 million euro in 2022). In 2022 the item included also the discontinued operations liabilities held for sale attributable to Snam (17.2 million euro).

"Long-term loans" of the Group (32,687 million euro at 31 December 2023), which include their current portion, increased slightly by 1,946 million euro compared to 31 December 2022 (+6%) and include 13.7 billion euro to Snam (42%), 10.8 billion euro to Terna (33%), 6.4 billion euro to Italgas (20%) and 1.7 billion for CDP RETI.

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

“Current financial liabilities” of the Group (4.7 billion euro at 31 December 2023) increased significantly by 2.7 billion euro compared to 31 December 2022 and mainly refer to (i) Snam (2.9 billion euro), mostly with regard to “unsecured” Euro Commercial Paper short-term securities issued on the money market and placed with institutional investors (2.7 billion euro) and to (ii) Terna (1.2 billion euro) relating to short-term loans.

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

“Trade payables”, down by 1.7 billion euro (from 6.3 billion euro at the end of 2022 to 4.5 billion euro; -27.9%), mainly relate to (i) Terna (2.9 billion euro vs. 3.7 billion euro at the end of 2022) largely for energy-related payables and (ii) to Snam (1 billion euro vs. 1.5 billion euro at the end of 2022) for the purchase of goods and services mostly concerning the transport sector (488 million euro, of which 169 million from balancing activities) and to the energy transition sector (350 million euro).

“Other liabilities”, down by 1,595 million euro (from 14,626 million euro at the end of 2022 to 13,031 million euro; -10.9%), mainly related to: (i) deferred tax liabilities (1,952 million euro vs 2,055 million euro at the end of 2022), recognised at 31 December 2023; (ii) other current liabilities (7,076 million euro vs 8,215 million euro for 2022), mainly relating to Snam; and (iii) provisions for risks and charges (925 million euro vs 859 million euro for 2022), of which 565 million euro (498 million euro at the end of 2022) in provisions for the decommissioning and remediation of sites recognised by Snam that it is presumed will be incurred for the removal of facilities and the remediation of the natural gas storage sites (455 million euro) and transport infrastructure (79 million euro).

“Equity”, up by approximately 307 million euro (+1.7%), benefits from the net income for the period of 2,197 million euro (of which 631 million euro attributable to the Parent Company) and mainly takes into account the amount of the dividends approved during the period by Snam, Terna and Italgas to the minority shareholders (total of approximately 1.3 billion euro) and by the Parent Company CDP RETI to its shareholders (512 million euro).

Of the total equity, 5 billion euro pertained to the Parent Company (+59 million euro up compared to December 2022) and 13.9 billion euro to minority interests.

4.1.3 RECONCILIATION OF CONSOLIDATED EQUITY AND NET INCOME FOR THE PERIOD

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

(million of euro)	31/12/2023		
Items	**Net income**	**Capital and reserves**	**Total**
PARENT COMPANY FINANCIAL STATEMENTS	**513**	**3,054**	**3,567**
Balance from financial statements of fully consolidated companies	2,478	14,147	16,625
Consolidation adjustments:			
- *Carrying amount of fully consolidated equity investments*		(5,267)	(5,267)
- *Dividends from fully consolidated companies*	(553)	553	
- *Purchase price allocation*	(183)	4,495	4,312
- *Other adjustments*	(58)	(302)	(360)
CONSOLIDATED FINANCIAL STATEMENTS	**2,197**	**16,680**	**18,877**
- *attributable to the parent company CDP RETI*	631	4,345	4,976
- *attributable to minority interests*	1,566	12,335	13,901

4.2 RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The data below represents the CDP RETI Group with specific evidence of the contributions - in terms of operating[23] margins- deriving from Snam, Terna and Terna. Please note that the consolidation eliminations and adjustments were shown separately.

(million of euro) Items	2023	2022
Revenues from financial statement	10,112	8,760
- *Revenues recognised following application of "IFRIC 12 Service Concession Arrangements" (*)*	*868*	*795*
- *Other Reclassifications (**)*	*(47)*	*(39)*
Total revenues	**9,291**	**8,004**
Costs from financial statement (not included Depreciation and Amortization)	(4,325)	(3,404)
- *Costs recognised following application of "IFRIC 12 Service Concession Arrangements" (*)*	*(868)*	*(795)*
- *Other Reclassifications (**)*	*67*	*58*
Operating costs (not included Depreciation and Amortization)	**(3,524)**	**(2,666)**
EBITDA	**5,767**	**5,338**
EBITDA margin	62%	67%
- *of which Snam*	*26%*	*28%*
- *of which Terna*	*23%*	*26%*
- *of which Terna*	*13%*	*14%*
Depreciation and Amortization	(2,725)	(2,349)
- *Other Reclassifications (***)*	20	18
Operating profit (EBIT)	**3,062**	**3,007**
EBIT margin	33%	38%
- *of which Snam*	*14%*	*17%*
- *of which Terna*	*15%*	*17%*
- *of which Terna*	*7%*	*8%*
- *of which consolidation*	*-3%*	*-4%*
Financial income/expense (including effects by equity method)	(76)	(381)
- *Other Reclassifications*		
Taxes	(792)	(832)
Profit from continuing operations	**2,194**	**1,794**
Net income from asset available for sale and discontinued operation	3	(20)
- *Other Reclassifications*		
NET INCOME	**2,197**	**1,774**
- *for parent company*	*(631)*	*(513)*
- *for minority interests*	*(1,566)*	*(1,261)*

(*) In Riclassified Income Statement, pursuant to IFRIC 12 "Service Concession Arrangements" are not included:
(i) revenues for the construction and upgrading of natural gas distribution infrastructures (787.1 e 727.8 million respectively in 2023 and 2022);
(ii) in relation to Terna, revenues from construction of assets in concession activities (80.6 and 67.4 million respectively in 2023 and 2022); these revenues are recognised in an amount equal to the costs incurred and are shown as direct reduction of the respective cost items;
(**) Other management reclassifications mainly attributable to Terna;
(***) Relating essentially to the issue of connection contributions for the financial period attributable to Terna;

In 2023, in line with the previous year, the CDP RETI Group reported net income of 2,197 million euro (of which 631 million euro pertaining to the Parent Company), marking an increase compared to 2022 (net income of 1,774 million euro). This increase (+423 million euro, of which 118 million euro relates to the Parent Company's share) is mainly attributable to higher finance income/expenses[24] (+305 million euro), as well as to the increase in operating margins (EBITDA +429 million euro and EBIT +55 million euro) and to lower income taxes (which decreased from 832 million euro in 2022 to 792 million euro).

Sector wise, all subsidiaries have mainly recorded a higher *performance* in 2023. The result for the period was impacted by the significant performance growth of Snam (+473 million euro, or +70%) and to a lesser extent by the performance of Italgas (+31 million euro; or +7.2%) and Terna (+25 million euro; or +2.9%), partially offset by the *fair value* of Terna's derivatives (FV loss of 19 million euro in 2023; FV gain of 62 million euro in 2022, net of tax) classified as trading financial

[23] The Parent Company, CDP RETI, given its nature of holding company, has basically zero incidence on the operating margins of the group.
[24] Including the effects of equity investments accounted for using the equity method.

instruments by CDP RETI Group; by additional consolidation adjustments and by net financial expenses which increased from 23 million euro in 2022 to 43 million euro in 2023 of the parent company CDP RETI S.p.A.

Specifically, in addition to Snam's positive result (+473[25] million euro, or +70%), which reflects (i) the positive results from operations, together with the solid performance of the investee companies, offset by (ii) higher net financial expenses associated, in particular, with higher than average gross borrowing costs, driven by higher interest rates throughout the year; Italgas registered iii) a growth of +31 million euro, or +7.2% helped by the development of activities resulting from the acquisition of Greece's Group Enaon (formerly DEPA Infrastructure) - which took place in September 2022 -, despite Terna's reporting iv) higher net financial expenses (+25.1 million euro, or +2.9%) mostly in relation to higher net result for the year from discontinued operations and from assets held for sale (+23 million euro). The latter is mainly due to the 2023 reversal of the 2022 write-downs made on assets held for sale, net of the 2022 capital gains recognised on the sale of the companies included in the first closing and to the higher operating losses which takes into account the agreement signed on 29 April 29 2022 with CDPQ, a global investment group, for the sale of the entire portfolio of power lines in Brazil, Peru and Uruguay owned by the Terna Group.

A more detailed assessment of the performance at the level of individual sectors and a more analytical description of the changes taking place between the two half years are provided in the section of this Report entitled "Sector Performance".

"Revenues" for the period refer to Snam Group at 4.3 billion euro, the Terna Group at 3.2 billion euro and the Italgas Group at approximately 1.8 billion euro. The Group's increase of 1,287 million euro (+16.1%) compared to 2022, is attributable to (i) Snam (+773 million euro[26]), primarily driven by the contribution from the energy transition business (+410 million euro), as well as by the development of the energy efficiency business, especially in the residential sector, and the gas infrastructure business (+363 million euro), where there was a growth in regulated revenues of +170 million euro; or +6.7% due to the implementation of planned investments and the offer of "output-based" services, (ii) Italgas (+262 million euro), primarily driven by an increase (+137 million euro) in transmission revenues, mostly attributable to the consolidation of the Enaon group (+116 million euro), and an increase (+81 million euro) in energy efficiency activities, partially offset by the lower capital gain from the sale of ATEM Naples1, and (iii) Terna (+222 million euro), primarily driven by the growth in Regulated Assets (+128 million euro) mostly attributable to the increase in the regulated asset base*,* combined with the contribution of Non-Regulated Assets (+95 million euro) mainly reflecting the increase in revenues in Energy Solutions and the higher contribution from the LT and Brugg Cables Groups.

"Costs" for the period, mainly attributable to Snam (1,891 million euro), Terna (1,018 million euro), and Italgas (610 million euro) and mostly related to costs for raw materials and consumables used, costs for services and staff costs, increased compared to the first half of 2022 (+858 million euro) in relation to (i) Snam, mainly due to the growth of business volumes in energy efficiency and costs arising from the entry and integration of new companies active in the biomethane business, which entered the scope of consolidation in 2023; (ii) Italgas, mainly due to higher net external costs – essentially relating to energy efficiency activities – and to the consolidation of the Enaon Group, partially offset by costs related to the partial sale to Edison of the controlling interest in Gaxa and (iii) Terna mainly due to higher costs of materials and services related to both the subsidiaries Brugg Cables Group and LT Group and those in the regulated area.

"Gross operating margin" (EBITDA) amounting to 5,767 million euro (5,338 million euro in 2022; up by 429 million euro), representing an EBITDA *margin* of 62% (67% in 2022), benefits from the growth of Snam (+179 million euro), Terna (+109 million euro) and Italgas (+106 million euro). Snam contributed 26%, Terna 23% and Italgas the rest.

Although depreciation and amortisation charges were higher in 2023 by 376 million euro compared to 2022, "operating income" (EBIT) of 3,062 million euro was up by 55 million euro compared with 3,007 million euro recorded in 2022. EBIT margin (as a percentage of Total Revenue) as at 31 December 2023 was 33% (38% in 2022).

"Financial income (expense)"[27], negative by 76 million euro (+305 million euro compared to 2022), essentially relates to:

- Snam for +263 million euro, a significant improvement (+541 million euro) compared to the previous year, mainly due to the elimination of the aforementioned effects on the equity investments in TAG and ADNOC that had a negative impact on the 2022 results. In addition to these effects, there are also higher borrowing costs related to higher than average cost of borrowings attributable, mainly to higher interest rates over the past 12 months;
- Terna in the amount of -118 million euro, a further increase (-17.6 million euro) compared with FY 2023, mainly related to the increase in interest rates on loans, partially offset by higher interest income earned on cash and cash equivalents and other financial assets, lower inflation related to the *inflation-linked bond* (matured in September), and higher capitalised financial charges;

[25] The 2022 results included the write-down of Snam's equity stake in TAG for 340 million euro, as a result of the effects of the Russia-Ukraine conflict and the resulting changes in the macroeconomic environment,and the increase in financial expenses (179 million euro) as a result of higher interest rates in respect of the associate company ADNOC.

[26] Including variable fees to cover *energy costs* of 413 million euro (198 million euro in 2022). Based on the provisions in the regulatory framework in force for the fifth regulatory period, since 1 January 2020, energy costs relating to the purchase of gas fuel, which were previously subject to benefits in kind by the shippers and to the expenses for the purchase of CO2 emission rights have been covered by the revenue from the variable fee charged to the users. Energy costs and the associated related revenues to cover these costs are recognised on the basis of tariff proposal prices. The methods for the regulatory recognition of energy costs guarantee substantial neutrality at economic and financial level.

[27] Including the effects of equity investments accounted for using the equity method.

- Italgas for -95 million euro, up (-42 million euro) compared to 2022. This change is mainly attributable to the new bond issued in June 2023 for 500 million euro, to the full year impact of the new EIB loan signed in December 2022 for Geoside projects, to the cost of allocating VAT credits resulting from the application of the so-called "bonus gas", to the contribution of the Enaon Group as well as to the change in interest rates on the variable portion of debt;
- the net financial charges of CDP RETI (negative for 43 million euro), higher than those (-23 million euro) in 2022;
- consolidation effects, including (i) the negative change[28] (-24 million euro gross of the related tax effect) taking place (between 31 December 2022 and 31 December 2023) in relation to the fair value of the derivatives held by Terna to hedge the cash flows and considered as trading derivatives by the CDP RETI Group based on applicable accounting standards, and (ii) the reversal of the measurement according to the equity method of Italgas recognised by Snam in its financial statements (-59 million euro).

"Income taxes", which show an expense of 792 million euro (832 million euro in 2022), mainly refer to the tax expense of Snam, Terna and Italgas, partially offset by the effects of deferred taxation connected with Purchase Price Allocation and the fair value of the derivatives held by Terna and considered by the CDP RETI Group as hedging derivatives.

The above income components allowed the Group to close the 2023 financial year with a consolidated net profit of 2,197 million euro (of which 631 million euro attributable to CDP RETI; 513 million euro in 2022), up from FY 2022 (1,774 million euro).

The net income for 2023 pertaining to CDP RETI shareholders (net income of 631 million euro) comes from the net income of the parent company CDP RETI S.p.A. (513 million euro) and from the share of the earnings of Snam (net income of 357 million euro), Terna (net income of 259 million euro) and Italgas (net income of 133 million euro), less dividends for the period (553 million euro) attributable to CDP RETI S.p.A. and net of other consolidation effects (including the Purchase Price Allocation).

4.3 SECTOR PERFORMANCE

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

- gas transport, regasification, storage and energy transition by the companies of the Snam group;
- gas distribution, integrated water and energy efficiency service overseen by the companies of the Italgas group;
- dispatch and transmission of electricity by the companies of the Terna group.

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

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

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

INTRODUCTION

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

[28] A positive change of 128 million euro had been recorded in 2022.

(millions of euros) Item	31/12/2023 Reported	31/12/2023 Adjusted (*)	31/12/2022 Reported	31/12/2022 Adjusted(*)
Total Revenue	4,288	4,288	3,515	3,515
Regulated Revenue	*3,104*	*3,104*	*2,719*	*2,719*
EBITDA	2,397	2,417	2,218	2,237
EBITDA margin	56%	56%	63%	64%
EBIT	1,271	1,477	1,328	1,364
EBIT margin	30%	34%	38%	39%
Net income	1,145	1,178	672	1,164
Net Income of the Group	1,135	1,168	671	1,163

(*) values exclude special items.

(million of euro)	31/12/2023	31/12/2022
Shareholders' Equity attributable to the parent company	7,635	7,468
Shareholders' equity including minority interests	7,680	7,524
Net financial debt	15,270	11,923
Net cash flow for the period	(375)	420
Technical investments	1,774	1,351

TOTAL REVENUES

Total **revenues** in FY 2023 amount to 4,288 million euro, up by 773 million euro, or 22%, compared to FY 2022 and include variable fees covering energy costs[29] of 413 million euro, significantly higher than FY 2022 (198 million euro in FY 2022; up by 215 million euro) as a result of a price increase from the tariff proposal. Net of those amounts, total revenues amounted to 3,875 million euro, an increase of 558 million euro (or 16.9%). Growth was driven by higher revenues from the energy transition business (+410 million euro; +59.0%), boosted by growth in the energy efficiency segment, particularly in the residential sector. With reference to the gas infrastructure business, there was an increase in regulated revenues (+170 million euro; +6.7%) as a result of the realisation of planned investments and the offer of output-based services, partly offset by the reduction in non-regulated revenues (-22 million euro; or -21.8%), due to lower one-offs positive results compared to 2022.

Revenues from the gas infrastructure business (2,770 million euro, net of energy costs; 2,622 million euro in 2022) refer to regulated revenues (2,691 million euro; 2,521 million euro in 2022) and non-regulated revenues (79 million euro; 101 million in 2022).

Regulated revenues, net of fees to cover energy costs, recorded an increase of 170 million euro, or 6.7% compared to FY 2022, mainly attributable to: (i) higher revenues related to RAB growth (+78 million euro, including lower "input-based" incentives); (ii) "output-based" incentives related to the maintenance in operation of transportation assets fully depreciated for tariff purposes and flexibility services provided to users (+85 million euro, including the recognition of incentives related to the increased use, by users of the storage service, of flexibility services offered on short-term auctions in the 2022-2023 thermal year[30]); (iii) the recognition of revenues related to the greater volumes regasified in 2022, compared with the revenues defined by the Regulatory Authority for the same year (+12 million euro in total); (iv) revenues related to the start-up of the activities of the Piombino regasification plant (+21 million euro). These effects were offset by lower volumes of gas transported (-21 million euro), due to overall milder temperatures compared to 2022 and to the implementation of actions to curb gas demand.

Non-regulated revenues decreased by 22 million euro, or 21.8% compared to FY 2022, mainly due to lower one-off revenues compared to FY 2022, driven by the sale of inventories of owned gas.

Revenues from the energy transition business (1,105 million euro) rose by 410 million euro (or 59.0%) compared with 2022, reflecting the positive contribution of the energy efficiency segment (+365 million euro), which was driven in particular by the strong development of residential activities and biomethane (+44 million euro), due to the expansion of the corporate scope.

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[29] Based on the provisions in the regulatory framework in force for the fifth regulatory period, since 1 January 2020, energy costs relating to the costs for the purchase of fuel gas, which were previously subject to benefits in kind by the shippers and to the expenses for the purchase of CO2 emission rights have been covered by the revenue from the variable fee charged to the users. Energy costs and the associated related revenues to cover these costs are recognised on the basis of tariff proposal prices. Criteria for the regulatory recognition of energy costs guarantee substantial neutrality at economic and financial level.

[30] The recognition of the higher incentives accrued during the 2022-2023 thermal year, impacted by extraordinary measures to deal with the energy supply crisis caused by the Russia-Ukraine conflict, follows ARERA Resolution No. 419/2023/R/gas, published on 29 September 2023.

ADJUSTED EBIT

Adjusted EBIT for 2023 amounted to 1,477 million euro, an increase of 113 million euro (or +8.3%) compared with 2022, due to the change in EBITDA and the higher amortisation and depreciation charges (-67 million euro, or 7.7%), mainly as a result of new assets concessions, including the FSRU plant in Piombino, which depreciates over the entire duration of the state concession.

ADJUSTED NET INCOME

The group's adjusted net income for 2023 amounted to 1,168 million euro[31], up by 5 million euro (or 0.4%) compared to the adjusted net income in 2022. The positive results from operations, alongside the solid performance of the investee companies, were offset by higher net financial charges related, in particular, to the higher average cost of gross debt, as a result of increases in interest rates over the past 12 months.

RECONCILIATION OF ADJUSTED NET INCOME WITH THE REPORTED NET INCOME

Adjusted EBITDA, EBIT and net income are obtained by excluding special items from the respective reported result measures (from the statutory income statement), gross and net of related taxes respectively. The income components classified as special items in 2023 mainly refer to:

i) the write-down of non-current assets with reference to the Forsu biomethane business (186 million euro);
ii) fair value income from contractual tariff valuations, until 2040, of the subsidiary ADNOC Gas Pipeline Assets driven by changes in market interest rates (65 million euro). In order to show the substance of the transaction and the effective return for ADNOC investors, the effect was normalised by using a constant interest rate for the life of the contract, set at the Internal Rate of Return (IRR) for investors at the acquisition date;
iii) the capital gain from the sale of shares in Industrie De Nora S.p.A. (75 million euro, net of ancillary charges and related taxation), after which Snam holds 21.59% of the Company's share capital (compared with 25.79% pre-sale);
iv) the capital gain realised by Industrie De Nora S.p.A. from the sale of shares in the associated company Thyssenkrupp Nucera, intended to be listed on the Frankfurt Stock Exchange (28 million euro);
v) provisions for risks and charges (12 million euro) allocated in relation to extraordinary events not representative of the normal course of business;
vi) the derecognition of work-in-progress assets (8 million euro pre-tax and 6 million euro net of taxation).

EQUITY

The increase in Equity pertaining to the Parent Company for the year (+167 million euro) was mainly due to: a) net income for the year of 1,135 million euro. This result was partially offset by the payment of the final dividends relating to the 2022 result (553 million euro) and the 2023 interim dividend approved by the Board of Directors on 8 November 2023 (378 million euro).

NET FINANCIAL DEBT

Net financial debt amounted to 15,270 million euro at 31 December 2023 (against 11,923 million euro at 31 December 2022).

Cash flow from operating activities was significantly impacted by increases in working capital in relation to balancing activities and higher Ecobonus's receivables which led to an overall decrease in net cash flow from operations. Taking into account investment requirements (amounting to 2,231 million euro, of which 1,643 million euro were technical investments and 615 million euro related to equity investments, net of the proceeds from the sale of 4.2% of the share capital of Industrie De Nora S.p.A.), free cash flow was negative for 2,366 million euro. Net financial debt, including equity cash flow (936 million euro) resulting from the payment of the 2022 dividend to shareholders, and non-cash changes, increased by 3,347 million euro compared to 31 December 2022, to 15,270 million euro.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments in 2023 amounted to 1,774 million euro, up from 2023 (+€423 million euro; +31.3%) and related mainly to the transportation (1,139 million euro; 1,007 million euro in 2022), storage (225 million euro; 172 million euro in 2022) and regasification (256 million euro; 25 million euro in 2022) sectors with levels in line with expectations.

[31] Excluding minority interests.

Investments in works aimed at maintaining the safety and quality levels of the facilities, amounted to 621 million euro for transportation and 165 million euro for storage.

The monitoring phase of the areas impacted by Snam's infrastructure projects also includes continuous checks on the proper functioning of the network, which are carried out using technologies and experienced personnel to ensure complete, efficient and effective monitoring of all assets.

DIVIDEND PROPOSED

The results achieved and the company's solid fundamentals make it possible to propose to the Shareholders' Meeting the distribution of a final dividend of 0.1692 euro per share, payable as of June 26, 2024 (record date June 25, 2024), with an ex-dividend date of June 24, 2024. The dividend for fiscal year 2023 is therefore determined to be 0.2820 euro per share, of which 0.1128 euro per share has already been distributed in January 2024 as an interim payment (378 million euro). The proposed dividend, an increase of 2.5% over 2022, in line with the dividend policy announced to the market, confirms Snam's commitment to ensuring shareholders sustainable remuneration over time.

4.3.2 TERNA (DISPATCH AND TRANSMISSION OF ELECTRICITY SECTOR)

(million of euro) Item	31/12/2023	31/12/2022
Total revenue	3,187	2,964
- of which regulated	*(2,670)*	*(2,542)*
EBITDA	2,169	2,059
EBITDA margin	68%	69%
Operating profit (EBIT)	1,362	1,334
EBIT margin	43%	45%
Net income	883	858
Net income of the Group	885	857

(million of euro)	31/12/2023	31/12/2022
Shareholders' Equity attributable to the parent company	6,324	6,142
Shareholders' equity including minority interests	6,343	6,169
Net financial debt (*) (**)	10,494	8,576
Net cash flow for the period	(777)	588
Technical investments	2,290	1,757

(*) It includes financial derivatives for 147.0 million euro (172.3 million euro in 2022).

(**) It does not include the net financial debt of the assets held for sale -10.8 million euro (-17.9 million euro in 2022).

TOTAL REVENUES

In 2023, Terna's total revenues (3,186.7 million euro) increased by 222.2 million euro (+7.5%) compared to 2022.

Revenues from Regulated Activities, net of construction revenues for activities under concession (+13.2 million euro), increased by 114.3 million euro, mainly attributable to the increase in the regulated asset base (RAB) for the period, net of the effect from increases/decreases in volumes and the impact of output-based incentive mechanisms.

The 95.4 million euro increase in revenues from Non-Regulated Activities mainly reflected the increase in revenues from Energy Solutions (+61.4 million euro), which benefited from the higher contribution from the LT group (+62.4 million euro) and the higher contribution from the Brugg Cables group (+30.2 million euro).

EBIT

The higher revenues (+222.2 million euro on 2022), in part offset by the increase in operating costs (1,018.1 million euro, +112.8 million euro compared to 2022) and the higher levels of depreciation, amortisation and impairment (806.3 million euro, +80.6 million euro compared to 2022, mainly due to the entry into service of new plants), resulted in an EBIT of 1,362.3 million euro, +28.8 million euro in absolute terms compared to 2022 (1,333.5 million euro) and with an EBIT margin of 43% (compared to 45% for 2022).

NET INCOME

Net income on continuing operations for the year reached 880.3 million euro, up by 2.3 million euro compared with 878.0 million euro in 2022.

The 2023 net income from discontinued operations and from assets held for sale amounted to 2.5 million euro, an increase of 22.8 million euro compared to the previous year. This is mainly due to the 2023 reversal of the 2022 impairment losses recognised on assets held for sale, net of the 2022 capital gains recognised on the sale of the companies included in the first closing and of the higher operating losses, also taking in consideration the change in the scope of consolidation.

Therefore, net income for the year amounted to 882.8 million euro, compared to 857.7 million euro in 2022 (+2.9%).

EQUITY

The increase in total Equity (+174.2 million euro) is mostly attributable to the positive result for the year of 882.8 million euro, offset by the negative change in the cash flow hedge valuation reserve (-37.6 million euro), the interim dividend for 2023 (-230.3 million euro) and the distribution of the balance of the dividend relating to fiscal year 2022 (-424.5 million euro).

NET FINANCIAL DEBT

At 31 December 2023, the group's net financial debt stood at 10,494.3 million euro, up by 1,918.0 million euro compared with 31 December 2022.

The group's net financial debt was subject to the following changes:

- a decrease in bonds for 247.1 million euro mainly due to the redemption of two bond issues (for 1,000 million euro in July 2023 and for 670.8 million euro in September 2023), partially offset by the issuance of two new bonds by Terna S.p.A. in April and July 2023 for a total of 1,400 million euro;
- an increase in loans of 714.9 million euro mainly due to the draw-down of new loans, for a total of 900 million euro, net of the repayments of bank loans totalling 100.0 million euro and the repayments of existing EIB loans;
- an increase in short-term loans (757.6 million euro) mainly as a result of the utilisation of short-term credit lines and the issuance of Commercial Paper by the Parent Company;
- a decrease in the fair value of the derivatives portfolio (-25.3 million euro), mainly due to the change in the derivatives portfolio and the shift in the yield curve;
- an increase in other net financial liabilities (+65.8 million euro) mainly due to interest accrued on financial instruments and to the advance paid by the European Commission in relation to the Italy-Tunisia interconnection project (+38.5 million euro) in relation to the Tunisian operator STEG;
- an increase in financial assets of 124.8 million euro mainly as a result of additional deposits made during the period (+165 million euro) and the change in interest accrued on investments (+9.4 million euro), partly offset by change in the portfolio of Italian government bonds (-52.0 million euro);
- a decrease in cash and cash equivalents of 776.9 million euro. Cash and cash equivalents at 31 December 2023 amounted to 1,378.2 million euro, of which 1,194.5 million euro invested in short-term, highly-liquid deposits and 183.7 million euro relating to bank current accounts and cash.

TECHNICAL INVESTMENTS IN THE PERIOD

Total investments made by the Terna group in 2023 amounted to 2,290.0 million euro, a significant increase compared with 1,756.8 million euro in the previous year (+30.4%).

DIVIDEND PROPOSED

The Board of Directors of Terna S.p.A. is proposing to distribute a total dividend for the year 2023 of 682,593,283.20 euro, equal to 0.3396 euro per share, of which 0.1146 euro per share was approved as an interim dividend on 8 November 2023.

The Board of Directors therefore proposes to allocate the 2023 net income of Terna S.p.A., equal to 834,796,667.58 euro, as follows:

- 230,345,083.20 euro to cover the interim dividend payable from 22 November 2023 for all ordinary shares outstanding, net of treasury shares in the portfolio at the "record date" of 21 November 2023 (482,885.44 euro allocated to the "retained earnings" reserve);
- 452,248,200.0 euro to pay the final dividend to be distributed in the amount of 0.2250 euro for each of the 2,009,992,000 ordinary shares representing the share capital at the date of this meeting of the Board of Directors to be paid from 26 June 2024 with coupon date no. 40 on 24 June 2024 (record date pursuant to Article 83-terdecies of Legislative Decree no. 58 of 24 February 1998, the Consolidated Law on Finance: 25 June 2024). This amount does

not include treasury shares held in the portfolio at the record date indicated above. The amount of the 2023 final dividend due on treasury shares held by the Company at the record date will be allocated to the "retained earnings" reserve;

- 152,203,384.38 euro to retained earnings.

4.3.3 ITALGAS (GAS DISTRIBUTION SECTOR)

(millions of euro) Item	31/12/2023	31/12/2022
Total revenue (*)	1,818	1,556
- of which regulated	*1,494*	*1,314*
EBITDA	1,208	1,101
EBITDA margin	66%	71%
Operating profit (EBIT)	681	641
EBIT margin	37%	41%
Net income	468	436
Net income - of the Group	440	407

(*) The reclassified income statement shows Total Revenues and Operating Costs net of IFRIC 12 effects "Service Concession Arrangements" (727.8 million euro and 787.1 million euro in FY 2022 and FY 2023, respectively), connection fees (19.2 million euro and 19.2 million euro in FY 2022 and FY 2023, respectively), and reimbursements from third parties and other residual items (9.6 million euro and 15.0 million euro in FY 2022 and FY 2023, respectively).

(million of euro)	31/12/2023	31/12/2022
Shareholders' Equity attributable to the parent company	2,280	2,108
Shareholders’ equity including minority interests	2,601	2,391
Net financial debt (*)	6,634	6,000
Net cash flow for the period	(202)	(940)
Technical investments	907	814

(*) Includes derivative instruments in the amount of -31.8 million euro (-52.5 million euro as at 31 December 2022). It should also be noted that as at 31 December 2022, net financial debt does not include liabilities of €34.8 million consisting of the pro-rata shareholder loan, including interest, to Italgas NewCo, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, which Italgas believes is not in the nature of financial debt. As at 31 December 2023, the liability was converted for €24.8 million into equity.

TOTAL REVENUES

Total revenues amounted to 1,817.5 million euro in 2023, up 261.6 million euro on the same period of 2022 (+16.8%), and consisted of regulated revenues from natural gas distribution (1,493.9 million euro) and miscellaneous revenues (323.6 million euro).

Gas distribution regulated revenues were up by 180.4 million euro compared with 2022 due to the increase in transportation revenues (+137.4 million euro) and other gas distribution regulated revenues (43.0 million euro).

The increase in gas transportation revenues (+137.4 million euro) is mainly attributable to the consolidation of the Enaon group (+115.6 million euro), the increase in the RAB and in the deflator (+45.6 million euro), and the effects of the ARERA Resolution on the parameter-based remuneration of remote reading/management (+9.3 million euro), partially offset by the loss of revenues from the Naples 1 ATEM (-46.0 million euro). Lastly, the revenue increases due to inflation has slightly offset the X-factor.

Other revenues as at 31 December 2023 amounted to 323.6 million euro and increased by 81.2 million euro compared to 2022 mainly due to the increase in energy efficiency activities, partially offset by the nil recognition of any capital gains from the sale of the Naples ATEM 1.

EBIT

EBIT for the period ended 31 December 2023 amounted to 681.2 million euro, up by 39.8 million euro on 31 December 2022 (+6.2%) due to higher revenues (261.6 million euro, +16.8%), operating costs (155.3 million euro, +34.2%) and depreciation and amortisation (66.5 million euro, +14.5%).

Operating costs as at 31 December 2023 amounted to 609.9 million euro, an increase of 155.3 million euro compared to 2022, mainly due to the increase in the energy efficiency business for 116.7 million euro and the consolidation of the Enaon group for 34.2 million euro, partially offset by lower costs related to the sale of Gaxa (-11.0 million euro).

Depreciation, amortisation and impairment (526.4 million euro) increased by 66.5 million euro (+14.5%) compared to 2022, mainly due to investments made in 2023 and the change in the scope of consolidation related to the Enaon group.

NET INCOME

Net income amounted to 467.5 million euro in 2023, an increase of 31.4 million euro (or +7.2%) compared to 2022. The change was due to: (i) the afore-mentioned increase in operating profit (+39.8 million euro compared to 2022), (ii) higher net financial charges of 41.9 million euro compared to 2022, (iii) lower net income from equity investments of -0.3 million euro, and (iv) lower income taxes of 33.8 million euro compared to 2022, essentially as a result of the benefit related to the so-called *patent box*.

EQUITY

Group equity at 31 December 2023 (2,280.0 million euro) mainly consisted of the share capital (1,003.2 million euro), legal reserve (200.6 million euro), share premium account (626.3 million euro), retained earnings (645.7 million euro), net income for the year (439.6 million euro), consolidation reserve (-323.9 million euro), the reserve for business combinations under common control (-349.8 million euro), and other reserves.

The change in Group equity over the period (171.7 million euro) was mostly due to the net income for the period, partly offset by the distribution of the 2022 ordinary dividend (270.5 million euro), as resolved by the ordinary Shareholders' Meeting of Italgas S.p.A. on 26 April 2023.

NET FINANCIAL DEBT

At 31 December 2023, net financial debt, excluding the effects deriving from financial payables pursuant to IFRS 16 of 79.1 million euro (72.0 million euro at 31 December 2022), amounted to 6,555.2 million euro, up by 627.1 million euro on 31 December 2022 (5,928.1 million euro).

Gross financial and bond payables, amounting to 6,920.3 million euro at 31 December 2023 (6,510.8 million euro at 31 December 2022) referred to bonds (4,992.3 million euro), loan agreements drawn on European Investment Bank (EIB) funds (890.5 million euro), amounts due to banks (958.4 million euro) and IFRS 16 payables (79.1 million euro).

Cash and cash equivalents and financial receivables amounted to 254.2 million euro, showing a decrease of 204.0 million euro compared to 31 December 2022.

Fixed-rate financial liabilities amounted to 6,361.7 million euro and consisted mainly of bonds (4,992.3 million euro), five EIB loans (790.4 million euro), bank loans (499.9 million euro) and financial liabilities pursuant to IFRS 16 (79.1 million euro). The increase in fixed-rate financial liabilities (455.9 million euro) was mainly due to the 500 million-euro bond issue, maturing in June 2032, partially offset by principal repayment on EIB loans.

Floating-rate financial liabilities amounted to 558.6 million euro and mainly included bank loans and bond loans taken out by the Greek Enaon group (458.6 million euro) and EIB financing (100.0 million euro).

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

As at 31 December 2023, there were no loan agreements containing financial covenants, with the exception of an EIB loan with a nominal value of 90 million euro signed by Toscana Energia. As at 31 December 2023, all commitments had been fulfilled.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments amounted to 906.5 million euro in 2023 (814.3 million euro as at 31 December 2022), of which 37.0 million euro relating to investments accounted for in accordance with IFRS 16.

Distribution investments (538.9 million euro, +3.6% compared to 2022) resulted in the laying of further 965 km of pipes (of which 724 km in operation). The increase compared to 2022 was driven by the inclusion in the scope of consolidation of the Greek companies, which in 2023 completed the laying of an additional 598 km of pipes (of which 433 km in operation).

Digitisation investments (283.4 million euro, +20.2% compared to the same period of 2022) mainly referred to the installation of digital devices for data acquisition for the control and monitoring of the distribution network, of installations and for metering purposes.

DIVIDEND PROPOSED

The Board of Directors will propose to the Shareholders' Meeting the distribution of an ordinary 2023 dividend of 0.352 euro per share (0.317 euro per share in 2022; +11%), to be paid from 22 May 2024.

4.4 CONSOLIDATED NET FINANCIAL DEBT

Consolidated net financial debt, determined in accordance with the “Guidelines on disclosure requirements under the Prospectus Regulation” issued by ESMA[32] (ESMA32-382-1138) on 4 March 2021 and implemented by Consob communication starting from 5 May 2021, compared to the end of 2022, is as follows:

(million of euro)

Items	31/12/2023	31/12/2022
A. Cash	1,091	2,669
B. Cash equivalent	2,049	1,861
C. Other current financial assets	382	261
D. Liquidity (A)+(B)+(C)	**3,522**	**4,791**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	4,731	2,067
F. Current portion of non-current financial debt	3,966	3,334
of which IFRS 16	59	43
G. Current financial indebtedness (E + F)	**8,697**	**5,401**
H. Net current financial indebtedness (G - D)	**5,175**	**610**
I. Non-current financial debt (excluding current portion and debt instruments)	9,129	8,453
of which IFRS 16	127	127
J. Debt instruments	19,593	18,954
K. Non-current trade and other payables		
L. Non-current financial indebtedness (I + J + K)	**28,722**	**27,407**
M. Total financial indebtedness in accordance to ESMA Guidance (H + L) (*)	**33,897**	**28,017**

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

The **Consolidated Net Financial Debt (NFD)**, inclusive of the effects of the application of IFRS 16, amounted to 33,897 million euro (28,017 million euro at 31 December2022)

For a more detailed analysis of this item, see the paragraph “Sector Performance” (of the subsidiaries Snam, Terna and Italgas) and the Report on Operations of the Parent Company.

[32] European Securities and Markets Authority.

5. BUSINESS OUTLOOK

Introduction

The Annual Financial Report, in particular this section, contains forward-looking statements concerning the Group's intentions, beliefs or current expectations in relation to the financial results and other aspects of the Group's activities and strategies. Forward-looking statements have by their nature a component of risk and uncertainty because they depend on the occurrence of future events and developments. Actual results may therefore differ from those estimated in relation to several factors. It follows that these forecasts could differ significantly from the final results as a consequence of risks and uncertainties depending on multiple factors. For more details, please refer to section "3.2 RISK FACTORS" of the consolidated Report on Operations, section "VI – FINANCIAL RISK MANAGEMENT" of the notes to the consolidated financial statements and section "IV – INFORMATION ON RISKS AND RELATED HEDGING POLICIES" of the notes to the separate financial statements, which detail the main risks related to the CDP RETI Group's business activity that may affect the ability to achieve the objectives set.

The **Parent Company CDP RETI S.p.A.** will continue to constantly monitor the most efficient financial structure in 2024, with a view to optimising it in terms of duration and interest rate exposure. In this regard, see the section "Significant events taking place in the year by sector/company" for the refinancing of the outstanding debt arising from the short-term bridge loan taken out in 2022, through a new 253 million loan. No significant impacts on net income are expected in 2024[33] related to the trend in interest rates, taking into account that relative risks, both with reference to the Bond (fixed rate), and to current Term Loans (variable rate but converted to a fixed rate due to undersigning 2 IRS hedging derivatives with CDP), have been mitigated through refinancing strategies implemented in previous years.

Finally, in forward-looking terms, considering the approaching maturity in May 2025 of the Term Loan*,* with a nominal value of 938 million euro, the structures of CDP RETI, in coordination with the relevant structures of CDP, will take action from the last quarter of 2024 to identify the best strategy for refinancing this debt.

From an operational standpoint, in the first half of 2024 the subsidiaries are expected to distribute the balance of the 2023 profit[34], which will among other things offset the payment of the 2023 balance to the shareholders of CDP RETI, as well as the financial charges associated with the bond issue and existing loans.

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

- **Assets:** estimated to remain constant, mainly comprising the equity investments in Snam (3.1 billion euro), Terna (1.3 billion euro) and Italgas (0.6 billion euro). The value of the equity investments is expected to be constant (about 5 billion), in the absence of information, to date, that can make it considered non-recoverable[35]. No transactions are envisaged for the equity portfolio. A solid liquidity profile is also confirmed;
- **Liabilities:** no significant changes in the capital structure are expected. Liabilities are estimated as unvaried and composed mainly of: (i) financial debt (0.9 billion euro relating to the Term Loan taken out in May 2020 and maturing in May 2025; (ii) 0.5 billion euro relating to the Bond issued in October 2022 and maturing in October 2027 and (iii) 0.3 billion euro relating to the Term Loan signed in May 2023 and maturing in May 2026);
- **Equity** estimated to be substantially stable;
- **Income Statement**: performance of net profit mainly linked to the growth envisaged in expected dividends (in line with the profit distribution policies announced by the subsidiaries) and to the dynamics of net interest expense.

Although the Company is not currently in a position to determine with absolute reliability the impacts related to the evolution of the current context - mainly characterised by geopolitical tensions and the deterioration of the macroeconomic scenario - on the targets for 2024 and subsequent years, currently available information does not indicate any significant impact on the strategy and objectives of the Company, nor on its ability to distribute dividends to Shareholders, or on the Net Financial Position or cash-flow, or more generally on liquidity risk. There are currently no distressed conditions affecting debt or

[33] Mainly related to cash collateral due to margin calls on the 2 IRS hedging derivatives in effect as of 31 December 2023. Based on the Company's most up-to-date forecasts, no further hedging transactions are currently planned for the 2024 financial year.

[34] Moreover, with regard to dividends received, on 24 January 2024, Snam's 2023 interim dividend of approximately 119 million was collected.

[35] It is worth noting in this regard that, in overall terms, the CDP RETI Group's core business is represented by the activities conducted by the subsidiaries (Snam, Terna and Italgas) under a regulated regime. There are currently no impairment losses, given that the listed prices for investee companies at 31 December 2023 are showing significant gains in relation to the amounts accounted for in the Company's financial statements.

equity (nor are they reasonably foreseeable) or a financial situation of the Company that would require support from the Shareholders. Notwithstanding the above, it is not possible to completely rule out that the possible continuation of the aforementioned context could have adverse effects on CDP RETI, which at present cannot be estimated based on the information available. Any additional future impacts on economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the current context. Also with reference to climate-related issues, no significant impacts on the Parent Company are currently expected.

Please refer to section "I.1.5. Other issues" of the consolidated financial statements for a more detailed description of any impacts of Climate-related issues affecting the macroeconomic scenario.

In a global energy context that continues to be challenging and volatile, **Snam**'s goal is to ensure the development of an infrastructure that is capable of transporting a flexible multi-molecule energy system that paves the way towards carbon neutrality, guaranteeing security, sustainability and competitiveness of energy supplies.

To achieve these objectives, Snam plans investments across two main lines:

- **Investments in infrastructure** across the entire value chain (construction of the Adriatic Ridge and dual-fuel compressor stations, upgrading and optimising the storage and export system, commissioning of the Ravenna floating storage regasification unit (FR), development of small-scale Liquefied natural gas (GNL) and expansion of the GNL-bio networks and hydrogen stations);
- **Contribution to decarbonization** through the Energy Transition platform with the development of green gases (hydrogen and biomethane), the launch of the Italian and European hydrogen Backbone (SoutH2 Corridor), the development of the infrastructure for CCS (Carbon Capture and Storage) and the further growth of activities aimed at increasing energy efficiency.

To support the strengthening of the country's energy infrastructure, the acquisition of FSRU BW Singapore, which will be located off the coast of Ravenna, took place on 4 December 2023. The ship, with a regasification capacity of five billion cubic metres per year, meets Snam's commitment to ensure greater security and diversification of energy supplies for the country.

With reference to the current financial year, the economic results are expected to benefit from the increase in revenue due to the growth in Regulatory Asset Base (RAB), thanks to investments made, the updating of the Weighted Average Cost of Capital (WACC) and the introduction of the new ROSS regulation (Regulation by Objectives of Expenditure and Service) for transport.

In a global environment that continues to be volatile, high interest rates will have an incremental impact on borrowing costs. The main contributing factors for optimising the financial structure relates to an ever greater diversification of financing sources and instruments, as well as the dynamic management of working capital and treasury flows. Snam intends to maintain a solid financial structure, capable of maximising the natural hedging implicit in the tariff system through periodic reviews of the recognised cost of capital.

With reference to the situation in the Middle East, the conflict in the Gaza Strip does not currently have a direct impact on Snam's assets and on the operation of the pipeline that connects Israel and Egypt (EMG), which is operating in an ordinary manner.

On the other hand, with regard to the recent escalation of maritime attacks in the Red Sea, a prolonged interruption of ship transits (e.g. LNG ships) from the Suez Canal, could give rise, this year, to international tensions with the consequent impact on the prices of energy goods for which Italy, and Europe in general, are heavily dependent on foreign imports. These turbulences could weigh on the world economy, increasing production costs and further affecting national and European economic stability and growth, as well as causing further challenges in managing energy supply sources.

Snam will continue to monitor the evolution of the situation in the Middle East, the possible consequences and effects on the Group; however, with regard to the management of operational activities and the implementation of the investment programme, there are currently no critical issues attributable to these events.

The financial targets for 2024 are all confirmed:

- investments totalling 2.9 billion euro (of which 2.7 billion euro in gas infrastructure and 0.2 billion euro in the energy transition segment);
- a RAB tariff equal to 23.8 billion euro;
- adjusted net income of approximately 1.18 billion euro;
- net debt level of approximately 17.6 billion euro

During 2024, the Terna group, due to moderate global economic growth and the persistence of trade tensions between the world's major economies, expects the increasing of the risk of new protectionist measures being introduced. Moreover, geopolitical tensions could persist or even intensify, with regional conflicts, inter-state rivalries and global security challenges having negative impacts on political and economic stability.

In the aforementioned scenario, the Terna group will focus on the implementation of the 2024-2028 Business Plan, recently presented to the financial community (on 19 March 2024). With its 16.5 billion euro in total investments, it confirms and strengthens Terna's contribution to the resolution of the Italian energy trilemma: *Affordability* (minimising electricity system costs), *Security* (ensuring the resilience and performance of the electricity system) and *Sustainability* (integrating RES and supporting the development of new forms of flexibility).

With reference to **Regulated Activities**, the acceleration of investments aimed at achieving the European objectives of the "Fit-for-55" plan, promoting the integration of renewable sources, developing interconnections with foreign countries, increasing the level of security and resilience of the electricity system and enabling the digitisation of the grid, is confirmed.

Among the main investment projects underway is the progress of the Tyrrhenian Link, for which, on the West Branch, civil works for the converter stations are scheduled to begin, while on the East Branch, where construction sites have been open since the end of 2023, the construction of overland cable installations will begin. With regard to Sa.Co.I.3, the new three-terminal link that will replace the current link between Sardinia, Corsica and the Italian peninsula, the finalisation of the EPC contracts and partnership agreements with EDF is underway. In addition, once the main contracts have been awarded for the Adriatic Link project, the new submarine power pipeline that will connect the Abruzzo and Marche regions, the executive design activities will begin.

The main infrastructure of the National Transmission Grid also include the commissioning of the Monte Malo (VI) and Ponte Caffaro (BS) stations.

In 2024, work will continue on the new electricity grid for the “Milan-Cortina 2026” Winter Olympic and Paralympic Games, aimed at boosting the reliability of energy at the venues involved in the event, while minimising the impact on the landscape.

Lastly, the group will continue to make progress towards meeting the objectives provided for in the output-based incentive mechanisms drawn up by ARERA and relating in particular to the reduction of dispatching costs (MSD incentives). In the current year, consultations will also continue with ARERA to update the underlying reference WACC regulation, valid from 2025 to 2027, and to finalise the definition of the parameters to be applied to the transmission service in the new ROSS Base regulation.

With reference to **Unregulated Activities**, the Terna group will continue to strengthen its role both in the connectivity and in the energy solutions area, developing high value-added services for businesses and seizing market opportunities for traditional and renewable customers. These targets will be achieved though the consolidation of the LT group's market leadership and by investing in the growth of technical and digital skills.

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

With reference to **International Activities**, the procedures for the sale of the assets in Peru and Linha Verde I in Brazil, the conclusions of which are expected by the end of the year, will continue, together with the strategic assessment of further opportunities that guarantee a low risk profile and limited capital absorption.

During the year, the group will intensify its efforts to improve the operational efficiency and management of the transmission grid through the adoption of innovative technologies and the digitisation of transmission grid assets by means of IOT technologies. This will include, for example, the implementation of the most advanced mobile network technologies, the enhancement of monitoring systems and the development of advanced predictive algorithms to optimise infrastructure maintenance and improve network resilience.

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

Also thanks to the aforementioned initiatives, including those aimed at further increasing the efficiency of the electricity system, Terna is expected to achieve revenues of 3.55 billion euro, EBITDA of 2.42 billion euro and EPS of 0.49 euro in 2024. With specific reference to the Investment Plan, the group’s target for 2024 is approximately 2.6 billion euro. The above objectives will be pursued whilst maintaining a commitment to maximising the cash generation necessary ensure a sound, balanced financial structure.

With regard to **Italgas**, in line with the provisions of the 2023-2029 Strategic Plan, the Company will continue to pursue its objectives aimed at enhancing, developing and digitally transforming gas distribution assets in Italy and Greece, thus establishing itself as a leading player in the water distribution and energy efficiency sectors.

The Italgas Group will maintain a leading role in achieving the European Union’s climate objectives, further advancing the decarbonisation of the sector through the development of renewable gases and improving the flexibility and resilience of the entire energy system. At the same time, Italgas Group will guarantee energy security and cost competitiveness, for the benefit of businesses and households.

6. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2023

For an analysis of the macroeconomic framework and risks, see the section “Events subsequent to the reporting date” in the notes to the consolidated and separate financial statements as at 31 December 2023 of, respectively, the CDP RETI Group and CDP RETI S.p.A.

Below are major other events regarding each company.

CDP RETI

With regard to the Parent Company, the main events that occurred after the end of the financial year included the collection on 24 January 2024 of Snam's 2023 interim dividend of about 119 million.

SNAM

There were no significant events after the reporting period.

TERNA

New underground cable connection authorised in the municipalities of Turbigo, Robecchetto con Induno and Castano Primo (MI)

On 4 January 2024, the new power connection planned by Terna in the municipalities of Turbigo, Robecchetto con Induno and Castano Primo in the metropolitan city of Milan was authorised by a decree of the Ministry of Environment and Energy Security. The project, for which the Company has planned an investment of eight million euro, consists of the construction of a 4.5 kilometre long underground cable power line that will connect Terna’s “Turbigo” Power Station to the “Castano Primo” Primary Cabin owned by the local distributor. The new power line will reduce the risk of disconnection of local utilities and damage to the infrastructure due to the intensification of weather events in recent decades, such as the strong winds that characterise the area.

Quebec Group Settlement Agreement

On 7 February 2024, all disputes related to the outstanding arbitrations between Linha Verde I and Linha Verde II, on the one hand, and Québec group, on the other hand, and any other disputes, including potential disputes pertaining to the relationship between the parties were resolved favourably. In addition, concurrently with this agreement, Terna Plus S.r.l. finalised the acquisition of a minority stake in the Brazilian company “SPE Transmissora de energia Linha Verde I S.A.”, which has now become a wholly owned subsidiary of Terna Plus S.r.l.

Construction sites for the rehabilitation of the power grid in the area between Colunga and Ferrara have begun.

On 9 January 2024, Terna started work on the rehabilitation of the power grid in the area between Colunga and Ferrara, in Emilia-Romagna. With an investment of about 16 million euro, the company will modernise the electricity infrastructure in the Po Valley area of Emilia-Romagna to ensure greater efficiency and quality of service for the benefit of local businesses and citizens. The plan of works, which affects the municipalities of Castenaso, Budrio, Minerbio, Baricella, Malalbergo, Poggio Renatico and Ferrara, includes the rehabilitation of the 132 kV links called “Colunga-Altedo”, “Altedo

Ferrara Sud", and "Ferrara Sud-Centro Energia der. Aranova". With the construction of about 20 km of power lines, more than 60 km will be demolished between the provinces of Bologna and Ferrara.

Successfully concluded the launch of an 850 million euro, 7-year bond issue

On 10 January 2024 Terna S.p.A. successfully launched a single tranche, fixed-rate bond issue for 850 million euro. The issue was received with enthusiasm by the market, with demand exceeding three times the supply and attracting a high quality and wide geographical diversification of investors. The green bond issue was launched as part of Terna's Euro Medium Term Notes (EMTN) Programme worth 9,000,000,000 euro and rated "BBB+" by Standard and Poor's and "(P)Baa2" by Moody's. The bond has a nominal value of 850 million euro, a term of seven years and maturity on 17 January 2031, paying an annual coupon of 3.50%, and will be issued at a price of 99.385%, with a spread of 100 basis points compared to mid-swap. The issue settlement date is scheduled for 17 January 2024. The issue proceeds are expected to be used by the Company to meet the group's ordinary financing needs and to cover those of the Business Plan too. It should be noted that an application to list the green bond on the regulated Luxembourg Stock Exchange will be submitted at the time of issue. The transaction was supported by a syndicate of banks, under which the following banks acted as *joint-bookrunners*: Banca Akros, BNP Paribas, CaixaBank, Citigroup, Crédit Agricole Corporate and Investment Bank, IMI - Intesa Sanpaolo, Morgan Stanley, SMBC, Unicredit Bank AG.

Terna experiments the inspection of the seabed with an underwater drone

On 11 January 2024, Terna in collaboration with Terradepth, a U.S. based start-up specialising in ocean data collection and dissemination, launched the "Odysseus" project trial. The focus of the project is to apply Autonomous Underwater Vehicle (AUV) technology to seabed and underwater ecosystem inspection activities in order to build important infrastructure, while ensuring full respect for the environment. As part of the "Odysseus" project, the testing phase took place off the port of Casamicciola Terme on the island of Ischia. During the geophysical survey of the seabed, Terna engineers were able to verify the performance of the "Gavia" drone, a Terradepth AUV equipped with advanced sensor technology such as, e.g., Multibeam and side-scan Sonar, and high-definition camera.

The new underground cable connection "CP Messina Nord – CP Messina Riviera" has been authorised

On 15 January 2024, the new 150 kV power link planned by Terna in the Municipality of Messina was authorised by a Sicilian Region decree. The project, for which the Company will invest about 26 million euro, consists of the construction of an underground cable power line about 10 kilometres long, which will connect the "Messina Nord" Primary Cabin with the "Messina Riviera" Primary Cabin. The Messina area is characterised by strong winds, which, combined with the orographic and vegetation characteristics of the area, increases the risk of local load shedding. The new power line will increase the meshing of the power grid and diversify transmission technology in order to reduce the risk from severe weather events.

Terna presents the results of the public consultation on the new connection between Italy and Greece "GR.ITA 2"

On 31 January 2024, Terna presented the results of the Public Consultation to the Administrations and citizens of the seven municipalities, in the province of Lecce, impacted by the future connection called "GR.ITA 2". During the meeting, which was held virtually at 5:00 p.m. via "Teams", the localisation solutions adopted, the result of the dialogue with local communities carried out as part of the Public Consultation on the new infrastructure that will affect the municipalities of Galatina, Soleto, Sternatia, Martignano, Calimera, Carpignano Salentino and Melendugno, were presented. Once this phase is completed, Terna will begin detailed design to gather all the necessary authorisations. This event is part of the participatory planning process undertaken by the Company starting in 2022 with the support of the Apulia Region and municipal governments. Specifically, during the Public Consultation phase prior to the filing the relevant project authorisations which ended on 12 December 2023, five meetings were held to explain the details of the project proposal, examine the alternatives defined on the basis of the indications received in the voluntary consultation phase, and to listen to citizens' comments, reports and petitions.

The Adriatic Link, the submarine power line between Marche and Abruzzo, has been authorised by the Ministry of the Environment and Energy Security

On 6 February 2024, the Ministry of the Environment and Energy Security authorised the construction of the Adriatic Link, Terna's submarine power pipeline that will link the Marche and Abruzzo, by decree of 31 January 2024. The development work, included among the PNIEC (Integrated National Energy and Climate Plan) interventions and also recognised as strategic for the country system by the Regulatory Authority, will strengthen energy exchange in the central part of the

Peninsula by meeting the security and flexibility needs of the national electricity system and the objectives of increasing energy from renewable sources. The technologically and environmentally advanced power link will consist of two submarine cables of about 210 km, laid at a maximum depth of 100 metres, and two land cables of 40 km. The conversion stations will be built in the vicinity of the existing power stations in Cepagatti (PE), Abruzzo, and Fano (PU), Marche. The connection will increase the exchange capacity between the Central-South and Central-Northern areas of the country by about 1,000 MW, by enabling the integration and transfer of energy produced from wind and photovoltaic plants in the South to consumption centres in the North.

Terna ranks among the world leaders in the fight against climate change

On 6 February 2024, Terna was recognised among the leading international companies in the fight against climate change, according to the Climate Change questionnaire of CDP (formerly the Carbon Disclosure Project), a global non-profit specialising in environmental reporting and assessing the climate performance and strategies adopted by companies. In fact, the group led by Giuseppina Di Foggia received an 'A-' rating (on a scale of 'D-' to 'A'), an improvement over the 'B' rating it received last year. The rating assigned to Terna places the company in the "Leadership" category and above the industry average (equal to B), the European average (B) and the global average (C). The recognition from CDP confirms Terna's growing commitment to environmental sustainability, reaffirmed by the adoption of a new Science Based Target by which the company has committed to cut its CO2 emissions by 46% by 2030 compared to 2019, improving on the previous target of reducing climate-changing emissions by about 30%. CDP's assessment of supplier engagement recognises Terna's efforts with regard the quality of Scope 3 emissions reporting, in relation to the value chain, and rewards the Group's commitment to reducing these emissions, as certified by the Science-based Target Initiative in 2023. The rating is also in line with the company's efforts to promote the circular economy, given substance by the recent launch of Terna's Roadmap, which aims to make the company a leader in this field.

Moody's confirms Terna's rating

On 6 February 2024 following the update of the Government-Related Issuers (GRI) methodology, through which the agency extended its scope to include some entities indirectly owned by governments, Moody's once again confirmed Terna S.p.A.'s long-term rating (Terna) at 'Baa2', one notch above that of the Italian Republic, with stable outlook. The rating agency also affirmed Terna's 'P-2' short-term rating and the 'Ba1' rating of Terna's subordinated debt.

Terna: from EIB the last tranche of the 1.9 billion euro loan for the Tyrrhennian Link

On 8 February 2024 just prior to the second edition of the EIB Forum in Luxembourg, which brings together heads of state, European Commissioners, business leaders, academics and civil society representatives, the European Investment Bank (EIB) and Terna signed the contract for the last tranche of the 1.9 billion euro financing for the Tyrrhenian Link, the undersea electricity link that will connect the Italian peninsula to Sicily and the latter to Sardinia. The Forum also included a meeting between Gelsomina Vigliotti, EIB Vice President, and Giuseppina Di Foggia, Chief Executive Officer and General Manager of Terna, to discuss future collaborations to support the energy transition and the goals of REPowerEU. This last 500 million euro tranche, which is in addition to the previous loan agreements signed on 8 November 2022 (first tranche, for 500 million euro) and on 30 March 2023 (second and third tranches, totalling 900 million euro), is also intended to support the construction and commissioning of the "East Branch" and "West Branch" of the Tyrrhenian Link. Connecting Sicily with Sardinia and the Italian peninsula via a double submarine cable 970 kilometres in length and 1,000 MW in capacity, Tyrrhenian Link will help foster the development of renewable sources, grid reliability and promote energy security in Italy. For this infrastructure, which is crucial for the security of the Italian electricity system, Terna plans a total investment of about 3.7 billion euro, about 50% of which will be financed by the EIB, demonstrating the project's strategic nature. The Tyrrhenian Link will be fully operational in its full capacity in 2028, and 250 companies will be involved in its implementation, with major spin-offs for the territories involved. This loan, like the previous tranches of EIB financing dedicated to the Tyrrhenian Link, has a maturity of about 22 years from the first disbursement date and is characterised by a longer duration and more competitive costs than those found in the money-market, thus falling within Terna's policy of optimising its financial structure. This new transaction brings total outstanding EIB loans to Terna to approximately 3.8 billion euro.

Terna and RSE join forces for the development of energy and environmental projects and technologies

On 14 February 2024, Terna and RSE - Research on the Energy System, a leading company in analysis and applied research in the energy sector, signed a five-year collaboration agreement aimed at the development and application of processes and technologies in the energy and environmental field, promoting, in this context, study initiatives, development and innovation activities. The agreement was signed in Rome by Giuseppina Di Foggia, Chief Executive Officer and General Manager of Terna, and Prof. Franco Cotana, Chief Executive Officer of RSE. Thanks to this collaboration, Terna and RSE will therefore be able to cooperate, through planning, programming and coordination actions, in order to create an environment conducive to the development of research, technologies and the dissemination of innovation, energy security and power grid resilience projects, which are of fundamental importance for Terna, as an enabler of the energy transition, and for RSE, in its role as a promoter of innovation, efficiency and value retention in the entire energy and sustainability chain. Specifically, the partnership promotes a framework agreement aimed at initiating mutual collaborations on topics such as, for example: optimal grid planning and design, smart asset management methodologies, observability, controllability and resilience of the power system, development of new technologies for grid flexibility, demand development scenarios and generation from renewable sources, big data management and data science, use of IoT (Internet of Things) technology, cyber security, artificial intelligence and other enabling technologies for the national energy transition. The progress of the projects will be monitored by a Management Committee that will include representatives from Terna and RSE.

Two new underground cable connections in the city of Milan have been authorised

On 16 February 2024, Terna's project to build two new power connections in the city of Milan was authorised by a decree of the Ministry of Environment and Energy Security. The intervention, for which the Company will invest about 17 million euro, is part of the planned activities to increase the reliability of the power supply of the venues for the "Milan - Cortina 2026" Olympic and Paralympic Games. Specifically, two underground power lines are planned named CP Porta Romana - SE Receiver South Milan and CP Porta Romana - CP Mugello totalling 6.5 km in length that will connect, both ways, the new "Porta Romana" Primary Cabin to the local distributor. These works will make it possible to adapt the local network, which is characterised by high loads especially during the summer period, to the growing electricity needs of the Porta Romana district that will host the Olympic Village, and the related railway yard.

Authorised in 2023 infrastructures' investments for over three billion euro

On 19 February 2024, it was announced that during 2023, 23 interventions for the development of the national electricity transmission network were authorised by the Ministry of the Environment and Energy Security and the competent regional councils, for a total value of over three billion euro in investments. This is a new record for the group, confirming Terna's central role in the country's energy transition process and the constant collaboration between the company and institutions. The figure, in fact, is up by 20% from 2022, when the total value of authorised interventions stood at more than 2.5 billion euro, and tripled from 2021. The main contributing factor to this achievement comes from the western branch of the Tyrrhenian Link, the section of the submarine power pipeline that will connect Sicily and Sardinia, worth over 1.8 billion euro. The remaining work i.e. the one that will unite Sicily and Campania, was authorised in 2022. The direct current connection of about 970 km of submarines and 1,000 MW of power is a strategic project for the Italian electricity system, crucial for achieving the energy transition goals set by the PNIEC. Another important Terna's project, authorised during the past year is the Sa.Co.I 3, the 200 kV direct current submarine cable that will connect Sardinia, Corsica and Tuscany, with a total transmission capacity of up to 400 MW. The work will help strengthen the country's role as the energy hub in Europe and the Mediterranean region. In addition, worth mentioning are the two interventions, both worth about 50 million euro, that are part of Terna's action plan to increase the safety and efficiency of the high- and extra-high-voltage power grid in the areas affected by the Milan-Cortina 2026 Olympic and Paralympic Games. Specifically, these is the 19 km underground cable power line in Val di Fassa (Trento) "Moena-Campitello" and the 22 km link, also of underground cable, between Vandoies and Brunico (in the province of Bolzano). Both interventions will increase the meshing and resilience of the power transmission system in areas heavily affected by frequent extreme weather events in recent years. Terna has already started construction on the two infrastructures, with the goal of completing them by the end of 2025. Following next, in terms of investment value, are two projects in Lazio: the underground cable pipeline of more than 17 km between the Roma Sud Electric Station and the Ciampino Primary Cabin, a work worth about 30 million euro that is part of the larger project to reorganise the network in the southern area of the capital, and the underground cable connection in the province of Viterbo "Pian di Tortora-Viterbo", which will increase the meshing of the power grid in the area and increase the efficiency and reliability of the transmission service.

A new underground cable connection has been authorised in the city of Ragusa

On 22 February 2024, Terna's new underground cable power line named "SE Ragusa-CP Ragusa Nord" was authorised by the Sicilian Department of Energy and Public Utilities. The project, for which the Company led by Giuseppina Di Foggia will invest about 26 million euro, involves the construction of a power line of more than 14 kilometres between the Terna Electric Station in Ragusa and the Ragusa North Primary Cabin owned by the local distributor. The development project will increase the power available to cover the needs of businesses and citizens and mesh the network to improve service quality, especially during the summer period when there is a significant increase in load in the area. The new connection, which is completely underground, will be made using state-of-the-art cables with XLPE (Cross-linked Polyethylene) insulation, a reliable, resilient and sustainable solution. In the coming weeks, the project executive design planning and all the preparatory activities to open the construction sites will begin.

Results of Directors and Statutory Auditors’ assessment on independence requirements

On 6 March 2024, the Board of Directors of Terna S.p.A. (“Terna”), chaired by Igor De Biasio, proceeded to assess its members’ compliance with the independence requirements in the Articles of Association, in art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the Consolidated Law on Finance (“CLF”), as well as with the independence requirements in the Corporate Governance Code (art. 2, Recommendation 7) reflected in the document, “Criteria and procedure for assessing independence”. In light of the governance recommendations, the Chairman, Igor De Biasio, was assessed as independent pursuant to both art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the Consolidated Law on Finance (“CLF”) and to art. 2, Recommendation 7 of the Corporate Governance Code. The non-executive Directors Angelica Krystle Donati, Enrico Tommaso Cucchiani, Gian Luca Gregori, Simona Signoracci, Marco Giorgino, Karina Audrey Litvack, Jean-Michel Aubertin and Anna Chiara Svelto were assessed as independent pursuant to both art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the Consolidated Law on Finance and to art. 2, Recommendation 7 of the Corporate Governance Code. The Directors Regina Corradini D’Arienzo, Francesco Renato Mele and Qinjing Shen were assessed as not independent pursuant to both art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the Consolidated Law on Finance and to art. 2, Recommendation 7 of the Corporate Governance Code The Board of Directors also verified that all its members fulfil the requirements in the provisions of art. 15.5 of the Articles of Association concerning independence and incompatibility, adopted pursuant to the Unbundling Regulations. As recommended by the Corporate Governance Code, and in accordance with the role assigned to it by law, the Board of Statutory Auditors verified the correct application of the established assessment criteria and procedures adopted by the Board of Directors in assessing the independence of its non-executive members.

The Board of Statutory Auditors also reported during today’s meeting that all the Statutory Auditors meet the relevant independence requirement, pursuant to art. 2, Recommendation 9 of the Corporate Governance Code, verified during the meeting held on 7 February 2024 in application of the Board of Statutory Auditors’ Terms of Reference.

Launch of the “Driving Energy 2024 - Contemporary Photography” award

On 7 March 2023, Terna launched the Driving Energy 2024 - Contemporary Photography Award, the free competition, open to all professional and amateur photographers in Italy, aimed at promoting the country’s cultural development and new talents in the sector.

This year’s Award proposes the theme The Way of the Invisible.

Until 30 June, photographers are invited to interpret different forms of invisible energy that nonetheless produce visible effects - a way to celebrate the talent and uniqueness of art that can see realities that for many do not, or do not yet, exist. This edition confirms the approach of the previous one, which managed to achieve the ambitious objectives in terms of openness, inclusion and involvement at the national level, decreeing the success of the Prize in the photography sector. Five awards, once again will be presented this year: the Senior Prize, worth 15 thousand euro, open to participants aged 31 and older; the Youth Prize, worth five thousand euro, dedicated to photographers up to the age of 30; the Amateur Prize, worth five thousand euro, open to those not professionally pursuing a career as photographers; the Academy Mention, worth two thousand euro, open to students enrolled in higher education in the fields relevant to the Prize, and the Terna Most Voted Work Mention, worth two thousand euro, open to all categories and awarded by Terna’s employees who will vote for their favourite work, among the finalists, by previewing them on the TernaCult portal, a cultural promotion platform for internal use only.

Terna Forward and DXT Commodities close 2.8 million euro investment round in WESII

On 8 March 2024, Terna Forward, a Terna group company dedicated to technological innovation and corporate venture capital initiatives, and DXT Commodities S.A. (DXT), a Duferco group company, have announced the completion of a 2.8 million euro investment, through a joint capital increase, in Wesii, a market-leading Italian inspection and remote sensing services company operating in the renewable energy sector. Traditional inspection practices of photovoltaic, wind, or power line installations, in fact, involve ground checks that can be time-consuming and have a significant cost impact. Since its foundation, Wesii has focused on the use of drones and aircraft, equipped with high-definition and infrared thermal cameras, for the thermographic analysis of renewable plants and electrical infrastructures, thus ensuring a high level of accuracy of analysis such that any anomalies are identified and geolocated. The data collected by the start-up is catalogued, standardised and analysed with the support of artificial intelligence algorithms and a proprietary platform, to further improve predictive maintenance and asset monitoring. The investment in Wesii is the first direct investment in an innovative SME by Terna Forward, the Terna group company established to identify and support, with an open innovation approach, the most promising realities with the most impactful technologies to accelerate the energy transition, including through Corporate Venture Capital investments.

Authorization process started for two new underground cable connections in the province of Sassari

On March 12, 2024, following the start by the Ministry of Environment and Energy Security of the authorization process for two new underground cable connections in the province of Sassari, Terna published the notice with the plots of the areas potentially affected by the intervention that fall in the municipalities of Alghero and Putifigari. The project, for which the company will invest about 45 million euros, involves the connection of the new "Alghero Sud" Primary Cabin, owned by the local distributor, to the existing 150 kV "Padria-Alghero" line through the construction of two underground cables with a total length of about 20 km. The new infrastructure will allow the demolition of about 4 km of existing overhead lines, for a total of 8 supports that now run through the municipalities involved. The intervention will increase the resilience of the electricity system toward extreme weather events and the reliability of the local grid thanks to the construction of new feeder routes, while reducing the environmental impact of the infrastructure on the territory.

2024-2028 INDUSTRIAL PLAN

The results for the year ended 31 December 2023 and the new 2024-2028 Industrial Plan were approved on 19 March 2024, with improvements across all financial performance indicators.The meeting of the Board of Directors of Terna S.p.A. ("Terna"), chaired by Igor De Biasio, examined and approved the Group's 2024-2028 Industrial Plan and the results for the year ended 31 December 2023, presented by the Chief Executive Officer and General Manager, Giuseppina Di Foggia. Terna's new Industrial Plan aims to consolidate the company's strategic role in enabling the Italian electricity system and, more generally, strengthen its commitment to driving the country's energy transition. To achieve the decarbonisation goals set in the European Green Deal and the National Integrated Energy and Climate Plan ("PNIEC"), which aim to cut greenhouse gas emissions by at least 55% by 2030, compared with 1990 levels, Terna plans to significantly increase investment over the life of the Plan to 16.5 billion euro, 2.6 billion euro of this will be invested in 2024. This is the highest level ever in the Group's history and is 65% up on the last Plan. The key driver in the Industrial Plan is sustainable investment, a concept embedded in the Company's value creation process and in the benefits for the system and the environment. In fact 99% of Terna's capex is classified as sustainable based on EU Taxonomy criteria.

Terna receives gender equality certification

On 14 March 2024, Terna announced that it has received certification from the certifying body IMQ – Istituto Italiano Marchio di Qualità – confirming the compliance of its Gender Equality Management System with the standard UNI/PdR 125:2022. The audit performed by the certifying body took place in person and remotely and looked at a sample of seven organisational structures of the four group companies – Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l., and Terna Plus S.r.l. – with the audit lasting a total of around 90 hours. The IMQ auditors certified that this achievement was the result of implementing renewed and improved principles and criteria within the group, bringing them further into line with the new Gender Equality Management System. The GEMS was implemented in early 2023 through close collaboration between various areas of the group. This certification marks the fourteenth integrated management system implemented and managed by Terna.

Start of consents process for reorganisation of the electricity grid between Caserta and Capri

On 16 March 2024, the Ministry of the Environment and Energy Security began the consents process for Terna's plan to reorganise the power grid in the towns of Maddaloni, in the province of Caserta, and Acerra, in the province of Naples. The Company, led by Giuseppina Di Foggia, will invest more than 38 million euro in the project, which will make it possible to reduce the impact of electrical infrastructure on the land. It will also increase the local grid's resilience and security, as well as quality of service for businesses and households. The project falls under a broader local grid development plan that involves building a new 220kV section inside the existing Santa Sofia Electrical Substation. With five new underground cable connections installed in the branch which includes the Santa Sofia substation and the lines south of the Maddaloni railway station, it will be possible to take down more than 9 km of overhead power lines and a total of 36 pylons, freeing up approximately 37 hectares of land. The project took shape after a round of intense and productive discussions with local institutions and falls under the 2019 National Transmission Grid Defence Plan, which aims to resolve existing electrical infrastructure interference and make the electricity transmission service more reliable. The public and, specifically, landowners in the areas affected by the new project, will be able to read the plan documents at the offices of the Ministry of the Environment and Energy Security, Campania Regional Authority and at the Municipalities of Maddaloni (CE) and Acerra (NA). They can also submit their written comments to the Ministry and to Terna, for the Company's information, within the deadline established by law.

Moody's reaffirms Terna Baa2 rating with a stable outlook

On 19 March 2024, Moody's Investor Service (Moody's) reaffirmed the long-term Baa2 rating assigned to Terna S.p.A. (Terna) with a stable outlook, one notch above Italy's sovereign rating. The assessment by the rating Agency came after the presentation of the 2024-2028 Industrial Plan, with the highest level of investments in Terna's history, aimed at strengthening the Company's central role as enabler of the energy transition and of an increasingly complex, sustainable and innovative electricity system. On 6 February 2024, following the update of the “Government-Related Issuers” (GRI) methodology, through which the rating agency has extended its scope of application to certain entities indirectly owned by governments, Moody’s once again confirmed Terna’s long-term rating of ‘Baa2’, a notch above Italy’s sovereign rating, with a stable outlook. The rating agency also confirmed Terna’s ‘P-2’ short-term rating and the ‘Ba1’ rating of Terna’s subordinated debt.

S&P reaffirms Terna’s BBB+ rating with a stable outlook

On 19 March 2024, S&P Global Rating (S&P) reaffirmed the Company’s BBB+ long-term rating with a stable outlook, one notch above Italy’s sovereign rating. The assessment by the rating Agency came after the presentation of the 2024-2028 Industrial Plan, with the highest level of investments in Terna’s history, aimed at strengthening the Company’s central role as enabler of the energy transition and of an increasingly complex, sustainable and innovative electricity system.

Launch of the “We are committed to the future of energy” corporate advertising campaign

On 21 March 2024, the new corporate advertising campaign produced by Terna, Italy’s national grid operator, was launched in the press and digital media. Among the new features this year is the mention of the Industrial Plan, putting corporate communication on a firm basis. ‘‘We are committed to the future of energy” is the claim in the campaign, which will appear in the media until 14 April, accompanying the launch of the new 2024-2028 Industrial Plan presented to investors on 19 March. “Faster. More digitalised. More sustainable. Fairer. This is the energy transition we want. It is an essential challenge for the future of us all: it requires Terna to have a wider vision and commit to elevating our mission of transmitting energy to the country to new levels of excellence. That is why our 2024-2028 Industrial Plan sets considerable new records and includes significant new developments. This is the energy of the future. Today.”. These are the words with which the group, led by Giuseppina Di Foggia, substantiates its commitment towards a future that will face everyone with a series of unavoidable deadlines as we make take effective, definitive action to achieve the energy transition goals.

Consents process for new “Gissi - Larino – Foggia” power line restarts

On 27 March 2024, the Ministry of the Environment and Energy Security restarted the consents process for Terna’s new 380kV “Gissi- Larino- Foggia” overhead power line, after it was halted whilst awaiting confirmation of the project’s environmental compatibility. The project, in which the Company led by Giuseppina Di Foggia will invest over 270 million euro, will involve construction of a second backbone with an overall length of 134 km between the electricity substations of Villanova (PE) and Foggia, connecting with the input/output modules of the intermediate substations of Gissi (CH) and Larino (CB). The new power line will make the management and maintenance of the Adriatic Backbone more reliable and cost-effective with returns in terms of both efficiency and savings for families and businesses. In particular, the work will reduce grid losses for the transport of energy, 68inimize the risk of being unable to handle peak loads, and resolve congestion between the south and north and at local level that limit the production of renewable energy. Once operational, The line should help save approximately 50 Gwh per year and reduce CO2 emissions by around 21 kt CO2 per year, a testament to the Company’s constant commitment to guaranteeing sustainability for future generations.

Consents process begins for rationalisation of power grid in the province of Messina

On 28 March 2024, following the start, by the Regional Authority’s Energy and Public Utilities Department, of the consents process for the project involving rationalisation of the 150kV power grid in the province of Messina, Terna has published notice of the parcels of land potentially affected by the new infrastructure. The project, in which the Company is to invest approximately 18 million euro, will reduce the impact of electricity infrastructure on the local area and improve the reliability, security and efficiency of the local electricity service. The project involves a comprehensive restructuring and modernisation of the 150kV grid in the Valle del Mela (ME) area. The work will include extraordinary maintenance of existing power lines and the installation of 13 km of new connections and short-distance links, with over one third of these in underground cable, in the municipalities of Rometta, Saponara, Villafranca Tirrena and Messina. The project, associated with creation of the 380 kV “Sorgente-Rizziconi” power line, follows the commitments made in the Memorandum of Understanding entered into with the Sicilian regional authority and the municipal authorities affected.

Consent received for modernisation of the “Sant’Antimo - Fratta” power line linking the provinces of Naples and Caserta

On 29 March 2024, the Ministry of the Environment and Energy Security gave its consent for Terna’s final design for renewal of the 220kV power line between the Sant’Antimo primary substation and the Fratta electricity substation in the Metropolitan City of Naples. The project, in which the Company will invest approximately 18 million euro, meets the need to modernise the existing power line dating back to the 1940s. The project will increase the quality of the local electricity service, at the same time minimising the visual impact of the infrastructure and its effect on the landscape. The work will involve laying approximately 8 km of underground cable in the municipalities of Sant’Antimo, Grumo Nevano, Frattamaggiore and Frattaminore in the province of Naples, and in the municipality of Sant’Arpino in the province of Caserta.

Perpetual hybrid green bond worth 850 million euro successfully issued

On 4 April 2024, Terna S.p.A. successfully launched an issue of euro-denominated, perpetual, subordinated, hybrid, non-convertible, fixed-rate green bonds to institutional investors, amounting to a total of 850 million euro. The issue received a very favourable response from the market, with applications topping 3 billion euro and the issue approximately 4 times oversubscribed. The issue attracted a high quality of geographically diversified investor. The bonds, issued in a single tranche, are non-convertible, subordinated, green, hybrid and perpetual and are non-callable for 6 years. The issue price was 99.745%, with a spread of 214.2 basis points with respect to the Mid Swap rate. The issue will pay fixed annual coupon interest of 4.750%, payable until the first reset date (excluded) of 11 April 2030, and will have an effective interest rate of 4.800%. From this date, unless the bond has been redeemed early, the hybrid bond will pay interest at the 5-year Euro Mid Swap rate, increased by an initial spread of 214.2 basis points, rising by a further 25 basis points from 11 April 2035 and by another 75 basis points from 11 April 2050.

ITALGAS

Equity transactions

On 12 March 2024, in implementation of the 2021-2023 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting on 20 April 2021, the Board of Directors resolved on the free allotment of a total of 497,089 new ordinary shares of Italgas to the beneficiaries of the Plan (so-called second cycle of the Plan) and executed the second tranche of the capital increase approved by the same Shareholders' Meeting, for a nominal amount of 616,390 euro drawn from the retained earnings reserve.

Legal and regulatory framework

On 30 January 2024, Arera published Resolution No. 26/2024/R/idr with which it initiated a procedure aimed at defining and introducing the incentive mechanism to promote water resilience, provided for when updating the technical quality regulation set forth in Resolution no. 637/2023/R/IDR with a view to mitigating, also through the development of large strategic works, the effects of climate change.

On 6 February 2024, the Authority published Resolutions No. 37/2024/R/idr and No. 39/2024/R/idr concerning, respectively, the commencement of proceedings for the quantitative assessments, for the two-year period 2022-2023, provided for by the incentive mechanism of contractual quality and technical quality of the integrated water service.

On 1 February 2024, the Regulatory Decision E-14/2024 of the Greek Regulatory Authority for Energy, Waste and Water, (RAEWW) was published in the Official Gazette, which formalised, within the distribution tariff document, the WACC of 8.38% to be applied for the period 2024-2026 to DSOs in Greece.

Italgas continues to be recognized by CDP (Carbon Disclosure Project) among the companies that stand out internationally for the strategies and actions put in place to combat climate change.

Rating and debt structure optimisation

On 1 February 2024, as part of its EMTN Programme renewed by resolution of the Board of Directors on 29 September 2023, Italgas successfully completed the launch of a bond issue maturing on 8 February 2029, with a fixed rate and a total amount of 650 million euro, and an annual coupon of 3.125%.

On 8 March 2024, Italgas signed a 600 euro million Sustainability Linked loan agreement with a pool of Italian and international banks with a maturity of up to five years. This is a Revolving Credit Facility that will provide the Italgas Group with a new source of financing to support future needs.

Extraordinary transactions and tenders

On 31 January 2024, Italgas, through its subsidiary Italgas Reti, acquired 47.9% of the shares of Acqua Campania S.p.A. held by Vianini Lavori S.p.A., following the exercise of its pre-emption right.

After the tender was awarded in 2020 and the Service Contract was signed, the handover of the management of the natural gas distribution networks of ATEM Belluno to Italgas Reti was formalised on 1 February 2024. The concession has a duration of 12 years and provides major investment programme initiatives totalling approximately 135 million euro.

7. OTHER INFORMATION

APPROVAL OF THE FINANCIAL STATEMENTS

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

The use of this period of time compared to the ordinary 120 days from the end of the financial year, allowed by Article 2364, paragraph 2 of the Italian Civil Code, is justified by the fact that the Company is required to prepare consolidated financial statements[36].

TRANSACTIONS WITH RELATED PARTIES

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

With regard to CDP RETI in particular, it is worth noting that the transactions carried out in 2023, with the exception of the signing of an interest rate swap hedging derivative contract the with the parent company CDP, do not qualify as either atypical or unusual[37], as they are part of the normal course of business. These transactions were carried out on an arm's length basis (i.e. under the conditions that would be applied between two independent parties) and form part of the ordinary operations of CDP RETI.

During 2023, these transactions mainly concerned relationships with the parent company Cassa Depositi e Prestiti with reference to:

- an interest-bearing deposit account;
- an agreement for the custody and administration of securities;
- two Interest Rate Swap derivative contracts;
- loans;
- outsourcing services provided by CDP to CDP RETI;
- the contracts of the CDP employees on partial secondment to CDP Reti;
- receivables from fiscal consolidation.

In addition, dividends – related to the 2022 net income – were collected from Snam, Terna and Italgas and the receivable from Snam for the 2022 interim dividend was collected, while (i) the receivable from Snam for the 2023 interim dividend was recognised and (ii) CDP RETI's shareholders were paid both the 2022 final dividend and the 2023 interim dividend.

TREASURY SHARES

The **Parent Company** does not hold and has not purchased and/or sold, during 2023, shares or stakes of holding companies, either directly or via trust companies or intermediaries.

With regard to **Snam**, as at 31 December 2023 the number of treasury shares amounted to 7,244,579 (8,101,437 shares as at 31 December 2022) equal to 0.22% of the share capital, for an amount equal to approximately 30 million euro (33 million euro as at 31 December 2022). The reduction in the number of treasury shares compared to 31 December 2022 is

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

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

attributable to the allocation, free of charge, of 1,468,158 shares to Snam executives in connection with the 2020 Performance Share Plan, whose vesting period expired in July 2023, and the simultaneous repurchase, from the same executives who were allocated them, of 611,300 shares to cover the amount of taxes owed by the same assignees. On 4 May 2023, having revoked the part of the resolution that was not carried out with regard to the authorisation to purchase treasury shares, as adopted by the Ordinary Shareholders' Meeting on 27 April 2022, the Ordinary Shareholders' Meeting of Snam authorised the purchase of treasury shares through one or more leading intermediaries appointed by Snam S.p.A., for a maximum disbursement of 500 million euro and, in any case, up to a maximum limit of shares equal to 4.5% of the subscribed and paid-in capital to be carried out within 18 months from the date of the Ordinary Shareholders' Meeting in one or more tranches.

With regard to **Terna**, as at 31 December 2023 the number of treasury shares amounted to 4,213,660 (4,375,909 at the end of 2022), equal to 0.210% of the share capital, for a value of 29.8 million euro that reduces other reserves. More specifically, it should be noted that in implementation of the share purchase programme to service the 2023-2027 Performance Share Plan approved by the Shareholders' Meeting on 9 May 2023, in the period between 22 June 2023 and 6 July 2023 Terna purchased 917,611 treasury shares (equal to 0.046% of the share capital), for a total value of 7.0 million euro, in addition to those purchased in previous years. In addition, in the period between 9 May 2023 and 1 June 2023, Terna S.p.A. awarded 1,079,860 treasury shares to the beneficiaries of the 2020-2023 Performance Share Plan, worth approximately 6.7 million euro.

Italgas did not hold and did not purchase or sell, directly or indirectly, treasury shares of CDP RETI S.p.A. or Cassa Depositi e Prestiti S.p.A. in 2023.

PERFORMANCE OF SNAM, TERNA AND ITALGAS SHARES

Key share price data		**SNAM**		**TERNA**		**ITALGAS**	
Items		31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Number of outstanding shares at the end of the period	(million of euros)	3,354	3,353	2,006	2,006	811	810
Official period-end price	(euros)	4.66	4.55	7.55	6.93	5.19	5.23
Market capitalization (1)	(million of euros)	15,621	15,249	15,149	13,900	4,205	4,238
CDP RETI Number of shares	**(million of euros)**	**1,054**	**1,054**	**600**	**600**	**211**	**211**
Book Value for CDP RETI	**(million of euros)**	**3,087**	**3,087**	**1,315**	**1,315**	**621**	**621**
Market capitalization for CDP RETI (2)	**(million of euros)**	**4,908**	**4,792**	**4,532**	**4,158**	**1,093**	**1,102**
Maximum official price per share	(euros)	5.16	5.57	8.13	8.30	6.05	6.37
Minimum official price per share	(euros)	4.31	4.00	6.96	6.04	4.73	4.59
Average official price per share	(euros)	4.73	4.91	7.51	7.22	5.33	5.56
Official price at period end (3)	(euros)	4.66	4.55	7.55	6.93	5.19	5.23
Closing price at period end (4)	(euros)	4.66	4.53	7.55	6.90	5.18	5.19

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

Snam shares closed at an official price of 4.66 euro at the end of 2023, up 2.4% on the end of the previous year (4.55 euro) and hitting an all-time high of 5.16 euro on 12 April 2023 and a low of 4.31 euro on 30 October 2023. The closing price was 4.66 euro.

In 2023, a total of around 1.4 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 5.5 million shares traded.

Market capitalisation stood at 15,621 million at 31 December 2023.

Terna shares closed at an official price of 7.55 euro at the end of 2023, up 9% on the end of the previous year (6.93 euro) and hitting an all-time high of 8.13 euro on 16 May 2023 and a low of 6.96 euro on 2 January 2023. The closing price was 7.55 euro.

In 2023, a total of around 0.9 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 3.6 million shares traded.

Market capitalisation stood at 15,149 million at 31 December 2023.

Italgas shares closed at an official price of 5.19 euro at the end of 2023, down 0.8% on the end of the previous year (5.23 euro) and hitting an all-time high of 6.05 euro on 21 April 2023 and a low of 4.73 euro on 30 October 2023. The closing price was 5.18 euro.

In 2023, a total of around 0.4 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 1.6 million shares traded.

Market capitalisation stood at 4,205 million at 31 December 2023.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

CONSOLIDATED NON-FINANCIAL STATEMENT FOR 2023

Italian Legislative Decree no. 254 of 30 December 2016, implementing Directive 2014/95/EU, introduced into Italian legislation the obligation for certain entities[38] to draw up a non-financial statement (NFS) each financial year. The NFS contains key data and information regarding the environment, social issues, staff, human rights and the fight against active and passive corruption.

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

SECONDARY OFFICES AND LOCAL UNITS

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

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

HUMAN RESOURCES

During 2023 the Company increased its staff by adding a new resource - the Co-Head of the Finance, Planning & Control Department.

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

Preparatory activities for obtaining IS0 45001 and ISO 14001 certification during 2023 were also finalised.

There were no workplace injuries in 2023.

With regard to headcount, CDP Reti had 3 male employees and 1 female employee at 31 December 2023, allocated 100% to the Company. The Company has adopted National Collective Bargaining Agreements applicable to credit, financial and operating companies both for middle managers and personnel in professional areas and for executives.

The average age of the personnel is 44 years.

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

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

ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01

CDP RETI has adopted an "Organisation, Management and Control Model" (hereinafter also referred to as the "231 Model" or "Model") drawn up pursuant to Legislative Decree 231/2001 (hereinafter also referred to as the "231 Decree" or "Decree"), which identifies the areas and business activities that are most exposed to the risk of criminal activities as defined in the Decree, as well as the principles, rules and regulations for the Internal Control System introduced to supervise significant operating activities. This document is the result of the assessment of the corporate structure and operations of CDP RETI, and has the primary purpose of providing the Company with a Model that constitutes a valid and effective organisational tool for preventing criminal activities pursuant to the Decree and, consequently, constitutes an exemption from administrative liability in the event of predicate offences being committed by senior management, subordinates or persons acting on behalf of CDP RETI and in its name.

CDP RETI's 231 Model consists of a:

- General Section in which, after a reference to the principles of Decree 231, the essential components of the Model are illustrated with particular reference to: i) CDP RETI's Governance Model and Organisational Structure; ii) Supervisory Body (hereinafter also referred to as the "SB" for brevity); iii) Whistleblowing; iv) Disciplinary System defined as the set of measures to be adopted in the event of non-compliance with the provisions of the Model; v) training, dissemination of the Model and contractual clauses; vi) updating and amending the Model. The Model also consists of the following Annexes to this General Section:
    - “List and description of the administrative crimes and offences set forth in Italian Legislative Decree no. 231/2001”, which provides a brief description of the administrative crimes and offences whose commission determines, on the basis of the conditions laid down by the Decree, the onset of the administrative liability of the Entity pursuant to and for the purposes of the aforementioned regulations;
    - “Information flows towards the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001”, which provides, for each relevant activity provided for in the CDP RETI 231 Model, the information that must be transmitted, with the relative frequency, to the SB. In particular, the information flows that are required from the corporate structures have been defined, based on a separation of general flows and specific flows, as well as indicating a flow structure for “exceptions”. With reference to the last flow category, as part of the relevant activities pursuant to the Decree, the company’s organisational units are also required to communicate to the Supervisory Body the following: i) exceptions to the prescribed manner of performing the activities in question; ii) the activities performed and not formally established; iii) any other exceptions noted by the Key Officer;
- Special Section, which: (i) identifies the relevant and operating activities, for the different types of crimes, for which, when performed, there is a theoretically potential risk of the commission of crimes; (ii) describes, merely for educational purposes and by way of example and without limitation the methods of commission of the crimes deemed relevant for CDP Reti; and (iii) indicates the safeguards and principles of the Internal Control System aimed at preventing the commission of the crimes.

In July 2023, the General Section of the Model was updated to incorporate the regulatory changes introduced by Legislative Decree no. 24/2023 on Whistleblowing. In this circumstance, the updated version of the "Code of Ethics of Cassa Depositi e Prestiti S.p.A. and of Companies subject to management and coordination" (hereinafter also the "Code of Ethics" or "Group Code of Ethics"), also revised to include the regulatory changes introduced by the Decree on Whistleblowing, was also implemented.

The Code of Ethics establishes a set of principles, values, models and rules of conduct that are acknowledged, accepted and shared throughout the entire organisation, in conducting business. In particular, the document has a "Value oriented" configuration and comprises 5 inspirational values, represented by: i) Integrity, ii) Inclusion, iii) Environmental Responsibility, iv) Impact, v) Skills. The Code of Ethics values are binding for the members of the Corporate Bodies (Directors, Statutory Auditors and any other member of collegiate bodies), for employees, collaborators, consultants, suppliers, partners, business counterparties and, in general, for all third parties acting on behalf of the Company regardless of the legal relationship that binds them to it. The Group Code of Ethics, last updated by the Board of Directors of Cassa Depositi e Prestiti S.p.A. at its meeting on 24 November 2023, was transposed by CDP RETI on 16 January 2024 and is an integral part of its 231 Model.

In addition, the Board of Directors, at its meeting on 21 November 2023, approved the updated version of the Company's 231 Model, which incorporated the new regulations on the administrative liability of entities referred to in Legislative Decree no. 231/2001[39] and legal guidelines on the matter, applicable since the date of its last revision (8 June 2021), as well as changes in the Company's internal system of regulations. This update has also made it possible to make refinements aimed at ensuring a uniform approach with the 231 Model of the Parent Company Cassa Depositi e Prestiti S.p.A., in addition to a greater effectiveness of the information flows relevant for 231 purposes.

In compliance with the provisions of Article 6, paragraph 4-bis of the Decree, the functions of the Supervisory Body have been assigned to the Board of Statutory Auditors, a collegiate body composed of three standing members, and two alternates, appointed by the Shareholders' Meeting. The Chairman of the Board of Statutory Auditors acts as Chairman of the SB.

The SB currently in office was appointed by the Board of Directors of CDP RETI on 25 January 2021.The causes of ineligibility and forfeiture envisaged for statutory auditors by the applicable regulations and Articles of Association apply to the members of the Supervisory Body.

The Supervisory Body is entrusted with supervising the operation of and compliance with the Model, directing proposals for updating it to the competent bodies/functions, supervising the functional activities for this purpose, and also with analysing ordinary and extraordinary information flows sent by corporate and Parent Company entities, for the areas under their responsibility. The functioning of the SB is established in the specific Regulation that it adopts.

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

The CDP RETI 231 Model and the Group Code of Ethics are available in the "COMPANY NOTICE BOARD" network folder.

The General Part of the CDP RETI 231Model, the Code of Ethics and the Group Policy on Anti-Corruption are also available both in Italian and in English on the Company's institutional webpage.

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

The CDP RETI Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the company's reporting processes, is set up in such a way as to ensure that reporting is reliable[40], accurate[41], dependable[42] and timely regarding Financial Reporting and the ability of relevant company processes on this point to produce this information in compliance with the applicable accounting standards.

The company's control system is structured to comply with the model adopted in the CoSO Report[43], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

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

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[39] In particular, the main regulatory changes concern the following areas: 1) handling, laundering and using money, goods or benefits of illicit origin as well as self-money laundering, 2) offences in the field of payment instruments other than cash, 3) offences against cultural heritage, 4) trafficking of cultural assets and the devastation and looting of cultural and landscape assets, 5) disruption in auctions; 6*)* disruption in contractor selection proceedings; 7*)* fraudulent transfer of values.

[40] Reliability (of reporting): correct reporting drafted in compliance with the generally accepted accounting standards, which meets the requirements of applicable laws and regulations.

[41] Accuracy (of reporting): reporting with no errors.

[42] Dependability (of reporting): correct and complete reporting based on which investors may make informed investment decisions.

[43] Committee of Sponsoring Organizations of the Treadway Commission.

- the planning of suitable monitoring activities to verify the effectiveness and correct operation of the internal control system.

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

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

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

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

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

The process level analysis is structured as follows:

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

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

The monitoring phase in CDP RETI is structured as follows:

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

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

The residual risk is measured based on the following formula:

RI – OA = RR

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

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

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

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

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

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

INDEPENDENT AUDITORS

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

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

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

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

FINANCIAL REPORTING MANAGER

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

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

Article 19.13 CDP RETI By-laws:

Subject to the prior opinion of the Board of Statutory Auditors, the Board of Directors appoints the Financial Reporting Manager for a period of time not shorter than the term of office of the Board and not longer than six financial years, to perform the duties assigned to such manager under Article 154-bis of Legislative Decree no. 58 of 24 February 1998. The Financial Reporting Manager must meet the integrity requirements established for the directors and cannot hold the offices indicated in Article 15.11 of the By-laws[44]. The Financial Reporting Manager shall be chosen in accordance with criteria of professional experience and competence from among the persons who have global experience of at least three years in the administrative area at consulting firms or companies or professional firms. The Financial Reporting Manager can be replaced by the Board of Directors only for due cause, having obtained the prior opinion of the Board of Statutory Auditors. The appointment of the Financial Reporting Manager shall lapse if such manager does not continue to meet the requirements for the office. The Board of Directors shall declare such lapse within thirty days from the date on which they become aware of the supervening failure to meet the requirements.

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

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

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

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

The Financial Reporting Manager informs without delay the Board of Statutory Auditors about possible anomalies, deficiencies and critical issues regarding the administrative/accounting system, when deemed to be particularly relevant.

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

Moreover, upon request of the Board of Statutory Auditors, he/she provides information and assistance by taking part in the meeting of the Board when invited.

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

INSIDER REGISTER

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

The Register - which has been established by CDP RETI as an issuer of debt securities traded on regulated markets - is divided into separate sections, one for each piece of inside information, and a new section is added to the Register each time a new piece of inside information is identified. Each section of the Register only reports the details of the people with access to the inside information contemplated in the section. There is also an additional section in the Register which contains the details of people who always have access to all inside information (“Permanent Access Holders”). The Register is maintained through a specific IT application, with security measures in terms of availability and integrity of the data present, and the annotations in the application are made, for each section, in chronological order. Each note is tracked and cannot be changed.

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

CODE OF ETHICS

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

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

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

INTERNAL CONTROL SYSTEM

CDP RETI has developed an internal control system consisting of a set of controls, rules, procedures and organisational structures, aimed at identifying, measuring or assessing, monitoring, preventing or mitigating, and communicating in a timely manner to the appropriate levels all the risks taken or that may be taken by the various operating segments within which it conducts its business, as well as ensuring compliance with the relevant regulations, compliance with corporate strategies (including sustainability strategies) and the achievement of the objectives set by Management.

Therefore, the internal control system, as a key component of the corporate governance system, aims to ensure, in compliance with a sound and prudent management approach, the achievement of the following goals:

- to verify the implementation of corporate strategies and policies;
- to monitor that all risks are within the acceptable limits indicated in the reference framework for determining the company's risk appetite;
- to safeguard the value of assets and to protect against losses;
- to guarantee the effectiveness and efficiency of corporate processes;
- to ensure the reliability and security of corporate information and of its IT procedures;
- to prevent the risk of the company being involved, even unintentionally, in unlawful activities;
- to ensure the compliance of operations with the law and industry regulations, as well as internal policies, regulations and procedures.

The internal control system has been devised on three levels of control and is based on industry laws and regulations and applicable best practices, including the recommendations issued by the reference international organisation for the internal auditing profession such as the Institute of Internal Auditors (IIA).

First level controls (or line controls) are conducted by operational, administrative and business structures (so-called "first-level control functions"). These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly, within the assigned thresholds and appetite.

Second level controls (risk management controls) are carried out by separate organisational units and are designed to contribute to the definition of the risk measurement methodologies, verify that the operational limits set for the various departments are respected, verify that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets, and to ensure that the risk governance polices are properly implemented and that the activities and internal rules comply with applicable laws and regulations. The functions responsible for these controls (so-called "Second-level control functions") include the risk control function (risk management) and the compliance function (compliance), for which CDP Reti uses outsourcing contracts with the Parent Company Cassa Depositi e Prestiti S.p.A. There are also corporate bodies, i.e. specific functions with control tasks, as dictated by law and self-regulatory sources, such as the Supervisory Body and the Financial Reporting Manager.

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

Through the performance of its activities, the Internal Audit function evaluates the regular functioning of processes, the safeguarding of corporate assets, the reliability and integrity of accounting and management information, as well as compliance with applicable internal and external regulations in force (including the Code of Ethics) and management guidelines. Additionally, the function brings to the attention of the Management, the Board of Statutory Auditors, the Supervisory Body, the Chairman and the Chief Executive Officer possible improvements applicable to the internal control system, with particular emphasis to risk management policies, risk measurement tools and various corporate procedures. It also promotes a culture of sound risk and control management at the Company.

The Internal Audit function reports directly to the Board of Directors, which supervises and coordinates, on behalf of the Chairman, approving relevant mandate that defines the purpose, tasks, powers, responsibilities, organisational independence requirements, scope of activities, relations with other corporate business units and external stakeholders that the Internal Audit function is subjected to. Furthermore, the necessary link between Internal Audit, the body responsible for the management function and Management is guaranteed.

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

In order to carry out its activities, Internal Audit prepares an annual audit plan that defines the activities to be performed and the objectives to be pursued, according to a risk-based logic aimed at determining the priorities of intervention based on the level of risk identified for each corporate process and also on the basis of discussions with other corporate control functions. The plan also takes into account any information from the Chairman of the Board of Directors, Chief Executive Officer and from the other Corporate Bodies, and is subject to a resolution for approval by the Board of Directors.

Issues identified during each audit are immediately reported to the relevant business units so that they can implement the necessary corrective actions and are subject to ongoing monitoring by Internal Audit.

Moreover, the Internal Audit function reports on a half-yearly basis to the Board of Directors, the Board of Statutory Auditors and the Supervisory Body on the progress of the plan, the work carried out, the main issues identified and the progress of the corrective actions identified, highlighting any risks not adequately mitigated due to the failure of or ineffectiveness in removing the anomalies identified during its audits.

On an annual basis, the Internal Audit function provides an independent and objective assessment of the completeness, adequacy, functionality (in terms of effectiveness and efficiency) and reliability of the overall internal control system of CDP Reti, based on the international reference model "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organisations of the Treadway Commission (the CoSO Report 2013), and also taking into account environmental, social and governance (ESG) risks in accordance with the CoSO ERM ESG-related risk.

The Internal Audit also ensures the necessary technical support for the activities of the Supervisory Body, envisaged in Article 6, paragraph 1, letter b) of Legislative Decree no. 231/2001.

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

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

SHAREHOLDERS' AGREEMENT IN RESPECT OF ITALGAS SHARES

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

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

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

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

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

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

The total number of shares tied to the Italgas Shareholders' Agreement has not changed and remains equal to 319,971,717 ordinary shares, representing 39.466% of the Italgas share capital with voting rights, of which 25.993% owned by CDP Reti and 13.473% owned by Snam.

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

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

- establishment of a consultation committee composed of five members (the "Consultation Committee"), four of whom represent CDP RETI (three appointed by CDP and one by State Grid Europe Ltd, in short "SGEL") and one representing Snam. The Consultation Committee decides by simple majority of its members in office on the exercise of voting rights relating to Italgas shares owned by the parties to the Italgas Shareholders' Agreement. The parties to the Italgas Shareholders' Agreement cast the votes conferred by their shares in Italgas as decided by the Consultation Committee, without prejudice to Snam's rights in respect of Reserved Matters (as defined below);
- in connection with certain exceptional resolutions of Italgas (the "Reserved Matters")[45], if the Consultation Committee passes resolutions that have been voted against by the representative designated by Snam and the shareholders' meeting of Italgas approves the related Reserved Matter, Snam will be able: (i) to sell its entire equity investment in Italgas (the "Snam Equity Investment") to potential third-party buyers (in this case, CDP Reti will have the right of first refusal on the purchase of the equity investment and the right of non-discretionary approval of the third-party buyer46,

[45] Reserved Matters means the following matters subject to resolution by the Extraordinary Shareholders' Meeting of Italgas: (i) capital increases with exclusion or limitation of the shareholders' right option for a total amount exceeding 20% of the value of Italgas' shareholders' equity; (ii) non-proportional mergers or demergers for a total amount exceeding 20% of the value of Italgas' shareholders' equity; (iii) dissolution or liquidation of Italgas.

[46] CDP Reti will be able to deny its approval solely for one of the following reasons:
a) the third-party buyer is a direct competitor of Italgas and/or Italgas Reti S.p.A. in Italy; and/or
b) the third-party buyer fails to provide adequate documentation and evidence of compliance with the unbundling laws in force from time to time; and/or
c) the third-party buyer comes from a country against which there are restrictions on free exchange adopted by the competent international organizations; and/or
d) the purchase of the Snam Equity Investment by the third-party buyer is in violation of the applicable laws; and/or
e) the third-party buyer does not meet certain size requirements; and/or

it being understood that the third-party buyer will be required to replace Snam in the Italgas Shareholders' Agreement) and (ii) if the equity investment is not sold within 12 months, to withdraw from the Italgas Shareholders' Agreement due to its dissolution;

- Snam shall not be able to increase or dispose of part of the Snam Equity Investment, except for, under certain conditions such as, (a) the transfer of the entire equity investment to entities controlled by Snam, or (b) the transfer of a portion of the entire equity investment in the context of the redemption of one or more bonds convertible into Italgas shares (as further described below). Snam may, at any time, sell its equity investment in its entirety and in compliance with the following rules: (i) CDP Reti shall have the right of first refusal on the purchase of the equity investment and the right of non-discretionary approval on the third-party buyer47, and (ii) the third-party buyer must replace Snam in the Italgas Shareholders' Agreement on the same terms and conditions as Snam;
- Snam shall have the right to transfer, through one or more sales, a portion of the Snam Equity Investment exclusively in the context of the redemption of one or more bonds convertible into Italgas shares, provided that, in any event, such potential sale shall not result, in aggregate, to voting shares representing more than 6.75% of the entire capital of Italgas ("Released Shares") In this case: (i) CDP Reti will not have any pre-emption right and/or right of approval in relation to the possible sale of the Released Shares, (ii) Snam will maintain the governance rights granted to the same under the Italgas Shareholders' Agreement unaltered, and (iii) the third-party purchaser will have no obligation to adhere to the Italgas Shareholders' Agreement;
- CDP Reti and other parties associated with it shall only be able to purchase additional shares or other financial instruments of Italgas if: (i) these shares are added to the Italgas Shareholders' Agreement, and (ii) these purchases do not result in the exceeding of the thresholds set by the rules on mandatory public tender offers. In addition, CDP RETI shall not be able to sell the Italgas shares that it holds, if the total equity investment attributable to the Italgas Shareholders' Agreement falls below 30%;
- the Italgas Shareholders' Agreement establishes that CDP Reti and Snam are required to submit a joint list of candidates for the appointment of Italgas' Board of Directors in order to ensure that Snam appoints one candidate and CDP Reti appoints the remaining candidates (one of whom will be appointed by SGEL), including the Chairman and the Chief Executive Officer, if that list comes first in terms of number of votes obtained in the Italgas Shareholders' Meeting.

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

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

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

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

CDP, SGEL and State Grid International Development Limited[48] (below, "**SGID**") are parties to a shareholders' agreement entered into when a stake of 35% in CDP Reti was transferred to SGEL on 27 November 2014 ("**SGEL Shareholders' Agreement**"). CDP and SGEL transferred their stakes in the share capital of CDP Reti to the SGEL Shareholders' Agreement, representing a total of 94.10% of the share capital.

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

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

- On 19 December 2014, CDP completed the transfer to Snam of the equity investment in TRANS AUSTRIA GASLEITUNG GmbH ("**TAG**"), which it held via CDP Gas. The transaction was linked to an increase in the share capital of Snam reserved to CDP Gas, which was paid for by means of the transfer of the aforementioned equity investment by CDP GAS (which consequently became the holder of 119,000,000.00 ordinary shares of Snam, equal

f) the conclusion of the potential transaction with the third-party buyer or the third-party buyer's joining of the Italgas Shareholders' Agreement generates an obligation for the third-party buyer, singly or jointly with CDP RETI, to make a mandatory initial public offering on the remaining Italgas shares.

[47] See previous note.

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

to a stake of 3.4% in Snam's share capital). As a result, CDP RETI's equity investment in Snam, albeit consisting of 1,014,491,489 shares, was no longer equivalent to 30% of Snam's share capital but represented around 28.98% as of 19 December 2014.

- Subsequently, on 7 November 2016, (i) a spin-off was completed for the transfer of Snam's equity investment in Italgas Reti S.p.A. to Italgas and, at the same time, (ii) the Italgas shares were officially listed on the stock exchange. As a result of the foregoing transaction, CDP RETI became the holder of a 25.076% equity investment in the share capital of Italgas. Consequently, in order to: a) reflect the new corporate structure of the group headed by CDP RETI; b) extend the applicability of the provisions of the SGEL Shareholders' Agreement also to the new investee Italgas, and c) align the provisions of the SGEL Shareholders' Agreement with the provisions of the Italgas Shareholders' Agreement (with particular regard to the Consultation Committee), CDP, SGEL and SGID amended and supplemented the provisions of the SGEL Shareholders' Agreement with effect from 7 November 2016.
- To conclude, the merger by incorporation of CDP GAS into CDP became effective on 1 May 2017 and, as of that date, CDP is the owner of the Snam and Italgas shares previously owned by CDP GAS and replaced CDP GAS in the Italgas Shareholders' Agreement for all intents and purposes. On 19 May 2017, CDP therefore transferred to CDP RETI the entire equity investment in Italgas (0.969% of Italgas share capital) and the entire equity investment in Snam (1.120% of Snam share capital), which it held subsequent to and as an effect of the aforementioned merger by incorporation of CDP GAS (which was not tied to the SGEL Shareholders' Agreement).

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

- pursuant to and with effect from the date of transfer to CDP RETI of CDP's equity investment in Italgas, equal to 7,840,127 ordinary shares (representing 0.969% of the Italgas share capital with voting rights), the total number of Italgas shares owned by CDP RETI and locked into the SGEL Shareholders' Agreement by it – and, hence, the total number of Italgas shares tied to the SGEL Shareholders' Agreement – has increased to a total of 210,738,424 ordinary shares of Italgas, representing 25.993% of the Italgas share capital with voting rights as at 31 December 2023; and
- pursuant to and with effect from the date of transfer to CDP RETI of CDP's equity investment in Snam, equal to 39,200,638 ordinary shares (representing 1.120% of the Snam share capital with voting rights), the total number of Snam shares owned by CDP RETI and locked into the SGEL Shareholders' Agreement by it – and, hence, the total number of Snam shares tied to the SGEL Shareholders' Agreement – has increased to a total of 1,053,692,127 ordinary shares of Snam, representing 31.352% of the Snam share capital with voting rights as at 31 December 2023.
- the number of Terna shares tied to the SGEL Shareholders' Agreement has not changed and is equal to 599,999,999 ordinary shares, held by CDP RETI, representing 29.851% of the Terna share capital with voting rights as at 31 December 2023.

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

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

2.
2023 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements
at 31 December 2023

Notes
to the consolidated financial statements

Annexes

Report
of the Independent Auditors

Certification
of the consolidated financial statements

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and consist of:

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

The Notes to the consolidated financial statements consist of:

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

The following are also included:

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

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

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of euro)

Assets items	Notes	31/12/2023	*of which from related parties*	31/12/2022	*of which from related parties*
NON-CURRENT ASSETS					
Property, plant and equipment	1	40,893,934	74	38,632,612	101
Inventories - compulsory stock	2	362,713		362,713	
Intangible assets	3	12,561,382		12,082,765	
Equity investments	4	2,919,193		2,151,327	
Non-current financial assets	5	671,177	47,103	803,996	182,263
Deferred tax assets	6	951,977		847,871	
Other non-current assets	7	725,844		400,139	
Total non-current assets		**59,086,220**	**47,177**	**55,281,423**	**182,364**
Non-current assets held for sale	8	**91,575**		**154,942**	
CURRENT ASSETS					
Current financial assets	9	412,746	89,676	283,743	299
Income tax receivables	10	37,556		65,896	
Trade receivables	11	7,330,757	846,121	7,728,715	1,343,142
Inventories	12	2,995,452		3,405,473	
Other current assets	13	739,355	4,636	805,551	4,440
Cash and cash equivalents	14	3,139,885	101,156	4,529,988	40,205
Total current assets		**14,655,751**	**1,041,589**	**16,819,366**	**1,388,087**
TOTAL ASSETS		**73,833,546**	**1,088,766**	**72,255,731**	**1,570,451**

LIABILITIES AND EQUITY

(thousands of euro)

Liabilities and equity items	Notes	31/12/2023	*of which from related parties*	31/12/2022	*of which from related parties*
EQUITY	15				
Share capital		162		162	
Issue premium		1,315,158		1,315,158	
Retained earnings		1,301,745		1,301,769	
Other reserves		2,029,921		2,029,921	
Valuation reserves		40,944		89,340	
Interim dividend		(343,047)		(331,879)	
Net income for the year (+/-)		631,499		512,689	
Group equity	15 a	**4,976,382**		**4,917,160**	
Non-controlling interests	15 b	13,901,097		13,652,459	
Total Equity		**18,877,479**		**18,569,619**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	16	924,649		859,201	
Provisions for employee benefits	17	143,591		145,446	
Loans	18	28,720,606	401,862	27,407,336	400,710
Other non-current financial liabilities	19	183,791	41,067	247,208	489
Deferred tax liabilities	20	1,952,279		2,055,281	
Other non-current liabilities	21	2,672,364		2,995,636	
Total non-current liabilities		**34,597,280**	**442,929**	**33,710,108**	**401,198**
Liabilities directly associated with non-current assets held for sale	22	**4,583**		**26,828**	
CURRENT LIABILITIES					
Current portion of long-term loans	23	3,966,347	2,908	3,333,504	2,438
Trade payables	24	4,506,058	749,447	6,251,060	1,006,022
Income tax liabilities	25	72,887		81,253	
Current financial liabilities	26	4,733,107	5,292	2,068,476	75,884
Other current liabilities	27	7,075,805	34,810	8,214,883	24,102
Total current liabilities		**20,354,204**	**792,457**	**19,949,176**	**1,108,446**
TOTAL LIABILITIES AND EQUITY		**73,833,546**	**1,235,386**	**72,255,731**	**1,509,644**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

Consolidated income statement items	Notes	2023	*of which from related parties*	2022	*of which from related parties*
Revenues					
Revenues from sales and services	28	9,930,895	4,009,996	8,576,923	3,192,510
Other revenues and income	29	180,968	8,203	182,937	13,820
Total revenues		**10,111,863**	**4,018,199**	**8,759,860**	**3,206,330**
Operating Costs					
Raw materials and consumables used	30	(1,617,927)	(155,226)	(1,057,790)	(160,362)
Services	31	(1,438,744)	(428,895)	(1,234,114)	(194,382)
Staff costs	32	(926,330)	(5,211)	(861,336)	(2,008)
Amortisation, depreciation and impairment of property, plant and equipment and intangible assets	33	(2,724,762)		(2,349,457)	
Net write-downs/write-backs of trade receivables and other receivables	33 a	(50,164)		(9,810)	
Other operating costs	34	(291,700)	(80,632)	(240,229)	(159,318)
Total costs		**(7,049,627)**	**(669,964)**	**(5,752,736)**	**(516,070)**
Operating profit		**3,062,236**	**3,348,235**	**3,007,124**	**2,690,260**
Financial income (expense)					
Financial income	35	253,807	41,995	221,412	20,628
Borrowing expenses	36	(754,990)	(22,835)	(411,318)	(11,068)
Portion of income (expenses) from equity investments valued with the equity method	37	425,550		(193,554)	
Other income (expenses) from equity investments	37 a			2,580	
Total financial income (expense)		**(75,633)**	**19,160**	**(380,880)**	**9,560**
Income before taxes		**2,986,603**	**3,367,395**	**2,626,244**	**2,699,820**
Taxes for the year	38	(791,899)		(831,741)	
Net income (loss) from continuous operations		**2,194,704**	**3,367,395**	**1,794,503**	**2,699,820**
Net income (loss) from assets held for sale	39	2,537		(20,346)	
Net income (loss) for the year		**2,197,241**	**3,367,395**	**1,774,157**	**2,699,820**
- pertaining to Shareholders of the Parent Company		*631,499*		*512,689*	
- pertaining to non-controlling interests		*1,565,742*		*1,261,468*	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)

Items/Figures	Notes	2023	2022
1 - Net income (loss) for the year		**2,197,241**	**1,774,157**
Other comprehensive income net of taxes not transferred to income statement			
2 - Financial assets (equity securities) measured at fair value through other comprehensive income		(3,203)	(43,873)
3 - Hedging of equity securities designated at fair value through other comprehensive income			
4 - Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)			
5 - Property, plant and equipment			
6 - Intangible assets			
7 - Defined benefit plans		(5,044)	4,722
8 - Non-current assets held for sale			
9 - Share of valuation reserves of equity investments accounted for using equity method		(997)	1,570
10 - Revaluation Laws			
Other comprehensive income net of taxes transferred to income statement			
11 - Financial assets (other than equity securities) measured at fair value through other comprehensive income		1,012	(4,364)
12 - Hedging instruments (elemented not designated)			
13 - Hedging of foreign investments			
14 - Exchange rate differences		3,560	52,188
15 - Cash flow hedges		(53,514)	232,628
16 - Non-current assets held for sale			
17 - Share of valuation reserves of equity investments accounted for using equity method		(42,332)	104,362
18 - Revaluation Laws			
19 - Total other comprehensive income net of taxes		**(100,518)**	**347,233**
20 - Comprehensive income (item 1+19)		**2,096,723**	**2,121,390**
21 - Consolidated comprehensive income pertaining to non-controlling interests		1,513,607	1,468,980
22 - Consolidated comprehensive income pertaining to Shareholders of the Parent Company		**583,116**	**652,410**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2023

(thousands of euro)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 December 2022	**15**	**162**	**32**	**1,315,158**	**89,340**
Change in opening					
Total equity at 1 January 2023		**162**	**32**	**1,315,158**	**89,340**
Net income (loss) for the year					
Other comprehensive income:					
- cash flow hedges					(33,553)
- defined benefit plans					(1,488)
- exchange rate differences					971
- other					(14,313)
Total other comprehensive income					**(48,383)**
Comprehensive income					**(48,383)**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2022					
- dividends					
- retained earnings					
Interim dividend 2023					
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					(13)
Total other changes					**(13)**
Total equity at 31 December 2023	**15**	**162**	**32**	**1,315,158**	**40,944**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2022

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

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Group equity	Non-controlling interests	Total Equity
2,029,921	**1,301,737**	**512,689**	**(331,879)**	**4,917,160**	**13,652,459**	**18,569,619**
2,029,921	**1,301,737**	**512,689**	**(331,879)**	**4,917,160**	**13,652,459**	**18,569,619**
		631,499		631,499	1,565,742	2,197,241
				(33,553)	(19,961)	(53,514)
				(1,488)	(3,556)	(5,044)
				971	2,589	3,560
				(14,313)	(31,207)	(45,520)
				(48,383)	**(52,135)**	**(100,518)**
		631,499		**583,116**	**1,513,607**	**2,096,723**
		(331,879)	331,879			
		(168,634)		(168,634)	(871,087)	(1,039,721)
	12,176	(12,176)				
			(343,047)	(343,047)	(421,003)	(764,050)
					1,960	1,960
	12,176	**(512,689)**	**(11,168)**	**(511,681)**	**(1,290,130)**	**(1,801,811)**
	(12,200)			(12,213)	25,161	12,948
	(12,200)			**(12,213)**	**25,161**	**12,948**
2,029,921	**1,301,713**	**631,499**	**(343,047)**	**4,976,382**	**13,901,097**	**18,877,479**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of euro)

Items/Figures	Notes	2023 (*)	2022 (*)
Net income for the year		**2,197,241**	**1,774,157**
Adjustments to net income to reflect cash flow from operating activities:			
Amortisation and depreciation	33	2,517,188	2,322,724
Net writedowns (revaluations) of property, plant and equipment and intangible assets		207,574	26,733
Effect of accounting using the equity method	37	(353,329)	237,924
Net losses (gains) on disposals, cancellations and eliminations of assets		33,090	29,918
Dividends			(707)
Interest income	35	(245,094)	(85,683)
Interest expense	36	687,352	356,300
Income taxes	38	791,899	831,741
Other adjustements		(935,416)	(1,239,791)
Changes in working capital:			
- Inventories		410,021	(3,109,196)
- Trade receivables		(87,075)	(1,608,521)
- Trade payables		(1,941,023)	840,871
- Provisions for risks and charges		31,198	(262,887)
- Other assets and liabilities		(1,913,195)	6,909,294
Cash flow from working capital		**(3,500,074)**	**2,769,561**
Change in provisions for employee benefits		(3,775)	(58,275)
Dividends received		172,694	77,656
Interest received		202,297	32,671
Interest paid		(527,112)	(298,009)
Income taxes paid net of tax credits reimbursed / income from participation in the tax consolidation mechanism		(822,017)	(1,012,605)
Cash flow from operating activities		**422,518**	**5,764,315**
- with related parties		*1,564,894*	*1,783,030*
Investing activities:			
- Property, plant and equipment		(3,527,393)	(2,865,505)
- Intangible assets		(1,243,751)	(185,069)
- Companies in the scope of consolidation and business units		(100,386)	(947,010)
- Equity investments		(424,079)	(28,084)
- Change in payables and receivables relative to investing activities		617,428	245,585
Cash flow from investing activities		**(4,678,181)**	**(3,780,083)**
Divestments:			
- Property, plant and equipment		63,559	22,428
- Intangible assets		25,865	72,705
- Equity investments		231,024	418,659
- Companies in the scope of consolidation and business units			
- Change in payables and receivables relative to divestments		9,899	(37,824)
Cash flow from divestments		**330,347**	**475,968**
Net cash flow from investing activities		**(4,347,834)**	**(3,304,115)**
- with related parties		*(560,024)*	*166,468*
Assumption of long-term financial debt	18	5,648,428	4,513,124
Repayments of long-term financial debt	18	(3,359,557)	(3,645,781)
Increase (decrease) in short-term financial debt	23-26	2,119,986	(2,425,674)
(Increase) decrease of financial receivables for not operating purposes			
Repayment of financial debts for leased assets		(58,547)	(43,553)
Purchase of treasury shares			2,455
Net equity capital injections		(197)	979,519
Dividends distributed to shareholders		(1,815,350)	(1,689,594)
Net cash flow from financing activities		**2,534,763**	**(2,309,504)**
- with related parties		*(247,258)*	*(359,917)*
Net cash flow for the year		**(1,390,553)**	**150,696**
Cash and cash equivalents at start of the year	14	4,529,988	4,386,900
Monetary changes for the period		(1,390,553)	150,696
Changes due to exchange rate			
Changes due to IFRS9		450	(7,608)
Cash and cash equivalents at end of the year	14	3,139,885	4,529,988

(*) of which relating to assets held for sale: (i) net cash flow from operating activities -8.1 mln/€ (-27 mln/€ as at 31 December 2022); (ii) net cash flow from investing activities -0.2 mln/€ (-3.3 mln/€ as at 31 December 2022); (iii) net cash flow from financing activities 0 mln/€ (+2.8 mln/€ as at 31 December 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the consolidated financial statements

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

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

The consolidated financial statements at 31 December 2023 clearly present, and give a true and fair view of, the Group's financial performance and results of operations for the period. The figures shown in these statements correspond with the company accounting records and fully reflect the transactions conducted during the year.

Basis of presentation

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

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

The figures of the items, sub-items, and the "of which" specifications in the consolidated financial statements and in the tables of the notes to the financial statements have been rounded as appropriate, while ignoring the fractions of amounts equal to or less than 500 euro and raising fractions greater than 500 euro to the next highest thousand. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

Comparison and disclosure

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

Audit of the consolidated financial statements

The consolidated financial statements at 31 December 2023 of the CDP RETI Group have been audited by Deloitte & Touche S.p.A., as per the engagement assigned by the shareholders in their meeting of 10 May 2019 to carry out the audit for the period 2020-2028.

Annexes

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

I - BASIS OF PREPARATION AND ACCOUNTING STANDARDS

I.1. GENERAL INFORMATION

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

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force as at 31 December 2023, endorsed by the European Commission, as provided by Regulation (EC) n. 1606 of 19 July 2002, published in the Official Journal Law 243 on 11 September 2002.

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

I.1.2. General preparation principles

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

More specifically:

- the items on the consolidated balance sheet are classified by distinguishing assets and liabilities as “current / non-current”[49];
- the consolidated income statement has been prepared by classifying costs by their nature, insofar as this form of presentation is deemed the most appropriate for representing the actual situation of the CDP RETI Group, and is consistent with the established practice of firms operating on international markets;
- the consolidated statement of comprehensive income includes Profit/(Loss) for the year inclusive of revenues and costs that are directly recognised in the Statement of changes in equity as required by IFRS;
- the consolidated statement of changes in equity includes profit/(loss) for the year, transactions with shareholders and other changes in equity;
- the consolidated statement of cash flows is drafted by using the “indirect” method (as per IFRS 7 - Statement of cash flows), adjusting net income for the effects of non-cash transactions.

In addition, as required by the CONSOB resolution no. 15519 issued in July 2006, within the consolidated income statement, any operational income and expenses that by virtue of their size, nature or expected frequency do not occur regularly in the normal course of operations (i.e. exceptional items), if present, warrant separate presentation. In accordance with the same CONSOB resolution, related parties’ transactions are shown separately in the financial statements.

It is believed that these statements present an adequate view of the Group’s financial position and performance of operations. The consolidated financial statements include the financial statements of all subsidiaries from the date on which control is obtained and until such control ends. The Group identifies another entity as a subsidiary when:

- it holds decision-making power over the investee entity;
- it has the right to participate or is exposed to variable results (positive and negative) of the investee;
- it has the ability to exercise its control over the investee in such a way as to affect its economic returns.

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

- Conceptual framework for financial reporting;
- Basis for Conclusions and Implementation Guidance;
- SIC/IFRIC interpretations;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC);

[49] Assets and liabilities are classified as current when: (i) the entity expects to realise or consume the asset or liability, in its normal operating cycle or within the twelve months after the reporting period; (ii) the asset or liability is cash or a cash equivalent unless it is restricted from being exchanged or used for at least twelve months after the reporting period; (ii) they are held primarily for the purpose of trading.

- Documents issued by ESMA and Consob concerning the application of specific IFRS rules;
- Documents issued by ESMA and Consob concerning the assessments and disclosure required regarding the impacts deriving from issues related to climate change and those related to the macroeconomic scenario[50].

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

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

- Going concern basis: the CDP RETI Group has conducted an assessment of its ability to continue to operate as a going concern (and in any case with a time horizon longer than twelve months), considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP RETI Group deems appropriate to prepare its consolidated financial statements on a going concern basis. The current macroeconomic scenario is characterized by a combination of factors related to the worsening of geopolitical tensions (connected with the continuing war in Ukraine and accentuated by events in the Middle East, which continue to impact the global outlook), the tightening of monetary policy conditions, the general deterioration of the economic climate and uncertainties over future developments. For more details see section "5. Business outlook for 2024" of the Group's Report on Operations and section "I.1.5 Other issues" of the Consolidated Explanatory Notes regarding the consequences of the general deterioration of the macroeconomic scenario, and the uncertainties regarding the possible evolution of the effects of these phenomena on the CDP RETI Group;
- Accruals basis: operations are recognised in the accounting records and in the consolidated financial statements of the CDP RETI Group (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are recognised in profit or loss in accordance with the matching principle;
- Materiality and aggregation: all items containing assets, liabilities, revenues and expenses of a similar nature and with similar characteristics are presented separately in the consolidated financial statements, unless they are immaterial;
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required by an accounting standard or a related interpretation;
- Frequency of reporting: the CDP RETI Group prepares the consolidated financial statements, and makes the related disclosures, on an annual basis. The Group also prepares the Half-yearly condensed consolidated financial statements ending 30 June of each year. No changes occurred with respect to the reporting date, which remains at 31 December of each year; The subsidiaries financial statements have the same closing date as that of the Parent Company CDP RETI S.p.A.;
- Comparative information: comparative information is disclosed in respect of the previous financial period. This comparative information, which for the balance sheet refers and for the income statement to the reporting date of the previous financial year, is provided for each document comprising the financial statements, including the notes thereto.

Use of estimates

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

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

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

- Recoverable amount of property, plant and equipment (including the valuation of work in progress and inventories of raw materials, semi-finished and finished products), intangible assets and goodwill: the assets recognised are periodically assessed to identify impairment indicators. As a result of events or changes in circumstances, the value of the assets recognised in the financial statements may be considered no longer recoverable. The estimated recoverable amount of assets is the result of complex assessments based on elements which are often uncertain. Impairment is determined by comparing the carrying value with the recoverable amount, which is the greater of the fair value, less disposal costs, and the value in use determined by discounting expected future cash flows generated

[50] These references are:
- ESMA Public Statement of 25 October 2023 "European common enforcement priorities for 2023 financial reports";
- CONSOB communication "ESMA: Climate and macroeconomic context - priority issues in the 2023 reporting of listed companies".

by the use of the asset applying a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as on the expected cash flows in the future. For assets that do not generate cash flows irrespective of the existence of other assets, the recoverable amount is determined by calculating the recoverable value of the Cash Generating Unit to which the said asset belongs;

- Depreciation: changes in the economic conditions of the markets, in technology and in the competitive scenario could significantly affect the useful life of property, plant and equipment and non-current intangible assets and could result in a difference in the timing of the depreciation process and therefore in the amount of depreciation costs;
- Recoverable amount of equity investments: objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed at every annual reporting date. An impairment test is performed when the aforementioned evidence exists, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses;
- Quantification of employee benefits: the actuarial valuations performed to determine the value of provisions for employee benefits are based on economic and demographic-type assumptions and on other assumptions considered to be reasonable at the date of evaluation but which may change over time. Changes in actuarial assumptions will result in changes in the value of net liabilities recognised through other comprehensive income or profit or loss;
- Quantification of provisions for risks and charges: the estimate of provisions for risks and charges (the emergence of which is generally expected several years later) is the result of complex assessments and subjective judgements of the management. The assessments are based on different kinds of elements, including: the probability and expected timing of disbursements, the discount rates and the interpretation of standards, regulations and contractual clauses. In addition, these obligations are influenced by the constant updating of decommissioning and restoration techniques and costs, as well as by the continuous evolution of political and public awareness of health and environmental protection;
- Business combinations: the recognition of business combinations involves the recognition of the assets and liabilities of the acquired company at their fair value at the date of acquiring control as well as the possible recognition of goodwill. These values are determined through a complex estimation process;
- Incentive-related revenues: the recognition of output-based incentives in the financial statements requires management to make estimates and assumptions based on assumptions developed on actual data and on the estimated quantification and probability of occurrence of future events. In the case of incentive mechanisms that have a multi-year time horizon, the Group evaluates the allocation of the bonus over the period, estimating the possibility of repayment of all or part of the amounts accrued. The amount eventually recognised as income in the period is in fact the value that has the highest probability of not being returned in the future. The Group also assesses, for accounting purposes, for each incentive mechanism, whether the existence of the right (or obligation) is subject to confirmation or verification by ARERA. If the mechanism includes a significant financial component, the Group determines a discount rate that takes into account the credit risk associated with the asset, which, given the operation of the mechanisms and the guarantees provided for by the regulation in favour of Terna, essentially coincides with the electricity system. Some of the incentive mechanisms may determine penalties for negative performance;
- Cost capitalisation: the cost capitalisation process is characterised by some estimation / valuation elements, including, in particular, the probability that the amount of capitalised costs will be recovered through the related future revenues and the actual increase in future economic benefits inherent in the asset to which they refer;
- Income taxes (current and deferred): income taxes (current and deferred) are determined in each country where the Group operates according to a prudent interpretation of current tax regulations. This process sometimes involves complex estimates in determining taxable income and deductible and taxable temporary differences between accounting and tax values. In particular, deferred tax assets are recognised to the extent that future taxable income is likely to be available against which they can be recovered. The assessment of the recoverability of deferred tax assets, recognised in relation to both tax losses usable in subsequent years and deductible temporary differences, takes into account the estimate of future taxable income;
- Derivative financial instruments: the fair value of derivative financial instruments is determined both by valuation models that also take into account judgemental valuations such as, for example, estimates of cash flows, the expected volatility of prices, etc., and on the basis of values recorded on regulated markets or quotes provided by financial counterparties;
- Quantification of the bad debt provision, based on the present value of expected future cash flows.

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

IFRS endorsed at 31 December 2023 and in force since 2023

As required by IAS 8 - "Accounting policies, changes in accounting estimates and errors", details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2023, are provided below:

- Commission Regulation (EU) 2021/2036 of 19 November 2021 amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council in respect of International Financial Reporting Standard 17;

- Commission Regulation (EU) 2022/357 of 2 March 2022 amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8;
- Commission Regulation (EU) 2022/1392 of 11 August 2022 amending Regulation (EC) no. 1126/2008 as regards International Accounting Standard 12;
- Commission Regulation (EU) 2022/1491 of 8 September 2022 amending Regulation (EC) no. 1126/2008 as regards International Financial Reporting Standard 17;
- Commission Regulation (EU) 2023/2468 of 8 November 2023 amending Regulation (EC) no. 2023/1803 as regards International Accounting Standard 12.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet effective (effective for the financial years beginning 1 January 2024)

Listed below are the new standards and interpretations already issued and endorsed, but not yet effective and therefore not applicable to the preparation of the financial statements as at 31 December 2023:

- Commission Regulation (EU) 2023/2579 of 20 November 2023 amending Regulation (EC) no. 2023/1803 as regards International Financial Reporting Standard 16;
- Commission Regulation (EU) 2023/2822 of 19 November 2023 amending Regulation (EC) no. 2023/1803 as regards International Financial Reporting Standard 1.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of 31 December 2023

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

- Amendment to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments - Disclosures: Supplier Finance Arrangements” (issued on 25th May 2023);
- Amendment to IAS 21 “The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability” (issued on 15th August 2023).

OTHER INFORMATION

The Board of Directors meeting on 25 March 2024 approved the CDP RETI Group’s consolidated financial statements as at 31 December 2023, authorising their publication and disclosure in line with the deadlines and methods envisaged by current regulations applicable to CDP RETI.

I.1.3. Scope and methods of consolidation

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

The figures of the subsidiaries used for line-by-line consolidation are those at 31 December 2023, as approved by competent corporate bodies of the consolidated companies, adjusted as necessary to harmonise them with Group accounting policies.

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

Equity investments in subsidiaries

	Name	Operating office	Registered office	Type of relationship (1)	Equity investment: Investor	Equity investment: % holding	% of votes (2)
1	ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
2	AVVENIA THE ENERGY INNOVATOR S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
3	Acqua S.r.l.	Como	Como	1	Nepta S.p.A.	100,00%	100,00%
4	Agriwatt Castel Goffredo Società Agricola a r.l.	Como	Como	1	Bioenerys Agri S.r.l.	100,00%	100,00%
5	Asset Company 10 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
6	BYS Società Agricola Impianti S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
7	Bietifin S.r.l.	Bologna	Bologna	1	Bioenerys Agri S.r.l.	100,00%	100,00%
8	Bioenerys Agri S.r.l.	Cittadella	Cittadella	1	Bioenerys S.r.l.	100,00%	100,00%
9	Bioenerys Ambiente S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys S.r.l.	100,00%	100,00%
10	Bioenerys S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
11	Biogas Bruso Società Agricola a R.L.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	99,90%	99,90%
12	Biowaste CH4 Anzio S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
13	Biowaste CH4 Foligno S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
14	Biowaste CH4 Group S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
15	Biowaste CH4 Legnano	Turin	Turin	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
16	Biowaste CH4 Tuscania S.r.l.			1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
17	Biowaste Ch4 Genova S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
18	Bludigit S.p.A.	Suzhou	Suzhou	1	Italgas S.p.A.	100,00%	100,00%
19	Brugg Cables (India) Pvt., Ltd.	Haryana	Haryana	1	Brugg Kabel GmbH	0,26%	0,26%
					Brugg Kabel AG	99,74%	99,74%
20	Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Shanghai	1	Brugg Kabel AG	100,00%	100,00%
21	Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Suzhou	1	Brugg Cables (Shanghai) Co., Ltd.	100,00%	100,00%
22	Brugg Cables Company	Riyadh	Riyadh	1	Brugg Kabel AG	100,00%	100,00%
23	Brugg Cables Italia S.r.l.	Milan	Milan	1	Brugg Kabel Manufacturing AG	100,00%	100,00%
24	Brugg Cables Middles East Contracting LLC	Dubai	Dubai	1	Brugg Kabel AG	100,00%	100,00%
25	Brugg Cables, Inc.	Chicago	Chicago	1	Brugg Kabel AG	100,00%	100,00%
26	Brugg Kabel AG	Brugg	Brugg	1	Brugg Kabel Services AG	90,00%	90,00%
27	Brugg Kabel GmbH	Schwieberdingen	Schwieberdingen	1	Brugg Kabel AG	100,00%	100,00%
28	Brugg Kabel Manufacturing AG	Brugg	Brugg	1	Brugg Kabel Services AG	100,00%	100,00%
29	Brugg Kabel Services AG	Brugg	Brugg	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
30	CH4 Energy S.r.l.	Palermo	Palermo	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
31	Cubogas S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Greenture S.p.A.	100,00%	100,00%
32	Enaon EDA S.A.	Lykovrisi	Lykovrisi	1	Enaon S.A.	100,00%	100,00%
33	Enaon S.A.	Menemeni	Menemeni	1	Italgas Newco S.p.A.	100,00%	100,00%
34	ESPERIA-CC S.r.l.	Rome	Rome	1	Terna S.p.A.	1,00%	1,00%
35	BYS Ambiente Impianto S.r.l. (già Ecoprogetto Milano S.r.l.)	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste Lodi S.r.l.	55,00%	55,00%
					Bioenerys Ambiente S.r.l.	45,00%	45,00%
36	Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
37	Emiliana Agroenergia Società Agricola S.r.l.	Piacenza	Piacenza	1	Bioenerys Agri S.r.l.	100,00%	100,00%
38	Enersi Sicilia	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
39	Enura S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	55,00%	55,00%
40	Evolve S.p.A.	Milan	Milan	1	Renovit S.p.A.	100,00%	70,00%
41	FSRU I Limited	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM FSRU ITALIA S.r.l.	100,00%	100,00%
42	GNL Italia S.p.A.	Dublin	Dublin	1	SNAM S.p.A.	100,00%	100,00%
43	Gasrule Insurance D.A.C.	Casalecchio di Reno	Casalecchio di Reno	1	SNAM S.p.A.	100,00%	100,00%
44	Geoside S.p.A.			1	Toscana Energia S.p.A.	32,78%	32,78%
		San Donato Milanese (MI)	San Donato Milanese (MI)		Italgas S.p.A.	67,22%	67,22%
45	Greenture S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
46	Halfbridge Automation S.r.l.	Rome	Rome	1	LT S.r.l.	70,00%	70,00%
47	Idrolatina S.r.l.	Florence	Florence	1	Acqua S.r.l.	100,00%	100,00%
48	Idrosicilia S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Acqua S.r.l.	98,70%	98,70%
49	Immogas S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Toscana Energia S.p.A.	100,00%	100,00%
50	Infrastrutture Trasporto Gas S.p.A.	Milan	Milan	1	ASSET COMPANY 2 S.r.l.	100,00%	100,00%
51	Italgas Newco S.p.A.	Milan	Milan	1	Italgas S.p.A.	90,00%	90,00%
52	Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100,00%	100,00%
53	Italgas S.p.A.	Milan	Milan	4	CDP Reti S.p.A.	25,99%	25,99%
					SNAM S.p.A.	13,47%	13,47%
54	LT S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	75,00%	75,00%
55	MST S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
56	MZ Biogas S.a.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	99,90%	99,90%
57	Maiero Energia S.a.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
58	Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	51,85%	51,85%
59	Moglia Energia Società Agricola a R.L.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
60	Nepta S.p.A.	Cittadella	Cittadella	1	Italgas S.p.A.	100,00%	100,00%
61	Ravenna LNG Termina S.r.l.	Rome	Rome	1	SNAM FSRU ITALIA S.r.l.	100,00%	100,00%
62	Renerwaste Cupello S.r.L.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	85,00%
63	Renerwaste Lodi S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys Ambiente S.r.l.	100,00%	100,00%
64	Renovit Public Solutions S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renovit S.p.A.	100,00%	70,00%
65	Renovit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	60,05%	60,05%
66	Rete S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Terna S.p.A.	100,00%	100,00%
67	SNAM RETE GAS S.p.A.	Rome	Rome	1	SNAM S.p.A.	100,00%	100,00%
68	SNAM S.p.A.	Rome	Rome	4	CDP Reti S.p.A.	31,35%	31,35%
69	SPE TRANSMISSORA DE ENERGIA LINHA VERDE I S.A.	Belo Horizonte	Belo Horizonte	1	TERNA PLUS S.r.l.	75,00%	75,00%
70	Snam FSRU ITALIA S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
71	Snam International B.V.	Belo Horizonte	Belo Horizonte	1	SNAM S.p.A.	100,00%	100,00%
72	Società Agricola Agrimetano Pozzonovo S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
73	Società Agricola Agrimetano Ro S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
74	Società Agricola Agrimetano S.r.l.	Faenza (RA)	Faenza (RA)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
75	Società Agricola Agrimezzana Biogas S.r.l.	San Rocco al Porto (LO)	San Rocco al Porto (LO)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
76	Società Agricola Asola Energie Biogas S.r.l.	Asola (MN)	Asola (MN)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
77	Società Agricola Biostellato 1 S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
78	Società Agricola Biostellato 2 S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
79	Società Agricola Biostellato 3 S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
80	Società Agricola Biostellato 4 S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
81	Società Agricola Carignano Biogas S.r.l.	Bologna	Bologna	1	Bioenerys Agri S.r.l.	100,00%	100,00%
82	Società Agricola G.B.E.Gruppo Bio Energie S.r.l.	Pordenone	Pordenone	1	Società Agricola Sangiovanni S.r.l.	100,00%	100,00%
83	Società Agricola La Valle Green Energy S.r.l	Cerea (VR)	Cerea (VR)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
84	Società Agricola SQ Energy S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
85	Società Agricola San Giuseppe Agroenergia S.r.l.	Bologna	Bologna	1	Bioenerys Agri S.r.l.	100,00%	100,00%
86	Società Agricola Sangiovanni S.r.l.	Pordenone	Pordenone	1	Società Agricola SQ Energy S.r.l.	50,00%	50,00%
					Bioenerys Agri S.r.l.	50,00%	50,00%
87	Società Agricola Santo Stefano Energia S.r.l.	Casalmoro (MN)	Casalmoro (MN)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
88	Società Agricola T4 Energy S.r.l.	Pordenone	Pordenone	1	Bioenerys Agri S.r.l.	100,00%	100,00%
89	Società Agricola Tessagli Agroenergia S.r.l.	Commessaggio (MN)	Commessaggio (MN)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
90	Società Agricola Zoppola Biogas S.r.l.	Pordenone	Pordenone	1	Società Agricola Sangiovanni S.r.l.	100,00%	100,00%
91	Soragna Agroenergie Società Agricola S.r.l.	Sorbolo Mezzani (PR)	Sorbolo Mezzani (PR)	1	Bioenerys Agri S.r.l.	100,00%	100,00%
92	Stogit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
93	TERNA Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100,00%	100,00%
94	TERNA PLUS S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
95	TERNA RETE ITALIA S.p.A.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
96	Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100,00%	100,00%
97	Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100,00%	100,00%
98	Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
99	Tep Energy Solution S.r.l.	Rome	Rome	1	Renovit S.p.A.	100,00%	100,00%
100	Terna 4 Chacas S.A.C.	Lima	Lima	1	TERNA PLUS S.r.l.	99,99%	99,99%
					Terna Chile S.p.A.	0,01%	0,01%
101	Terna Chile S.p.A.	Santiago de Chile	Santiago de Chile	1	TERNA PLUS S.r.l.	100,00%	100,00%
102	Terna Energy Solutions S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
103	Terna Forward S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
104	Terna Interconnector S.r.l.	Rome	Rome	1	Terna S.p.A.	65,00%	65,00%
					TERNA RETE ITALIA S.p.A.	5,00%	5,00%
105	Terna Peru S.A.C.	Lima	Lima	1	TERNA PLUS S.r.l.	99,99%	99,99%
					Terna Chile S.p.A.	0,01%	0,01%
106	Terna S.p.A.	Rome	Rome	4	CDP Reti S.p.A.	29,85%	29,85%
107	Terna USA LLC	New York	New York	1	TERNA PLUS S.r.l.	100,00%	100,00%
108	Tlux S.r.L.	Rome	Rome	1	Renovit Public Solutions S.p.A.	100,00%	85,00%
109	Toscana Energia S.p.A.	Rome	Rome	1	Italgas S.p.A.	50,66%	50,66%
110	Zibello Agroenergie Società Agricola S.r.l.	Sorbolo Mezzani (PR)	Rome	1	Bioenerys Agri S.r.l.	100,00%	100,00%

Key

(1) Type of relationship:

1 = Majority of voting rights in ordinary shareholders' meeting
2 = Dominant influence in ordinary shareholders' meeting
3 = Agreements with other shareholders
4 = Other form of control
5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92

(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

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

- with reference to the Terna group:
  - on 7 February 2023, Terna completed its acquisition of shares in SEleNe CC S.A., following the exit of Romania's TSO, National Power Grid Company Transelectrica S.A., from the shareholder structure. As a result, Terna's equity investment in the company rose from 25% to 33.33%;
  - on 29 March 2023, Terna, through its subsidiary LT S.r.l., completed the full acquisition of Omnia S.r.l., a company engaged in the operation and maintenance of photovoltaic power stations. The acquisition was another step in consolidating the LT group's position as a leading domestic market player in the construction and management of photovoltaic systems;
  - on 22 June 2023, Terna completed its 100% takeover of Edyna Transmission S.r.l., renamed Rete Nord S.r.l. following the acquisition of the stock. The company owns two electrical power stations and about 70 km of power lines in South Tyrol, which are already part of the National Transmission Grid. The transaction is part of the Terna group's strategy to unify the national electricity transmission infrastructure, with the aim of further increasing network efficiency and reliability;
  - on 5 October 2023, the merger of Omnia S.r.l. into LT S.r.l. was completed. This was another step in consolidating the LT Group's position as a leading domestic market player in the construction and management of photovoltaic systems;
  - on 21 December 2023, the merger of Rete Nord S.r.l. (formerly Edyna Transmission S.r.l.) into Rete S.r.l. was completed. The transaction is part of the Terna group's strategy to unify the national electricity transmission infrastructure, with the aim of further increasing network efficiency and reliability.
- with reference to the Snam group:
  - the acquisition, by the subsidiary Bioenerys Agri S.r.l. (formerly Ies Biogas S.r.l.):
  - of 100% of the capital of Agriwatt Castel Goffredo s.a.r.l., Soragna Agroenergie Società Agricola S.r.l., Zibello Agroenergie Società Agricola S.r.l., Società Agricola Agrimetano Ro S.r.l. and Società Agricola Agrimetano Pozzonovo S.r.l., five companies active in the production of electricity using agricultural waste and biomass;
  - of 100% of the capital of Bietifin S.r.l., a company that provides technical assistance to companies operating biogas plants;
  - of 100% of the capital of Moglia Energia Società Agricola ar.l. and MST S.r.l., two companies that own power generation plants using agricultural waste and biomass, as part of the sale of Iniziative Biometano S.p.A.
  - of the acquisition by the subsidiary Bioenerys Ambiente S.r.l. of 100% of the capital of Biowaste CH4 Legnano S.r.l. and CH4 Energy S.r.l., two companies that own plants for the production of biomethane from the organic fraction of municipal solid waste (OFMSW);
  - of the acquisition by Snam FSRU Italia S.r.l. of FSRU I Limited, the company that owns the Floating, Storage and Regasification Unit (FSRU) 'BW Singapore';
  - of the merger by acquisition of Golar LNG NB13 Corporation, owner of the floating unit (FSRU) Golar Tundra, into Snam FSRU Italia S.r.l.;
  - of the sale of Iniziative Biometano S.p.A., a company 51% owned by Snam through its wholly-owned subsidiary Bioenerys S.r.l., as well as of Ca' Bianca Società Agricola Società ar.l., EBS Società Agricola Società ar.l., Motta Energia Società Agricola Società ar.l. and Società Agricola Ariano Biometano S.r.l., all controlled by Iniziative Biometano S.p.A.;
- with reference to the Italgas group:
  - of the merger by acquisition of Janagas into Medea, with civil law effect from 10 July 2023 and accounting and tax effects from 1 January 2023;
  - of the merger by acquisition of companies incorporated under Greek law EDA Tess and EDA Attikis (operating companies of the Depa Infrastructure group) into DEDA, effective as at 30 September 2023. On 14 February 2024, the company name of DEPA Infrastructure was changed to Enaon S.A. and that of DEDA was changed to Enaon EDA S.A.;
  - of the acquisition, completed on 16 October 2023, from the Veolia group, of the business units responsible for the Italian water sector concessions, which were merged into Italgas Acqua S.p.A., whose company name has been changed to Nepta S.p.A.

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

Line-by-line consolidation

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

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

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

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

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

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

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

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

Accounting for companies using the equity method

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

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

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

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

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

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

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

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

Subsidiaries

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

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

- the purpose and structure of the investee, in order to identify the entity's objectives, the activities that generate its revenues and how such activities are governed;
- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;

- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee's performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:

- direct or indirect ownership – through a subsidiary – of over fifty per cent of voting rights of an entity, unless it can be demonstrated – in exceptional cases – that such ownership does not constitute control;
- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern the main activities through:
- control of over half of voting rights by virtue of an agreement with other investors;
- power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
- power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
- power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:

- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

Joint arrangements

A joint arrangement is a contractual agreement in which two or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classified as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:

- owns, directly or indirectly, at least 20% of another company's share capital; or
- can, also through shareholders' agreements, exercise significant influence through:
    - representation in the company's management body;
    - participation in the policy-making process, including in decision-making on dividends or other allocations;
    - existence of significant transactions;
    - exchange of managerial personnel;
    - provision of key know-how.

Equity investments in associates are measured at equity.

Equity investments in subsidiaries with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:

- non-controlling interests are greater than 50% of the share capital of the investee;
- the investee's accounts are of material significance for the reader of this report.

Non-controlling interests, availability of non-controlling interest votes and dividends distributed to non-controlling interests

(thousands of euro)

Company name	Registered office	% of non - controlling interests	Availability of votes of non - controlling votes (1)	Dividends paid to non-controlling interests (2)
1. Italgas S.p.A.	Milan	69.77%	69.77%	179,463
2. Snam S.p.A.	San Donato Milanese (MI)	68.58%	68.58%	639,007
3. Terna S.p.A.	Rome	70.09%	70.15%	455,286

(1) Available voting rights at Ordinary

(2) including interim dividend

Equity investments in subsidiaries with significant non-controlling interests: accounting data

(million of euro) Company name	Non-current assets	Non-current assets held for sale	Current assets	Non-current liabilities	Current liabilities	Liabilities directly associated with non-current assets held for sale	Equity	Revenues	Net income (loss)	Comprehensive income
1. Italgas S.p.A.	9,758	7	1,375	6,638	1,901		2,601	2,639	468	451
2. SNAM S.p.A.	24,589		8,936	13,701	12,144		7,680	4,288	1,145	1,097
3. Terna S.p.A.	19,151	85	4,210	10,724	6,374	5	6,343	3,187	883	855

I.1.4. Events subsequent to the reporting date

See the section “Significant Events After 31 December 2023” of the Report on Operations in the Consolidated Financial Statements.

I.1.5. Other issues

Intercompany transactions

In case of lack of specific indications provided by the IFRS and in accordance with IAS 8, which requires that, in the absence of a specific standard, the company must use its judgement in applying an accounting standard that provides relevant, reliable and prudent information that reflects the economic substance of a transaction, intercompany transactions are accounted for using predecessor basis as the same amounts of the purchased company are recognised in the financial statements of the acquiror.

As such, the contribution of the CDP controlling interest in Terna has been recognised in the consolidated financial statements of CDP RETI since 2014, at the same amounts recognised in the consolidated financial statements of the transferor.

The spin-off of Italgas from Snam in 2016 has also been accounted for in the same way, maintaining the same amounts when determining the carrying value of the Italgas equity investment in the financial statements of CDP RETI. The carrying value of the investment in Snam before the spin-off has been allocated between the post-spin-off value of the investment in Snam and the value of the investment in Italgas in accordance with the relative value approach, thus taking into account the weight that each CGU had at the acquisition date, based, in particular, on the data analysed at the time of the PPA.

Disclosure on the impacts of climate-related matters

In recent years, evidence of the impact of climate change on various industrial sectors has increased considerably. Many economic sectors will be adversely affected by permanent changes in temperature, rainfall, sea level and more generally by the magnitude and frequency of extreme weather conditions.

In the energy sector, changes in average and extreme temperatures could lead to an increase in demand for energy in the summer and a decrease in demand in the winter; the final balance will, of course, depend on geographical, socio-economic and technological factors. On the supply side, climate change could adversely affect energy production infrastructure in some geographical areas.

In general, climate risks are systemic risks that cascade across the whole of society. In its annual “Global Risks Report” of 2024, the World Economic Forum considers extreme climate conditions and lack of action to address the climate crisis among the greatest dangers for humanity, both in the short term (2 years) as well as long term (10 years).

The REPowerEU Plan (2022) has updated the previously set targets for the introduction of renewable gases in the European energy mix. The new target is 35 billion cubic meters of biomethane and 20 million tons of hydrogen in energy supplies by 2030, respectively double and quadruple the target set in the “Fit for 55” Package (2021).

The fight against climate change for an increasingly decarbonised economy is the main challenge facing the world today.

Based on the above scenario, in relation to the CDP RETI Group companies, the following is highlighted:

- CDP RETI S.p.A., as an investment vehicle, is only indirectly affected by the risk/effect profiles related to climate change. In particular, the main impacts on the Parent company are related to the fair value assessment of the controlling equity investments held in the portfolio. For more details, please refer to the analysis in section “I – GENERAL SECTION” (paragraph “Other aspects”) of the notes to the separate financial statements;
- In recent years, the Snam group has repositioned itself to benefit from the new energy transition mega-trends, through its infrastructure, which will be crucial to achieving decarbonisation targets, its presence in the energy transition businesses, international expansion and a disciplined approach to investments.
  In this scenario, in January 2024, Snam presented the new 2023-2027 Strategic Plan and the Medium/Long-term Vision for 2023-2032, taking into consideration the developments to 2040, highlighting its contribution to supporting the great transformation underway in the energy sector, leveraging the enabling role of the infrastructure to achieve a completely decarbonised economy through a growing investment plan; The Strategic Plan foresees investments in the next four years (with an increase compared to the previous plan) that mainly include maintenance, modernisation and development of the infrastructure, as well as the development of green gases, in particular biomethane and hydrogen, and CCS technologies (up compared to the 2022-2026 Plan). The two enabling strategic levers on which Snam will invest, namely sustainability, including the decarbonisation strategy, and innovation, play a key role in achieving the business and other objectives set out in the Plan.
  In particular, Snam plans to reduce Scope 1 and Scope 2 greenhouse gas emissions related to the regulated business perimeter by 25% by 2027, 40% by 2030 and 50% by 2032 (compared to 2022), achieving carbon neutrality by 2040 and Net Zero by 2050 across the entire Snam group perimeter. With regard to the risks associated with the emissions market, within the scope of the European Union directives on trading carbon dioxide emission permits and the rules for controlling emissions of certain atmospheric pollutants, the update of the sector regulations accompanying the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU ETS), has confirmed a continuous reduction in the number of free emission allowances. The allowances are allocated to each plant with progressively decreasing, and no longer constant grants, and also depend on the actual operation of the plants. The allowances granted free of charge to the Group’s plants are no longer sufficient to comply with regulatory compliance obligations relating to ETS mechanisms; that is why the companies of the Snam group obtain the missing allowances from the market. The Company has also set a reduction target on natural gas emissions of 64.5% by 2027, 70% by 2030 and 72% by 2032 (compared to 2015). The targets, according to the generic methodology of SBTi (Science-Based Targets initiative), are in line with the goal of containing global warming within 1.5°C established in the Paris Agreement. With regard to the targets on GHG Scope 3 emissions, Snam has defined a new, single target, which provides for the reduction of emissions, in absolute terms, by 30% and 35%, respectively by 2030 and 2032 compared to 2022, within the scope of the regulated business. The Scope 3 targets, based on generic SBTi methodology, are aligned with the global warming containment targets between 1.5°C and well below 2°C set out in the Paris Agreement. Lastly, through the new Strategic Plan, Snam has set itself a new, ambitious target: net zero emissions by 2050 for all direct and indirect emissions of the Snam group, namely a 90% reduction in emissions and the remaining 10% through off-setting projects.
- The Terna group, in line with its role as leader of the country's energy transition, has included actions to respond to climate change in its strategic plans, identifying:
  - in the ten-year Development Plan, interventions for the development and reinforcement of the electricity grid, including interconnections with foreign countries, to ensure the integration of renewable sources;
  - in the Security Plan, the tools to guarantee the security and reliability of the electrical system in a context characterised by an increasing penetration of renewable sources and the decommissioning of thermoelectric plants with consequent critical issues related to system inertia and voltage regulation;
  - in the Maintenance and Renewal Plan of electrical assets, interventions aimed at improving the reliability of electrical assets through preventive identification and resolution of elementary signals that could fail.

  Transversal to these plans is the “Resilience Plan”, attached to the “Security Plan”, which includes initiatives to increase the resilience of the electricity grid towards severe climatic events that are occurring with increasing intensity and frequency, damaging the infrastructure and causing a loss of power in the plants connected to the NTG. In particular, the Resilience Plan includes infrastructural preventive actions, as well as capital-light technological solutions, to limit risks on the network, plus solutions to restore and monitor the electrical system.
  In this context, innovative technologies have also been developed, thanks to structured collaborations with start-ups (Open Innovation) – aimed at monitoring atmospheric events and the consequent increase in NTG resilience. The Terna group, as TSO (Transmission System Operator) operating in the transmission and dispatching services, is a player in supporting the system in achieving the challenging objectives related to the reduction of Co2 emissions.

Indeed, in addition to emissions related to electricity consumption, the most significant component of Terna's indirect emissions is related to network leaks, which may also be associated with the indirect impact related to the need to produce additional energy. In itself, the emissions of a TSO (Scope 1 and 2 of the "GHG emission protocol") are very modest compared to the potential reduction at the system level, enabled by the integration of renewable energy sources and electrification.
In order to comply with legislative changes introduced in response to climate change, the Terna group has also implemented an environmental policy that describes its adoption of practices to contain and reduce environmental impact over and above regulatory limits, while not compromising the protection of other general interests of the concession. The full implementation of this policy, aimed at reducing CO_2 emissions, also includes energy efficiency and mitigation measures to protect biodiversity. In this respect, the group has extended the environmental theme from the supply chain up to the local communities directly affected by the development of the National Transmission Grid (NTG), through compensatory works that are increasingly "environmentally sustainable".

- With its 2023-2029 Strategic Plan, the Italgas group has set out the strategy through which it intends to play a key role in the energy transition, taking advantage of digital transformation and technological innovation.
  In the short term, the main elements that influence the development of the strategy are the regulatory aspects of climate change, such as the European policy objectives, while in the short to medium term, the efficient procurement of natural gas, aimed at reducing its impacts.
  The Strategic Plan defines a macro-comprehensive scenario that includes frameworks and trends of Energy and Environmental Policies (decarbonisation – Paris Agreement, Green Deal, REPowerEU, renewables, energy efficiency, sustainable mobility, power to gas, green gas and water) and presents its own Sustainable Value Creation Plan, which sets out the concrete actions and ambitious targets to create value for the group's stakeholders and for the territories in which it is present and operates.
  The Italgas's strategy is developed in line with the United Nations Sustainable Development Goals and, as regards the fight against climate-changing emissions, also with the objectives of the European Green Deal and with the "science-based" scenario for limiting global warming to below "1.5°".
  Attention is also drawn to the "Driving innovation for energy transition" report, which explores the relationship between the Italgas's business and the impacts related to climate change, in line with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). The document represents not only the new opportunities identified in the climate transition and the potential risks, but also the adequacy of the climate strategy implemented by the group with reference to them.

Risks, uncertainties and other potential impacts

In line with the requirements for the 2021 and 2022 annual financial statements, also for the preparation of the Annual Financial Report as at 31 December 2023, companies are required to pay special attention to climate risks, to the extent that the effects of such risks may be deemed significant.

On the basis of the above, CDP RETI and the RETI Group companies continue to be called upon to strengthen the process for identifying and assessing the possible climate risks to which they may be exposed, taking into account a longer time horizon than that generally considered in assessing financial risks.

In accordance with the recommendations of the Task Force on Climate Related Financial Disclosures – TCFD, companies are exposed to two types of climate change related risk:

- physical risk, directly due to weather and climate changes;
- transition risk, linked to the company's socio-economic response to climate change.

Physical risks are divided into: (i) acute risks (event-driven), associated with the increased severity of extreme weather events, which can cause material damage to infrastructure, with impacts on the continuity and quality of service; and (ii) chronic risks (long-term change), which are more predictable, predominantly associated with the increase in temperatures, leading to lower demand for gas. Physical risks can have financial implications for companies, such as direct damage to assets, and indirect impacts due to supply chain disruption.

Transition risk, on the other hand, is divided into: i) compliance risk, in terms of a tightening of the regulatory framework and the emerging regulatory framework to accelerate the reduction of pollutant and climate-altering emissions; ii) market risk, in terms of greater penetration of renewable energies to the detriment of natural gas, of alternative uses of gas and the development of new businesses (biomethane, etc.) and/or the CNG market, as well as behaviours of consumers, financiers and investors, increasingly oriented towards sustainable products; iii) technological risk, in terms of the spread of new technologies that facilitate the use of intermittent energy sources and the need to adapt to new technological standards.

As regards the CDP RETI Group companies involved (as mentioned, the parent company CDP RETI S.p.A. is for the most part affected indirectly by these effects), the climate risk assessments have led to the following considerations:

- For the Snam group, the energy and climate scenarios that form the backdrop to the activities involve a series of risks and opportunities that must be identified, assessed and managed in an effective and timely manner.

Assessment of the factors that can influence the business is, in fact, a fundamental condition in order to continue operating sustainably over the long term, directing the strategies and monitoring the changes to the relative conditions of the same.
The risks and opportunities identified by Snam are considered in the definition of the company strategy, with particular reference to the objectives in the field of energy transition and decarbonisation, as well as the reduction of greenhouse gas and methane emissions.
As part of the integrated management of enterprise risks, Snam adopts an Enterprise Risk Management (ERM) Model within which the risks related to climate change are also identified and managed after assessment taking into account different time horizons and related objectives: Short-term (0-1 year) with reference to the annual budget; Medium term (1-5 years) with reference to the Strategic Plan that covers a horizon of up to 5 years; Long term (5-10 years) with main reference to the Ten-year Plan for the development of transport networks submitted to the Authority) and, specifically:

- physical risks, directly due to weather and climate changes, which are divided into: (i) acute risks, associated with the increased severity of extreme weather events, which can cause material damage to infrastructure, with impacts on the continuity and quality of service; and (ii) chronic risks, which are more predictable, predominantly associated with the increase in temperatures, leading to lower demand for gas. With reference to said risks, the Snam group continuously monitors the integrity of its infrastructure and plants as well as the condition and conservation status of the areas in which they are based, constantly updating the processes and systems used in order to identify, at an increasingly early stage, any critical issues through the introduction of new technologies capable of also reducing the environmental impact of the activities. These actions allow exposure to the risks associated with chronic natural events to be limited; moreover, in order to remedy unforeseeable extreme natural events, Snam has adopted innovative intervention strategies and action plans aimed at ensuring the immediate safety and resumption of activities in the shortest possible time, also implementing specific insurance policies to cover some of these risks, in line with industry best practices;
- transition risks, divided into: i) compliance risks (in terms of a tightening of the regulatory framework and the emerging regulatory framework to accelerate the reduction of pollutant and climate-altering emissions); ii) market risk (in terms of greater penetration of renewable energies to the detriment of natural gas, of alternative uses of gas and the development of new businesses and/or the CNG market, as well as behaviours of consumers, financiers and investors, increasingly oriented towards sustainable products); and iii) technological risk (in terms of the spread of new technologies that facilitate the use of intermittent energy sources and the need to adapt to new technological standards). To deal with these risks, the Snam group has begun the repurposing and modernisation of its infrastructures, consolidating the development of the energy transition businesses, linked to the use of green and decarbonised gases, investing in innovation and digitalisation, and forging a large number of partnerships. Backed by its consolidated capabilities, the Snam group has progressively integrated the energy transition businesses with those of the regulated sector, to the point of creating synergies and interconnections, aiming to create a pan-European multi-molecular infrastructure – modular, flexible and innovative – i.e., one that is capable of transporting and storing different types of gas, which ensures energy security at the national and European level, guaranteeing diversified supplies in the long term.

Climate change scenarios could lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas (and on volumes transported). On the one hand, in the short and medium term, gas could benefit from its greater sustainability than other fossil fuels and represent a bridging solution towards the complete decarbonisation of some sectors. On the other hand, individual policies and choices could lead to a progressive reduction in natural gas consumption, with a consequent impact on the current use of infrastructure. The rise in the decarbonisation targets at EU level, including the new legislative proposals being issued on energy transition (such as the EU's Fit for 55 package and EU Taxonomy) and the publication of studies of major importance in the international energy scene (such as the IEA-International Energy Agency's Roadmap to Net-Zero Emissions), could in fact accelerate the progressive reduction in demand for and supply of fossil natural gas. On the other hand, this could encourage a greater and earlier penetration of renewable, low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) in the energy mix, supporting the promotion of Snam's new businesses.
Climate change could also increase the severity of extreme weather conditions (flooding, drought, extreme temperature fluctuations), thus deteriorating the natural and hydro-geological conditions of the territory, with possible impacts on both the quality and continuity of the service supplied by Snam and on the demand for gas at national and European level.
Lastly, Snam has signed up to the Methane Guiding Principles, which commit the company to further reducing methane emissions from its operations in natural gas infrastructure. In subscribing to these principles, Snam is also committed to encouraging other players in the entire gas supply chain – from producer to end consumer – to pursue the same objective.
Snam joined the Oil & Gas Methane Partnership (OGMP) 2.0, a voluntary initiative launched as part of UNEP to support Oil & Gas companies in reducing methane emissions. Snam participated, and is still actively involved, in various UN working groups which led to developing a framework able to provide governments and the general public with the guarantee that methane emissions are treated and managed in a responsible manner, with progress against stated objectives, and offering transparency and cooperation, including the implementation of best practices. The

protocol suggests the targets to reach: -45% by 2025 compared to 2015. In relation to its operating business, in 2023, Snam raised the new target for reducing methane emissions by 2030 compared to 2015, from -65% to -70% (and to -72% by 2032), a target which is aligned with the recommendations set by OGMP 2.0.

- Terna Group: with reference to the medium-long term, it identified potential risks mainly related to the role it plays (TSO), deriving from the adaptation of the electricity grid in terms of actions aimed at increasing its resilience and allowing an adaptation to the new profile and mix of energy sources introduced into the grid. With specific reference to the grid and its transmission service, the actions defined require an effort to plan, authorise and implement investments related to works that meet current and future needs for integration of renewable sources, ensuring the reliability, security, adequacy and efficiency of the electrical system such as, for example, interconnections with foreign countries and the development of infrastructure to enable the increasing integration of renewable energy sources.
  As defined in its Risk Framework, the Terna group is exposed to the risk related to the increase in severity of weather events (tornadoes, heavy snowfall, ice, flooding) with consequent impacts on the continuity and quality of the service supplied and/or damage to equipment, machinery and infrastructure of the grid. In response, the group is continuing to carry out new investments designed to increase the resilience of the electricity grid and identify the tools to mitigate those risks.
  With reference to non-regulated activities, the Terna group is committed to developing innovative and digital technological solutions to support the ecological transition which, in particular, include the offers of the investee companies operating in the field of power transformers and terrestrial cables, including through the development of skills along the entire value chain, as well as the services related to Energy Solutions and the connectivity offer. In addition, the Terna group is engaged in investments aimed at digitisation and innovation, continuing the activities of remote control of power stations and major infrastructure, through the installation of sensor, monitoring and diagnostic systems, including predictive systems, for the benefit of the safety of the grid and the local area.
  Tools were also developed for the study and definition of new interventions to respond to the critical issues related to climate change. In particular, through the Resilience Methodology, the Terna group has equipped itself with a tool that earns it a leading position in climate-change assessment at the national and European level. This innovative and probability-type tool makes it possible to plan actions to increase the NTG's level of resilience, quantifying the related benefit in terms of reduction of expected energy not supplied, in particular for ice-snow and strong wind events. Climate risk mitigation actions also consist in the need to plan the maintenance of NTG plants in order to guarantee the quality of the service, the safety of the assets managed (power lines and stations) and their consistent performance.
  In this regard, in addition to the operations included in the "standard maintenance campaign", the Terna group is increasingly required to carry out work on the grid, for specific components that, regardless of the age of the grid, make it possible to mitigate the intensification of harmful weather events. The Company has assessed that these investments do not reduce or modify expectations of the economic benefits associated with the use of the current grid and it was not necessary to revise the useful life of the non-current assets in the financial statements.
  The Terna group also considers that there may be a risk associated with the supply chain due to significant changes in the strategy of key suppliers, exacerbated by the crisis in the global supply chain resulting from the pandemic and the conflict between Russia and Ukraine and by the energy transition process initiated in many countries, with a potential impact on construction and maintenance works and consequent impacts on the continuity and quality of the service and on the time frame to carry out the works. The Terna group constantly monitors the development of the supply chain and has not identified any critical issues.
  As regards loans and bonds, there are some bank loans containing "ESG-linked" provisions, a "commercial paper" programme (short-term bonds intended for qualified investors), enabling it to issue ESG Notes, and some green bond issues have also been placed.
  As regards ESG-linked bank loans, a reward/penalty mechanism is in place, applicable to the payment of accrued interest, linked to the achievement of specific environmental, social and governance indicators (ESG objectives).
  In view of the above, the Terna group considers that there may be a risk, albeit not significant, connected to achievement of the ESG objectives. Failure to meet these objectives by a certain date indicated in the contract would result in a slight increase in the cost of debt, with the impact of such risk on financial expenses considered to be entirely negligible. There is constant monitoring of all activities related to climate change and no critical issues have been detected at the moment.
- The Italgas group manages and monitors the risks and opportunities connected to its business through its Enterprise Risk Management model which has been appropriately supplemented following the identification of specific risks related to climate change.
  With regard to environmental risk, although it carries out its activity in compliance with laws and regulations, the possibility of incurring costs or liability of even significant proportion cannot be ruled out with certainty: in fact, it is difficult to foresee any environmental damage, also given the possible effects of new environmental protection laws and regulations, the impact of technological innovations for environmental rehabilitation, the possibility of litigation and the difficulties in determining its possible consequences, including with regard to the liability of other parties and possible insurance compensation.
  The Italgas group carefully monitors the different risks and consequent financial impacts that could derive from environmental and climate change issues.
  With reference to physical risk, the corporate strategy in recent years has been increasingly influenced by climate change issues and several initiatives have been developed to reduce GHG emissions. In addition, targets have been set to reduce net greenhouse gas emissions: i) Scope 1 and 2 emissions (market-based) by by 38% by 2028 and by

42% by 2030, Scope 3 (supply chain) by 27% by 2028 and by 33% (compared to 2020 values) by 2030 and ii) net energy consumption by 33% by 2030 (compared to 2020 values). In addition to these objectives, which concern the entire scope of operation (thus including all of the Italian and Greek consolidated companies), it is worth noting the Italgas group's commitment to Net-Zero Carbon by 2050 for Scopes 1, 2 (market-based) and 3.
These objectives will be achievable thanks to the use of Picarro Surveyor technology, the most advanced technology available in the field of network monitoring and gas leak identification based on CRDS (Cavity Ring-Down Spectroscopy) technology, a sophisticated detection technology that, compared to traditional technologies, offers important advantages in terms of speed of action, sensitivity in detection and areas subject to inspection.
With regard to the transition risk, the main mitigation measures implemented include: i) adoption of internal SLAs for the repair of leakages more severe than those defined by the Regulator, ii) network modernisation measures, iii) the process for transforming the network into digital infrastructure to enable the distribution of non-methane gases, such as hydrogen, biomethane and e-gas, iv) adherence to the UN Global Compact and the UNEP's OGMP 2.0, active participation in consultations called by the Government or European Union bodies on issues of relevance and presence in the main sector associations, v) development of energy efficiency projects and investments to increase the Group's presence in the water and energy efficiency sectors, vi) actions aimed at promoting the development and dissemination of biomethane and power-to-gas technology.

Impairment test

Climate risks could have an impact on the determination of the expected useful life of non-current assets and on the estimated residual value of properties. Companies are, consequently, called upon to assess, where relevant: (i) the existence of indications that non-financial assets have suffered impairment as a result of climate risk or of the measures implementing the Paris Agreement; (ii) the use of assumptions that reflect climate risks and (iii) the inclusion in sensitivity analyses of the effects of climate risk within the assumptions adopted. Changes in the environment in which an entity operates may be potential indicators of possible impairment of an asset.

In relation to the CDP RETI Group companies, the following is highlighted:

- Italgas group: regarding the impact of climate risks in the determination of the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators that suggest that these assets have suffered an impairment, (ii) significant impacts of climate change on the assumptions used in estimating the recoverable amounts of the same and (iii) sensitivity analysis requirements with regard to the effects of climate risk within the assumptions adopted. At present, therefore, climate change is not expected to have a significant impact on the expected future cash flows of a given asset or cash generating unit (CGU), and consequently on its recoverable amount.
- The Terna group has not identified any elements that require a critical review of the useful life. Similarly, with regard to the existence of impairment risk on property, plant and equipment, company management considered that, although the measures to mitigate climate risk entail the need to plan the maintenance of the NTG plants, as in the past, to ensure the quality of the service, the safety of the assets managed (power lines and stations) and the maintenance of performance of the same, these activities nevertheless do not have a negative impact on the determination of fair value less disposal costs, since a market operator would consider these investments as part of the Fair Value Measurement process.
- The Snam group, given the ambitious net emissions targets defined in the new strategic plan, considers that, also due to the specific business and sectors in which it operates, it currently has limited exposure to the impacts that possible climate risks could have on the valuation of non-current assets and other assets, including loans.

Contingent liabilities and onerous contracts

In 2023, there were no events that resulted in the need to make additional provisions for risks and charges and there are no current obligations that are likely to result in future cash outflows, attributable to non-compliance with environmental requirements and/or failure to achieve the required climate objectives. In addition, due to the systematic monitoring of assets, and of the areas where they are located, companies are concretely committed to identifying in advance possible situations that could potentially lead to contingent liabilities related to climate risks.

Issues related to the macroeconomic scenario

The combined effect of the consequences of rising inflation and interest rates, market slowdown, geopolitical risks and general uncertainty about future developments, has made it necessary to assess the impacts that this context may have on the results and operations of the CDP RETI Group.

The dynamics already observed since the last quarter of 2022, which put an end to the prolonged growth phase in the prices of energy goods that began in the third quarter of 2021, gradually consolidated during 2023.

With particular regard to the gas sector, although in the first half of 2023 spot market gas prices were lower than last year, the contingent trend in commodity prices in Europe and the high energy dependence on imports could represent elements of vulnerability for the Italian energy system, both in the short term (in particular with reference to the next winter) and in the medium term (fuelling the phenomenon of energy poverty). In this respect, Snam has already mitigated this risk thanks to a series of counter measures adopted over the last few years such as: investments in import capacity from new supply routes to ensure the diversification of the sources of procurement (such as the commissioning of the TAP gas pipeline), a wide availability of gas storage capacity, efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies.

The extraordinary European investment plan for the protection of energy security and the diversification of gas supply sources, also favoured by the mild weather conditions of the last winter season, contributed decisively to the continuation of the downward trend in energy commodity prices. According to the Italgas group, 2023 was also characterised by higher LNG supplies and lower demand induced by both the high prices in 2022 and the containment measures adopted by the EU. All this was reflected in a level of storage during the year that remained well above the average of the previous 5 years.

As early as the fourth quarter of 2023, the trend in inflation showed the first positive signs, suggesting a possible upcoming stabilisation of the cycle of interest rate increases by central banks; as a result, the ECB interrupted the cycle of six consecutive increases decided in the first 9 months of the year (which brought the reference rate from 2.5% to 4.5%), confirming the interest rates already in force and fuelling expectations of the start of a new market phase characterised by less restrictive monetary policies by central banks.

The world economy continued to grow during 2023, although it recorded a slowdown compared to 2022; the latest estimates report growth in world GDP in 2023 of 3% compared to 3.5% in 2022, well below the historical average.

Despite some encouraging signs, there remain persistent uncertainties and challenges to economic growth, both internal and European, linked to the geopolitical tensions present, which were amplified by the conflict that erupted in the Middle East, following the terrorist attacks in Israel and the general slowdown in economic activity at the global level.

The continued Russian-Ukrainian conflict and the possible expansion on the Middle Eastern front could compromise or delay the progressive normalisation of the world economy.

Refinancing, liquidity risk and other financial risks

For CDP Reti S.p.A., with regard to financial instruments, given the Company's current operations, there is no significant impact on the result for the year with regard to other financial assets (i.e., receivables related to derivative transactions), as well as in respect of the measurement of expected credit losses according to IFRS 9.

As in prior years, in May 2023, the Company entered into an Interest Rate Swap (IRS) transaction with CDP to hedge the interest rate risk on the new Term Loan at a floating rate (subscribed in May 2023). This transaction provides for a cash collateral exchange for which no counterparty insolvency risk that may result in a hedging interruption is currently expected.

Additionally, with reference to the increase in energy and raw material costs due to high inflation, the Company, given its nature as a financial holding company and its current operations, has not been significantly affected by the current macroeconomic scenario in the Italian market.

Lastly, with regard to outstanding financial debt, after years of containment of borrowing costs, despite the substantial alignment of the nominal value of the financial debt, the Company experienced an increase in net financial charges primarily driven by higher interest rates in comparison with prior years' rates (resulting from the debt refinancing that began in 2022 and ended in 2023) related to the bond issued in October 2022 and to the Term Loan signed in May 2023.

With regard to CDP RETI Group companies, the following is highlighted:

- The Snam group was able to operate without interruption in 2023 and carry out the planned investments. With regard to the indirect consequences of the current macroeconomic context, the succession of significant increases in reference rates by the main central banks led to a general increase in the cost of debt which, in the case of Snam, went from an average value of 1.1% at 31 December 2022 to 2% at 31 December 2023.
  In the Transport, Regasification and Storage business, both operational and investment activities continued uninterruptedly during 2023. In particular, in December 2023, the acquisition of the entire capital of the company FSRU I Limited, owner of the FSRU BW Singapore, was completed; carried out as part of the broader programme for diversification of gas supply sources, the acquisition will allow the country to benefit from an additional LNG import point. In addition, the commissioning of the FSRU plant in Piombino will take place in 2023.
  For the foreign subsidiaries of the Snam group, the trend observed in 2022 is confirmed, i.e. the almost total interruption of Russian gas supplies: TAG[51] (joint venture) and GCA[52] (associate) are the companies most exposed

[51] Trans Austria Gasleitung Gmbh (TAG) is an Austrian company active in the natural gas transport sector and owns the gas pipeline connecting the border between Slovakia and Austria with the Tarvisio point of entry into Italy. The transport of natural gas in Austria is subject to regulation.
[52] Gas Connect Austria GmbH.

to these supplies. In particular, TAG recorded a significant reduction in gas flows from Russia in 2023, with a consequent reduction in imported volumes. The reduction in supplies and a regulatory framework that exposes the company to volume risk (not guaranteeing full recovery of the delta between actual revenues and recognised revenues) generate uncertainties about the expected returns. In this scenario, both TSOs are actively working with the relevant Austrian authorities to define the regulatory framework applicable from 2025 in light of the changed environment in which the company operates, with the main focus on volume risk.
The company GCA is less exposed to uncertainties on returns as it can still benefit from long-term transport capacity contracts, with gradual maturities until 2031.
With reference to the situation in the Middle East, the conflict in the Gaza Strip does not currently have a direct impact on Snam's assets and on the operation of the pipeline that connects Israel and Egypt (EMG). On the other hand, with regard to the recent escalation of maritime attacks in the Red Sea, a prolonged interruption of ship transits (e.g. LNG ships) from the Suez Canal, could give rise, this year, to international tensions with the consequent impact on the prices of energy goods for which Italy, and Europe in general, are heavily dependent on foreign imports. These turbulences could weigh on the world economy, increasing production costs and further affecting national and European economic stability and growth, as well as causing further challenges in managing energy supply sources.
Lastly, it should be noted that as a result of significant developments in the sustainable finance markets and equally important changes at the macroeconomic and geopolitical level, in February 2024, Snam published a new Sustainable Finance Framework, which will guide the financial strategy of the Snam group in the coming years. The Framework will allow the issuance of green (use of proceeds) and sustainability-linked financial instruments in order to strengthen the company's ongoing commitment to the energy transition.

- The Terna group has not identified any elements that require an in-depth analysis of the validity of the assumption of business continuity. This assumption is based on the fact that the most significant part of the group's revenues is related to the performance of Regulated Activities in Italy and the calculation of income that remunerates both operating costs and invested capital, both of which are revalued annually based on inflation and deflator trends, respectively. In addition, the return on invested capital is calculated using a WACC that is reviewed periodically by ARERA in order to update the parameters underlying the calculation of the cost of equity and cost of debt. In relation to the recoverable amount, keep in mind that for the main counterparties of the Terna group (holders of withdrawal or injection dispatch contracts and distributors), considered solvent by the market and with high credit standing, credit positions did not deteriorate during 2023. With respect to potential risks of higher contract prices due to the strong inflationary environment and higher costs due to rising prices of materials, energy and wages and the risk that issuers may be unable to reflect these increases in the prices of their goods and services, we do not recognise a significant risk for Terna because the price revisions granted by law are covered by tariff updates, which provide for an adjustment to inflation and full recognition of the investments made in the RAB.
  It should also be noted that Terna S.p.A. and its subsidiaries do not have offices in the regions affected by the conflicts or relevant activities.
  Based on the current regulation to which it is subject, which provides for indexation of the operating costs recognised in the tariff and of the RAB, no negative economic impacts are expected from the increase in the price index, although the aforementioned recognition is reflected in the financial statements with a lag of about one year.
  It should be noted that the significant change in the macroeconomic parameters to which the Terna group is exposed (interest rates, inflation, yield of Italian government bonds and European cost of debt indices), which occurred during the last period, will lead to an increase in the allowed cost of capital in 2024 that would offset the impacts generated by those variables. In this respect, recall that the regulator had envisaged a mechanism for updating the WACC if, following the updating of certain parameters, the WACC undergoes an increase or decrease of more than 50 bps.
  Lastly, it is important to note that the Terna group currently has financing sources, consisting of liquidity and committed credit lines (thus immediately available) that, together with the ability to generate cash flows, ensure coverage of the group's financial requirements for the next 18/24 months, to face any further stress on the capital market.
  Regarding the adequacy of the electrical system, the evidence to date shows that there are no impacts: the scenario in 2023 improved compared to 2022, thanks to mild temperatures and diversification of natural gas imports, with a progressive replacement of Russian gas with gas imported from other countries, including liquefied natural gas. However, commodity prices, especially with regard to gas, are still higher than the period before the outbreak of the war in Ukraine.
  As regards the procurement plan, all qualified suppliers are currently subject to due diligence in the context of international sanctions, and Russian economic operators are no longer qualified.
  Recovery and repositioning actions were carried out on line supplies, station equipment and power machinery by: i) entering into further contracts, with the introduction of indexing formulas (also using tools such as quick-execution online auctions, for example for the supplies of towers) and ii) negotiating individual claims on non-indexed supply contracts in place. With regard to the procurement of metal sub-supplies, which are affected by price changes, the most important events were addressed.
  With regard to large projects, whose service agreements for stations will be performed shortly, discussed during the tender phase, etc., it cannot be ruled out that there will be an impact deriving from the uncertainty linked to the oscillation of commodity prices and construction times for the works.
  In any case, it should be considered that as of 2022 the legislator has included the obligation to adopt price revision formulas in contracts; therefore, the main indices used are constantly monitored. At any rate, the increase in raw

material prices is appropriately mitigated by the current regulatory framework and does not therefore represent a significant risk for the Terna group.
In addition, neither the effects of the changed macroeconomic scenario, nor those arising from the geopolitical crises, have increased credit risk, nor have they had impacts on the measurement of expected credit losses. The Terna group's trade receivables, in fact, fall within the "Held to collect" business model, predominantly mature within 12 months and do not have a significant financial component. Moreover, these effects did not even generate changes in reference to the business model identified for financial instruments, not involving changes in the chosen classification. Furthermore, the fair value measurement of the financial assets and liabilities held by the Terna group has not changed in terms of an increase in the risks associated with them (market, liquidity and credit). Similarly, modification of the underlying assumptions did not generate any deviations in regard to the sensitivity analyses related to their measurement.
- The Italgas group, having no production activities or personnel located in the areas affected by the ongoing conflicts, nor having commercial and/or financial relations with the countries involved, continues not to detect any materially relevant restrictions in the execution of financial transactions or in the sources of procurement. However, in a market that continues to undergo restrictions and slowdowns especially regarding the purchase of components, it cannot be ruled out that the political and economic tension caused by the conflicts could increase these difficulties and affect, in a way that cannot yet be estimated or predicted, the efficiency and timeliness of the Italgas group's procurement ability.

Impairment of non-financial assets and equity investments

Although this is a historical moment characterised, among other things, by the instability of financial markets and by the deterioration of the international real economy, CDP RETI S.p.A., to assess the equity investment's recoverable amount, understood as the higher of the fair value net of cost of sales and its value in use (so-called value in use), in the event of one or more impairment indicators*,* determines the relative fair value (calculated using the 30-day Volume-Weighted Average Price from the valuation date).

With regard to CDP RETI Group companies, the following is highlighted:

- For the Snam group, with reference to the investments held in the Austrian companies TAG and GCA, the current scenario remains characterised by significant uncertainties related to the duration and outcome of the conflict, as well as to the process of defining the new regulatory framework applicable from 2025.
Regarding the investment held by Snam in TAG, company that owns the pipeline that transports Russian gas to Italy. During 2023, however, less significant impacts were reported with reference to GCA, also due to the long-term transport capacity contracts in place, with gradual maturity dates up to 2031; the company used its interconnection points with Germany during the year to ensure the security of supply in Austria and, at the same time, guarantee achievement of the national storage filling target. Given the changing scenario indicated above, for the purposes of the consolidated financial statements as at 31 December 2022, Snam had already made write-downs to the investments held in the Austrian companies TAG and GCA, respectively for 340 million euro and 25 million euro.
At the moment, both investee companies are actively continuing their collaboration with the Austrian Regulatory Authority, started in 2023, to define the new regulatory framework, which is expected to be finalised by the end of the first half of 2024; despite the regulator's willingness to eliminate the so-called volume risk, there remains high uncertainty regarding the rules and parameters according to which the companies will be remunerated from 2025. In this scenario, the forecasts used to estimate the recoverable amount at 31 December 2023 were developed.
Consequently, once the new regulatory framework is finalised, with the consequent disappearance of the uncertainty regarding the levels of future remuneration of the companies, Snam will update its valuations of the recoverable amount of the investments held in Austrian companies.
- With reference to the Terna group, the assessment of the current macroeconomic scenario and the effects linked to the conflicts has not generated trigger events calling for the need to test the existence of write-downs of the value of property, plant and equipment owned by the group and of intangible assets with finite useful life.
In particular, with regard to the recoverable amount of property, plant and equipment and the intangible assets with finite useful life belonging to the scope of the RAB, the assessment of estimated future cash flows generated by these assets has shown that the macroeconomic effects, including those resulting from the outbreak of gepolitical crises, have not given rise to impacts constituting triggering events requiring the Terna group to test for impairment. In addition, neither the effects of the changed macroeconomic scenario, nor those arising from the Russia-Ukraine conflict, have increased credit risk, nor have they had impacts on the measurement of expected credit losses. The group's trade receivables, in fact, fall within the "Held to collect" business model, predominantly mature within 12 months and do not have a significant financial component. Moreover, these effects did not even generate changes in reference to the business model identified for financial instruments, not involving changes in the chosen classification.

Amendment to IAS 12: International Tax Reform - Pillar Two Model Rules

EU Directive no. 2022/2523 - on the basis of the *paper* "Tax Challenges Arising from the Digitalisation of the Economy-Global Anti-Base Erosion Model Rules (Pillar Two)" issued by the OECD on 14 December 2021 - introduced in EU Member

States, including Italy, a minimum effective tax regime - on the income produced by national and multinational groups with consolidated annual revenues of at least 750 million euro in at least two of the last four tax years - to the amount of 15% for each jurisdiction in which they are located, providing for the application of a supplementary tax in cases where the effective tax rate per country, with the adjustments provided for by the application rules, is lower than the minimum tax rate of 15%. This legislation has been transposed into national law with Italian Legislative Decree no. 209 of 27 December 2023 ("Pillar II" or "global minimum tax") effective from the 2024 tax period.

On 23 May 2023, the IASB published an amendment entitled "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules". The document, whose process of adoption by the EU ended on 8 November 2023, introduces a temporary exception to the recognition and reporting obligations of deferred tax assets and liabilities relating to the Pillar Two Model Rules and provides for specific reporting obligations for the entities subject to the related International Tax Reform. In particular, the document provides for the immediate application of the temporary exception, while the disclosure obligations will only be applicable to annual financial statements starting on or after 1 January 2023.

In this regard, during 2023, a project was launched by the parent company CDP at the CDP Group level (within which CDP RETI S.p.A. assumes the status of Partially-Owned Parent Entity "POCE"), and with the support of a leading advisor, with the aim of: i) mapping the relevant entities for the purposes of Pillar Two; ii) collecting the information necessary for the purposes of determining the Transitional Country-by-Country safe harbor; iii) collecting the information relevant for the purposes of calculating Globe Income and Adjusted Covered Taxes, necessary for the calculation of the minimum rate of 15%; iv) preparing the Gap Analysis. This activity was carried out with reference to tax year 2022.

As a result of the work carried out so far in relation to the year 2022, based on currently available information, the mapping involved approximately 390 entities located in about 60 jurisdictions whose effective tax rate is generally higher than 15%. Among these, about 20 smaller entities are found to be resident in 5 countries with an effective tax rate below 15% and an estimated supplementary tax at the CDP Group and CDP RETI Group level that is not significant.

I.2. MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The IFRS classification and measurement standards adopted for drawing up the Annual Report of the CDP RETI Group are shown below.

Property, plant and equipment

Property, plant and equipment refers to non-current assets which are consistently used in the course of the Company's business.

Property, plant and equipment and other operating property, plant and equipment are governed by IAS 16. Investment property (land and buildings) is governed by IAS 40. Property acquired and held for subsequent resale is governed by IAS 2.

Property, plant and equipment includes: (i) with regard to the natural gas transport segment, the value referring to the quantity of natural gas fed into gas pipelines to make them operational and (ii) with regard to the natural gas storage segment, the portion of gas injected into the storage wells as "Cushion Gas".

Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees)[53]. Property, plant and equipment are initially recognised at acquisition cost or production cost and stated at the purchase price or transfer price or production cost, inclusive of any directly attributable ancillary charges incurred to make the asset ready for use. Should a legal or implicit obligation arise, the cost shall be increased by the estimated present value of all charges incurred to dismantle, remove the asset and restore the site. The corresponding liability is recognised under provisions for risks and charges. Estimates of dismantling costs, discount rates and the dates when those costs are expected to be incurred are restated at every annual reporting date.

The purchase/transfer price or the production cost also includes financial expenses directly linked to the acquisition, construction or production of the asset.

Repair and maintenance costs incurred after the acquisition date are recognised as an increase in the carrying value of the item they refer to if it is probable that future economic benefits associated with that item will flow to the entity and the cost of the item can be reliably measured. All other costs are recognised through profit or loss when incurred.

Costs for improvements, modernisation and transformation that increase the value of property, plant and equipment are recognised in the asset side of the balance sheet when it is probable that they will increase the expected future economic benefits. Items purchased for security or environmental purposes that, while not directly increasing the future economic benefits expected from existing assets, are necessary to obtain benefits from other property, plant and equipment, are also recognised under balance sheet assets.

[53] For the accounting treatment of leased assets, reference should be made to the specific paragraph "Leases" in the "Other information" section.

The subsequent measurement of property, plant and equipment is at cost, net of accumulated depreciation and impairment (the latter in accordance with IAS 36).

Assets are systematically depreciated on a straight-line basis over their useful economic life (i.e. the expected period of time during which an asset remains useful to the entity), starting from the moment they are available and ready for use in the production process. The amortised value is the carrying amount, minus the expected net realisable value at the end of its useful life, if significant and reasonably measurable. Therefore, the depreciation allowances for each year charged to the income statement are calculated by the CDP RETI Group at the rates listed below, which are considered adequate to represent the residual useful life of each asset.

At every annual or interim reporting date, the recognised carrying amount of the asset is tested for impairment. If impairment indicators are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (that is the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement. If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Items/Figures %	Min.	Max
Buildings	2.0%	20.0%
Movables	6.0%	6.0%
Electrical plant	10.0%	20.0%
Plant and machinery:	0.0%	0.0%
Power lines	4.0%	22.2%
Transformation stations	23.8%	6.7%
Gas pipelines	2.0%	2.0%
Power stations	5.0%	10.0%
Gas reduction and regulation	5.0%	5.0%
Pipelines	2.0%	2.0%
Processing stations	4.0%	20.0%
Compression stations	5.0%	5.0%
Storage wells	12.7%	20.0%
Regasification	4.0%	4.0%
Industrial and commercial equipment	10.0%	33.3%
Other assets	5.0%	33.0%
Other plant and equipment	2.0%	33.3%

When an asset included under property, plant and equipment consists of significant components that have different useful lives, each of those components is depreciated separately (component approach). The useful life of the assets is reviewed annually and if expectations differ from previous estimates, changes in the depreciation schedule are accounted for prospectively.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.

Assets under construction and advances are composed of advances or expenses incurred in respect of items of property, plant and equipment that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

Property, plant and equipment items are derecognised on disposal or when no future economic benefits are expected from their use or disposal; any gain (loss) on disposal is recognised through profit or loss.

Intangible assets

According to IAS 38, intangible assets are identifiable assets without physical substance that are controlled by an entity and whose cost can be measured reliably and from which future economic benefits are expected to flow to the entity. Intangible assets, as defined above, are held to be used for a multi-year period or an indefinite period.

Intangible assets are initially recognised at cost including incidental expenses and are amortised over their estimated useful life (period over which an asset is expected to be available for use by an entity), which, at the end of each financial year, is assessed to check the adequacy of the estimate. The amortised value is the carrying amount, minus the expected net realisable value at the end of its useful life, if significant and reasonably measurable. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset that qualifies for capitalisation pursuant to IAS 23 are capitalised on the asset as part of its cost.

Development costs are capitalised only if: (i) they can be reliably measured, (ii) there is the technical possibility and intention to complete the intangible asset so that it can be available for use, (iii) there is the capacity to use the intangible asset, (iv) it is possible to demonstrate that it will generate probable future economic benefits.

All other development costs and all the research expenditure are recognised through profit or loss when incurred.

Subsequent measurement of intangible assets is at cost, net of accumulated amortisation and any impairment (the latter in accordance with IAS 36).

Intangible assets are amortised over a period representing the residual useful life, considering the high level of obsolescence of these assets.

If there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised through profit or loss. If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Intangible assets include assets associated with public-private Service Concession Agreements relating to the development, financing, management and maintenance of infrastructure under concession arrangements, under which the granting entity:

- controls or regulates the services provided through the infrastructure by the operator, and the prices charged;
- controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the concession.

This category of assets includes agreements under which the Italgas group undertakes to supply the public service of natural gas distribution at the tariff set by the Italian Energy Networks and Environment Regulator (ARERA, formerly AEEGSI), being the holder of the right to use the infrastructure controlled by the granting entity to provide such public service. It also includes the property, plant and equipment and intangible assets used by the Terna Group to dispatch electricity under concession arrangements.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP RETI Group, the CGUs correspond to the individual legal entities. Goodwill is tested for the adequacy of its carrying amount. An impairment test is performed annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable amount of the CGU, the difference is recognised through profit or loss. If the reasons for the impairment cease to exist, any reversals of the impairment loss are not accounted for and consequentially, the initial goodwill value is not reinstated.

Goodwill related to equity investments in associated companies and joint ventures is included in the carrying amount of such companies. Negative goodwill is recognised through profit or loss at the time of the acquisition.

Intangible assets also include industrial patent and intellectual property rights, concessions, licenses, trademarks and similar rights and development costs.

The carrying value of storage concessions, consisting of natural gas reserves in the fields (“Cushion Gas”), is determined in accordance with the Ministerial Decree of 3 November 2005 and recognised under “Concessions, licenses, trademarks and similar rights”. This item is not amortised as the volume of gas is not modified by the storage activity and its economic value is not below the carrying amount.

Intangible assets are derecognised when future economic benefits are no longer expected from their use or when sold; any gain (loss) on disposal is recognised through profit or loss.

Equity investments

“Equity investments” includes investments in subsidiaries (according to IFRS 10), in associates (according to IAS 28) and in joint ventures (according to IFRS 11).

Subsidiaries are companies in which the CDP RETI Group holds, either directly or indirectly, more than half of the voting rights in the Shareholders’ Meeting to appoint Directors or, in any event, when CDP RETI exercises the power to determine financial and operating policies (including de facto control).

Associates are companies in which the CDP RETI Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP RETI Group has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Joint ventures involve companies where control, by means of a contractual arrangement, is shared between the CDP RETI Group and one or more parties, or when decisions about the relevant activities, which have a significant impact on returns, require the unanimous consent of the parties involved in the contractual arrangement that have control over the company.

Associates and joint ventures are included in the consolidated financial statements from the date on which significant influence or joint control begins and until such time as that situation ceases to exist.

Equity investments are initially recognised at cost, as at the settlement date, including costs or revenues that are directly attributable to the transaction.

Equity investments in associates or joint ventures are initially recognised at cost at the settlement date and subsequently accounted for using the equity method, where the original cost of the equity investment is adjusted (up or down) according to: (i) the investor’s share of the profit (loss) (recognised in the consolidated income statement) for the portion realised by the investee after the acquisition, (ii) the investor’s share of changes in the items of the other comprehensive income of the investee, realised after the acquisition, (iii) the dividends received from the investee and (iv) the investor’s share of changes in the equity of the investee other than the previous ones.

The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately, but is included in the carrying value of the equity investment (“equity method”). Any positive difference between the value of the portion of equity of the investee and the cost of the equity investment (Badwill) is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

Equity investments are tested for impairment at each balance sheet date or when events occur that may suggest a reduction in value.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve equity investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

In particular, the impairment process for the consolidated financial statements is performed in line with what is done for the separate financial statements of the Group companies. With reference to listed equity investments, it should be noted that assessment of objective evidence of impairment for the purposes of the separate financial statements is supplemented by verifying the existence of a market price of at least 40% lower than the carrying amount of the investment in the consolidated financial statements.

In terms of separate financial statements, the presence of specific qualitative and quantitative indicators is assessed.

In this case, and in particular for the parent company CDP RETI, taking into account the characteristics of the investment portfolio, as well as the role of long-term investor, at least the following indicators are considered impairment indicators/objective evidence of impairment:

- the recognition of losses[54] or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the equity investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[55] in the year when it is declared.

[54] The recognition of losses may not be considered relevant if it is in line with the budget and/or business plan objectives of the equity investment (e.g. investments recently made); on the contrary, losses attributable to cases provided for by the Italian Civil Code (e.g. Articles 2446, 2447) are always considered relevant.

[55] The indicator considers the possibility to distribute a dividend greater than the comprehensive income statement (or comprehensive income for financial companies) for the year in which the dividend is declared (for example, dividends declared in 2017, representative of the net profit distribution of the 2016 financial year, which was higher than the total overall profitability for the 2017 financial year). For the purposes of the preparation of the semi-annual financial statements impairment test, in the absence of homogeneous comparative data, the indicator is verified by referring to the data relating to the previous year.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40%;
- a market price below the carrying value for a period of 24 months;
- a carrying value of the net assets in the consolidated financial statements higher than the market price of the equity investment;
- a rating downgrade of at least four *notches* from the time when the investment was made, if assessed as relevant and significant, in conjunction with other available information[56].

If the recoverable amount is lower than the carrying amount, the difference is recognised through profit or loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised through profit or loss up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying value that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement.

The recoverable amount determined when performing the impairment tests of the separate financial statements in relation to investments in subsidiaries is used to assess any impairment of net assets belonging to cash flow generating units (CGUs) corresponding to those equity investments. This assessment is carried out in compliance with the provisions of IAS 36.104 and 36.105.

The investor's interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses, in compliance with the provisions of IAS 28.[57].

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

Financial assets

The following financial assets are recognised under current and non-current financial assets:

- financial assets measured at fair value through profit or loss (FVTPL);
- financial assets measured at fair value through other comprehensive income (FVTOCI);
- financial assets measured at amortised cost;
- hedging derivatives.

The classification is determined on the basis of:

- the business model identified for the management of the financial activity (the so-called "Business Model");
- the contractual characteristics relating to the cash flows of the financial asset, i.e., whether the cash flows generated by the financial asset consist solely of payments of principal and interest accrued based on the principal amount to be repaid.

The Business Model for the management of financial assets determines whether the cash flows will arise (i) from the receipt of cash under the contract, (ii) from the sale of financial assets, or (iii) both.

This process (so-called "Solely Payments of Principal and Interest" or "SPPI test") is used to verify whether the instrument generates cash flows exclusively from principal and interest payments.

1. Financial assets measured at fair value through profit or loss (FVTPL)

This item includes the following financial assets measured at fair value through profit or loss:

- "Financial assets held for trading" including debt securities, equities, loans, units of UCIs included in Business Model Other/Trading, and also derivatives not designated as hedging instruments;
- "Financial assets designated at fair value" including debt securities and loans, measured at fair value through profit and loss in accordance with IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured at fair value through profit or loss if, and only if, this will eliminate or significantly reduce an accounting mismatch;
- "Other financial assets mandatorily measured at fair value" including debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented by solely payments of principal and interest (thus characterised by the failure

[56] The downgrade of the equity investment's credit rating is not, in itself, evidence of impairment, although it may be an indication to that effect; therefore, such a trigger is considered relevant only when combined with at least another impairment trigger.
[57] For more information on IAS 28, see Commission Regulation (EU) 2019/237 of 8 February 2019, published in the Official Journal Law 39 of 11 February 2019, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and the Board.

to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company aims to align the measurement criterion with respect to the assets and/or liabilities associated with them.

As with financial assets held for trading, the derivatives financial instruments fair value can be both positive or negative, as such, derivatives are classified among FVTPL financial assets if their fair value is positive and among FVTPL financial liabilities if their fair value is negative.

Financial assets measured at fair value through profit or loss are initially recognised on the trade date for derivative contracts, on the settlement date for debt securities, equities, and units of UCIs, and on the disbursement date for loans. An exception is represented by those securities whose delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item "Financial income (expense)" in the income statement. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the aforementioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2. Financial assets measured at fair value through other comprehensive income (FVTOCI)

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets represented by debt securities and loans that meet both of the following conditions:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (Business Model Held to Collect and Sell);
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under this item are also recognised those equity instruments that are in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option) has been irrevocably exercised.[58]).

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised.

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the income statement.

Interest on the debt instruments and on receivables is recognised through profit or loss according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included in the income statement.

No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:

- the amounts recognised in the Valuation reserves are never reclassified through profit or loss, even when they are derecognised;
- all exchange rate differences are recognised in the equity reserve and are therefore charged to other comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised through profit or loss.

Financial assets measured at fair value through other comprehensive income are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

[58] Fair value Through Other Comprehensive Income option.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3. Financial assets measured at amortised cost

The item "Financial assets measured at amortised cost" includes debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model (so called Held To Collect) whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, this item includes receivables from banks, or other parties, deriving from loans, leases [59], factoring transactions, debt securities, etc.

"Financial assets measured at amortised cost" are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that, at the time of initial recognition, discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance (so-called "Expected credit losses" or "ECL") under IFRS 9 rules and the amount of such losses is recognised through profit or loss. In particular, an expected loss at one year is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures).

For financial assets that are performing (stages 1 and 2), impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios. With specific reference to trade receivables, in order to measure

[59] For the treatment relating to leases, reference should be made to the specific paragraph "Leases" in the "Other information" section.

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the expected losses, an assessment is carried out using the so-called "simplified approach" provided by IFRS 9 or – by virtue of the absence of a significant financial component - by estimating the expected losses over the life of the receivable (so-called "ECL lifetime"). In addition, in the event of credit exposures in litigation and in the presence of available detailed information about the recoverability of the exposure, analytical assessments are carried out in order to better reflect the actual riskiness of the position in determining the expected credit losses.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, it is necessary to determine whether the contractual amendments result in the derecognition of the original instrument, with consequent recognition of a new financial asset, or in the recognition through profit or loss of the difference between the gross carrying value of the pre-amended financial instrument and the restated financial asset (modification).

In the absence of specific IFRS 9 guidance, the analysis necessary to identify possible amendments that give rise to derecognition rather than modification may sometimes involve significant elements of judgment. In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

In general, changes to a financial asset, when substantial in nature, lead to its derecognition and the recognition of a new asset, also for Originated Credit Impaired positions.

On this basis, a comprehensive but not exhaustive list has been identified to include possible events that represent a substantial change to the terms of the existing financial asset, introducing a different nature of the risks and resulting in derecognition.

The list is as follows:

- change in the counterparty: this includes novation or the replacement of the counterparty by another obligor (succession), because these changes lead to a change in the credit risk;
- change in the reference currency (because it introduces a different risk profile than the original exposure);
- debt-to-equity swap: the lender and the obligor may, as an alternative to other types of renegotiation, agree to extinguish the original debt through a substantial change in the nature of the debt-to-equity swap;
- introduction of new contractual clauses that result in failure of the SPPI test (e.g. leverage, indexing to parameters not related to the time value of money and credit risk, inverse rates, and financial covenants that result in failure of the test or other similar clauses);
- *acceptance in lieu*, whose repayment depends on the fair value of an asset;
- substantial change in the discounted value of cash flows (the change is considered substantial when the present value of cash flows from the new asset, discounted using the original effective interest rate, differs significantly from the present value of the remaining cash flows of the original financial asset);
- changes granted to performing customers, which provide for the use of market parameters to redetermine the financial conditions of the loan agreement, including changes granted in the context of renegotiations carried out under conditions that would apply to new loans;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the obligor to new risk components, such as returns linked to equity or commodity components, leverage or other similar clauses.

In the event of changes not deemed significant, which therefore do not come under the case of derecognition, but for which the modification is applied, the gross value is redetermined by calculating the current value of the cash flows resulting from the renegotiation, at the original internal rate of return of the exposure. In general, subject to modification, are those financial assets exposed to changes that are not carried out at normal market conditions and that are typically carried out with the aim of maximising the recovery of future cash flows due, relating to existing exposures (e.g. exposures whose credit risk has deteriorated significantly since the date of initial recognition).

Below is a non-exhaustive list of the main changes to the previous contractual terms:

- reduction of the interest rate;
- extension of the maturity of the loan;
- reduction of part of the exposure;
- introduction of payment holidays (grace period/payment moratorium);
- payment of interest only;
- capitalisation of arrears/interest.

Contractual changes to a financial asset for which the derecognition rules are applied will have the following accounting impacts:

- derecognition of the financial asset and recognition of a new financial asset;
- subjecting the new financial asset to a new assessment in terms of classification and measurement (business model and SPPI test);
- identification of the date of new recognition as the origination date;
- recognition of the new asset at its fair value; recognition of any gain or loss equal to the difference between the fair value of the new asset and its carrying value at the time of derecognition of the existing asset, except for level 3 fair value financial assets as envisaged by IFRS 9;
- classification of the new asset in the relevant stage, at the initial recognition date, and verification, in subsequent reporting periods, of any deterioration in credit risk.

If there are contractual changes to a financial asset for which the rules of modification without derecognition apply, in accordance with IFRS 9:

- reassessment in terms of classification and measurement is not required: the SPPI test is only performed on initial recognition of the instrument and there is no subsequent reassessment of this initial assessment;
- the gains or losses resulting from the modification are calculated as the difference between the gross carrying value of the pre-modified financial asset and its restated gross carrying value (corresponding to the present value of the renegotiated or modified cash flows, discounted at the financial asset's original effective interest rate, i.e. before the modification), adjusted where applicable in the case of hedging transactions;
- any deterioration in the credit risk of the modified financial asset is analysed by comparing it with the credit risk at the asset's original recognition date, before the modification.

4. Hedging derivatives

Financial assets include derivatives which have a positive fair value at the reporting date. Derivatives with negative fair value are recognised in the balance sheet under other financial liabilities.

Hedging transactions

Hedging transactions are executed to hedge contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, CDP RETI has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP RETI Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

- exposes the company to the risk of a change in fair value or future cash flows;
- is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- the relationship between the hedging instrument and the hedged item, including the risk management objectives;
- the hedging strategy;
- the methods to be used in order to verify the hedge effectiveness.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. More specifically:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in specific “Valuation reserves” of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss. This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

In the case of highly likely future transaction hedges, if, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the “Valuation reserves” of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item “Valuation reserves” representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

In the case of cash flow hedges, if the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in the consolidated balance sheet (under financial assets or liabilities) is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in the income statement.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, net of any impairment losses recognised in specific bad debt provisions.

Impairment losses are calculated by applying the simplified approach under IFRS 9, based on which trade receivables, separated into specific clusters according to the regulatory framework, are applied an impairment model based on expected losses for collective assessment. For trade receivables deemed individually significant and with reference to which accurate information is available on the considerable increase in the credit risk, in the context of the simplified model, an analytical approach was applied. Impairment losses related to the impairment of trade receivables (and the related recoveries) are recognised through profit or loss in the item “Net impairment (recoveries) of trade receivables and other receivables”.

Receivables due within normal commercial terms are not discounted.

Trade receivables are derecognised when the contractual rights to the associated cash flows have been realised, have expired or been sold.

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities, net of the costs estimated for completion and for the execution of the sale. The cost of natural gas inventories[60] is determined by applying the average cost method.

Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

This item mainly includes cash in hand, cash at banks or with Cassa Depositi e Prestiti S.p.A. following the stipulation of a deposit agreement, as well as other short-term financial assets with a maturity of no more than three months from the date of purchase, which can readily be converted into cash with no collection charges and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents take account of the interest accrued on the amounts, albeit not yet paid.

Non-current assets held for sale/Discontinued operations

The balance sheet items "Non-current assets held for sale" and "Liabilities directly attributable to assets held for sale" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. For these assets, the CDP RETI Group Companies must be committed to plans to dispose of the asset (or group of assets) and must have initiated programmes to locate potential buyers, such that a sale can be considered highly probable.

To be able to classify an asset (or group of assets) as available for sale, the following is also required:

- the asset can be readily exchanged in the market at a price considered reasonable in relation to its fair value at the current date;
- the sale is expected to be completed within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5;
- the actions required to complete the plan to dispose of the asset do not indicate that it is unlikely to be completed.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an equity investment exclusively acquired with a view to resale.

The non-current assets (or disposal groups) are presented separately from the balance sheet items "Other assets" and "Other liabilities". The corresponding balance sheet values for the previous financial year are not reclassified in the statement of financial position. Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (net of costs to sell), without any depreciation/amortisation being recognised. The corresponding balance sheet values for the previous financial year are not reclassified.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets classified as held for sale through profit or loss.

Profits and losses (net of the tax) attributable to groups of assets and liabilities held for sale, as well as any capital profit/loss on disposals, are shown in the specific income statement line item "Profit (Loss) from assets held for sale". The corresponding amounts for the previous year, if any, are reclassified and presented separately in the income statement, net of tax effects, for comparative purposes.

When events occur that no longer allow non-current assets or discontinued operations to be classified as held for sale, they are reclassified in the respective line items of the statement of financial position and recognised at the lower of: (i) the asset (or discontinued operation) carrying value before it was classified as held for sale, adjusted for all depreciation, amortisation, impairment or reversals that would otherwise have been recognised if the asset (or discontinued operation) had not been classified as held for sale, and (ii) the recoverable amount at the date on which the subsequent decision not to sell was made.

[60] Any transactions involving strategic gas, subject to prior authorisation by the Ministry of Economic Development, involve a withdrawal and subsequent replenishment of the quantities of strategic reserve gas, not resulting in any inventories movement.

Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated assets items "Deferred tax assets" and "Income tax receivables", and under consolidated liabilities items "Deferred tax liabilities" and "Income tax liabilities".

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term "deferred" tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:

- under the item "Deferred tax assets", if they relate to "deductible temporary differences", which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under the item "Deferred tax liabilities", if they relate to "taxable temporary differences" representing liabilities because they are related to accounting entries that will become taxable in future tax periods.
- If the deferred tax items regard transactions that directly affected equity, they are recognised in equity.

Provisions for risks and charges

This item consists of the provision set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date. Therefore, the provisions are recognised only when:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the value representing the best estimate of the amount that the entity would rationally pay to settle the obligation or to transfer it to third parties at the reporting date. Provisions relating to onerous contracts are recognised at the lower of the cost required to fulfil the obligation, net of the expected economic benefits arising from the contract, and the cost for terminating the contract.

When the time value is significant and the dates of payment of the obligations can be estimated reliably, the provision is made by discounting, at a rate that reflects the market valuations of the current value of money, the expected cash flows calculated considering the risks associated with the obligation. Any increase in the provision relating to the passage of time is recognised in the income statement under "Financial income (expense)".

If the liability refers to items of property, plant and equipment (e.g. dismantling and restoration of sites), the provision is recognised as a balancing entry to the asset it refers to and is recognised in the income statement via the depreciation process. The costs which the entity expects to incur to implement a restructuring plan are recognised in the year in which the plan is formally approved and there is a settled expectation among the affected parties that the restructuring plan will be implemented. Provisions are periodically updated to reflect changes in cost estimates, implementation times and discounted rates; revisions to provision estimates are recognised in the same income statement item that previously included the provision or, when the liability relates to tangible assets (e.g. decommissioning and restorations), these are recognised as an adjustment of the asset to which they relate to and for an amount not greater than their carrying amounts; any surplus is directly recognised through profit or loss.

Contingent – not probable – liabilities are not recognised in the balance sheet. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The provisions are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pensions and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits.

Provisions for employee benefits

This item includes the staff severance pay (TFR) and other long-term benefits such as loyalty bonus, supplementary funds, other benefits, etc.

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:

- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006;
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that the portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

Recognition of changes in actuarial profits/losses, deriving from changes in the actuarial assumptions used, or from prior year adjustments, are recognised as other items in the consolidated statement of comprehensive income.

Financial liabilities

Financial liabilities are included in the items "Loans", "Other financial liabilities", "Current portions of long-term loans" and "Current financial liabilities".

Non-current and current financial liabilities, represented by loans raised and securities issued, are recognised initially at cost, i.e. the fair value of the liabilities, less any directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortised cost, using the effective interest rate method.

Financial liabilities also include hedging derivatives which have a negative fair value at the reporting date. See the previous paragraph "Hedging transactions" in section "4. Hedging derivatives" for the description of the financial reporting standards adopted for the recognition of hedging derivatives.

Financial liabilities are derecognised when settled or when the obligation specified in the contract has been satisfied, cancelled or has expired.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade payables are not discounted if the due dates are line with normal commercial terms.

Revenues

Revenues are recognised in such a way as to accurately represent the process of transfer of goods and services to customers in an amount that reflects the consideration that one expects to receive in exchange for supplied goods and services, using a model consisting of five basic steps:

- step 1: identify the contract with the customer;
- step 2: identify the contractual obligations, noting the separable goods or services as separate obligations;
- step 3: determine the price of the transaction, i.e. the amount of the consideration that one expects to receive;
- step 4: allocate the transaction price to each obligation identified in the contract based on the sale price of each individual separable item of goods or services;
- step 5: recognise the revenue when (or if) each contractual obligation is fulfilled through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

According to the type of transaction, revenue is recognised based on the specific criteria reported below:

- revenues from the sale of goods are recognised, for an amount equal to the sale consideration to which the company believes it is entitled to, when the significant risks and rewards of ownership of the goods have been transferred to the buyer and its amount can be measured reliably and collected;
- revenue from services is recognised with reference to the stage of completion of the activities. In case it is not possible to reliably measure the value of revenue, this is measured up to the amount of the costs incurred that is believed will be recovered;

- revenue accrued in the year for contract work in progress is recognised on the basis of the amounts agreed proportionate to the progress of the work, which is calculated using the cost-to-cost method. In addition to the amount of revenue agreed in the contract, contract revenue includes variations in contract work, reviewed prices and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Revenue may decrease also as a result of penalties arising from delays caused by group companies.

Revenue from regulated activities is governed by the regulations issued by the Italian Energy Networks and Environment Regulator (ARERA) and by the Greek Regulatory Authority for Energy (RAE). Consequently, the financial terms and conditions relating to the services provided are not defined by negotiation but in accordance with the relevant regulatory frameworks and the tariffs are set periodically by ARERA and used as a basis to define the tariff criteria for the reference period.

In particular, the tariff system requires that the reference revenue to calculate the tariffs be recognised in order to cover the costs incurred by the operator and provide an equitable return on the capital invested.

There are three cost categories recognised:

- the cost of the net invested capital for RAB (Regulatory Asset Base) purposes through applying a rate of return on that invested capital;
- the economic - technical amortisation covering the investment costs;
- the operating costs covering the running costs.

With reference to the Snam group and the Italgas group, the revenues recognized in the income statement coincide with those recognized by the regulator (so-called "revenue cap"). Within the sectors Gas Transportation, Regasification and Storage with regard to the Snam group and Natural Gas Distribution and Metering in Italy with regard to the Italgas group, the possible differential between the revenues recognized by the regulator and the revenues accrued is recorded, if positive, in an asset item of the Balance Sheet, if negative, in a liability item, as the same will be subject to monetary settlement with the Cassa per i Servizi Energetici e Ambientali (CSEA) With reference to the distribution and metering of natural gas carried out by the Italgas group in Greece, the differential between the revenues recognized by the regulator and the revenues actually accrued is recorded, if positive, in the statement of financial position item "Other current and noncurrent nonfinancial assets" and in the item "Other current and noncurrent nonfinancial liabilities," if negative as the operator has met the relevant performance obbligation and has the right to recover or the obligation to return in the following regulatory periods or at the end of the concession the amounts not charged or overcharged to customers during the year.

With regard to the recognition of revenues by the Italgas group relating to the so-called "Start-up Municipalities", mainly concentrated in the territory of Sardinia, the remuneration mechanism provides for a cap on the tariff recognitions for investments in the distribution networks for locations with a year of first supply after 2017, in the amount of €5,250 per RDC, expressed at 2017 prices, determined by Resolution No. 704/2016/R/gas. The payment of the consideration by ARERA is made on the basis of the so-called. "three-phase", which provides for a first phase lasting three years (in addition to the year of first supply) in which the investments are recognised in full, a second phase in which a cap is applied, calculated on the basis of a prospective assessment of the redelivery points that could potentially be connected to the network based on the user penetration curves typical of each tariff area, and finally a third phase starting from the sixth year of service management, in which, if the ceiling is exceeded, the investments recognised from the first year of service management are retroactively reduced Resolution No. 525/2022/R/gas subsequently governed the operating procedures for the application of the cap on the tariff recognition of capital costs in start-up locations and the procedures for applying the mechanism, relating in particular to the determination of the service diffusion index and the procedures for verifying that the maximum unit cost threshold has been exceeded, for the second and third phases of the mechanism. In relation to these municipalities, the Group recognises revenue on the basis of the expected RAB at the sixth year of supply, considering it highly probable that on the basis of the expected PdR there will be no significant reversal of cumulative revenue after the resolution of the uncertainty.

The Terna group's revenues also include output-based incentives defined by ARERA for both transmission and dispatching activities. Incentive mechanisms are included within the scope of application of IFRS 15; if the counterparties through which Terna collects an incentive are not the same as those active on the market in the year in which the achievement of the objectives underlying the incentive programme is verified, IFRS 15 is applied through the approach by analogy envisaged by IAS 8, also with the support of feedback from the conceptual framework for financial reporting. Where the mechanism includes a significant financial component, the amounts recognised in the financial statements are discounted. Based on the specific characteristics of each mechanism, the Terna group assesses whether the performance obligation is fulfilled over a period of time (over a period of time) or at a specific point in time (at a point in time), also taking into consideration the need for confirmation or verification by ARERA in order to determine the existence of the right.

Fees collected on behalf of third parties, such as the remuneration of other network owners outside the group, as well as revenues recognised for activities to manage the balance of the national electricity system that do not increase equity, are shown net of the related costs. In particular, revenues and costs of a 'pass-through' nature are included that originate from energy purchase and sale transactions finalised with electricity market operators. The regulatory framework envisages that these costs and revenues always have a zero balance, by charging each consumer pro rata for the net charge resulting from the valuation of imbalances and purchase and sale transactions carried out by Terna on the Dispatching Services

Market (DSM), through a specific fee, known as the Uplift. Terna receives remuneration for this activity through a specific "margin" revenue, the Dispatching Services Fee. Considering also that Terna has no power to set prices for transactions on the DSM, revenues are expressed net of costs, on a net basis.

Financial income (expense)

Financial income (expense) includes:

- interest income and expense;
- income and expense associated with hedging activities;
- gains (losses) on disposal or repurchase;
- income and expense associated with trading activities;
- the net gain (loss) on financial assets and liabilities measured at FVTPL;
- the net adjustments and recoveries for credit risk relating to financial assets measured at amortised cost or at FVTOCI;
- exchange rate differences.

Interest income and expense is through profit or loss for all instruments based on amortised cost using the effective interest rate method. The interest also includes the net balance, either positive or negative, of the differentials and margins relating to derivatives.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable financial expenses are those that would not have been incurred if the expense for that asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a financial year shall in any case not exceed the amount of borrowing costs incurred during that year.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other information

Leases

Leases are recognised on the basis of the rules in IFRS 16 whereby the control of right of use of an asset discriminates in the identification of contracts that are or contain a lease from those for the supply of services. The key features of this distinction are: the identification of the asset, the absence of substitution rights, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the leased asset. Thus, it follows that even rental and hire contracts and leases payable can now be included within the scope of the standard.

The lessee recognises a right-of-use asset underlying the lease and a lease liability consisting in the present value of outstanding lease payments (i.e. Lease Liability). These items are depreciated over the life of the lease (this period includes any renewal or early termination options, if the exercising of these options is reasonably certain).

Essentially, the balance sheet liabilities show the Lease Liability, which consists of the present value of the payments which, at the valuation date, have yet to be paid to the lessor; the balance sheet assets, on the other hand, show the Right-of-Use Asset, calculated as the sum of the lease still payable, the initial direct costs incurred to sign the contract, the payments made on or before the inception date of the contract (net of any lease incentives received) and the present value of the costs of dismantling and/or restoration.

Regarding the recognition of the income statement items, the expense accrued on the lease liability will be recognised in "Interest expense and similar expense", and the depreciation/amortisation of the Right-of-Use Asset in "Net adjustments to/recoveries on property, plant and equipment and intangible assets". The right-of-use asset is amortised over the contractual term (or the useful life of the underlying asset if shorter), subject to any impairment.

For leases involving low value assets and leases with a duration of 12 months or less (i.e. short-term leases), IFRS 16 does not entail the recognition of financial liabilities and the relevant right of use, but lease payments shall continue to be recognised through profit or loss on a straight line basis for the duration of the respective leases.

On first-time adoption the Group applied the standard according to the "Modified Retrospective Approach", recognising the cumulative effect of the initial application of the Standard on the first-time adoption date without restating the comparative information (IFRS 16 C5 b), in the option envisaged in paragraph C.8 b (ii).

On the basis of this approach, the following were recognised:

- the lease liability calculated as the present value of the remaining payments due on the lease, discounted at the incremental borrowing rate at the date of initial application (IFRS 16.C8.a);
- the right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (IFRS 16.C8.bii).

In addition, some of the practical expedients and recognition exemptions provided by the standard have been adopted upon initial application. More specifically:

- use of the incremental borrowing rate as the discount rate to calculate the lease liability[61];
- exclusion of leases with a total or remaining lease term[62] of 12 months or less;
- exclusion of leases with a low value at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application.

Uncertainty on the treatment for the purpose of income tax

An entity shall consider whether it is probable that the relevant taxation authority will accept every tax treatment, or group of tax treatments, it has used or plans to use in its tax return. If the entity concludes that it is probable that a particular tax treatment will be accepted, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its tax documentation. If the entity concludes that it is unlikely that a particular tax treatment will be accepted, the entity must use the most likely amount or the expected value from the tax treatment in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The judgement should be based on which method provides the best forecast of how to resolve the uncertainty.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item "Staff costs" over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

Capital grants provided by public entities are recognised when there is reasonable certainty that the conditions established by the granting authorities for obtaining the grant will be met. Their recognition reduces the purchase or transfer price or the production cost of the asset they refer to. Similarly, capital grants received from private parties are accounted for in accordance with the same accounting policies.

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[61] Rate which represents the rate of interest that a lessee "would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment".

[62] For the purpose of determining the lease term, it was assumed that the contractual renewal is reasonably certain if:

- there is a clause that grants the lessee the right to renew the contract and there is a clause through which the lessor is obliged to not refuse the renewal request;
- there is a clause that grants the lessee the right to renew the contract and the lessor has not notified his/her desire to exercise the right of refusing the renewal within the contractually set terms.

Grants for operating expenses can be recognised through profit or loss on an accruals basis when the related costs are incurred or, alternatively, in full when the conditions for their recognition have been met.

With particular reference to connection fees for private users, the remuneration component for the initial installation investment amount is recognised as revenue to be deferred over the useful life of the asset to which it refers, with a balancing entry among other liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not a forced liquidation or distress sale) at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. Underlying the definition of fair value is the assumption that the entity is operating its business normally without any intention to liquidate its own assets, significantly reduce the level of its own assets, or settle transactions at unfavourable conditions. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

As per IFRS 13, to measure the fair value, the effect of non-performance risk is also considered. This risk includes both the changes in the counterparty's credit risk and the changes in the issuer's own credit risk.

The fair value of financial instruments is calculated according to a hierarchy of criteria based on the origin, type, and quality of information used. In detail, this hierarchy assigns the highest priority to the prices quoted (and not changed) on active markets and lower importance to unobservable inputs. Three different input levels are identified:

- in the case of instruments listed on active markets, prices on financial markets are used (Level 1);
- in the case of instruments not listed on active markets, recourse is made, where possible, to valuation techniques that use observable market inputs other than quoted prices for the financial instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use unobservable market inputs that are therefore inevitably subjective to some degree (Level 3).

Since Level 1 inputs are available for numerous financial assets and liabilities, some of which are traded on more than one active market, the entity has to take special care when defining both of the following aspects:

- the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the entity can conclude a transaction involving the asset or liability at that price and on that market at the measurement date.

The CDP RETI Group believes that the principal market of a financial asset or liability can be identified as the market on which the Group normally operates.

A market is considered active if the quoted prices, representing effective and regular market transactions executed during an appropriate reference period, are readily and regularly available through stock exchanges, brokers, intermediaries, specialised firms, quotation services or authorised entities.

In the event of a significant reduction in the volume or level of ordinary activity for the asset or liability (or for similar assets or liabilities) flagged by certain indicators (number of transactions, insignificance of the prices given by the market, significant increase in the implicit premiums for liquidity risk, widening or increase in the bid-ask spread, reduction or total absence of a market for new issues, scanty information in the public domain), the transactions or quoted prices are analysed.

In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market inputs at different levels of complexity. For example, valuation techniques may involve, in addition to interpolations and extrapolations, the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

The Group takes the following into consideration when selecting the valuation techniques to be used in Level 2 measurements:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in the Group's systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

In some cases, in determining the fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, statistical or “expert-based” estimates by those carrying out the valuation (Level 3).

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

Business combinations

A business combination is a transaction or other event in which an entity acquires control of one or more business activities (e.g., a business).

Control of one or more businesses may be obtained: (i) through the transfer of cash, cash equivalents or other assets; (ii) by issuing equity interests; (iii) by assuming liabilities; (iv) without the transfer of a consideration (for example, through a contractual agreement).

Business combinations are recognised using the acquisition method, whereby the assets transferred and liabilities assumed by the CDP RETI Group at the acquisition date are measured at fair value. Transaction costs are generally recognised through profit or loss in the years when those costs are incurred or the services are received.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP RETI Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete. In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed. The following items are an exception and are measured in accordance with their applicable standard:

- deferred tax assets and liabilities within the scope of IAS 12;
- assets and liabilities for employee benefits within the scope of IAS 19;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree, as defined by IFRS 2;
- insurance contracts within the scope of IFRS 17;
- assets and liabilities arising from leases within the scope of IFRS 16 for which the acquiree is the lessee;
- assets held for sale and discontinued operations within the scope of IFRS 5.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree, and the fair value of any equity investment previously held by the acquirer in the acquiree over the fair value at the acquisition date of the net assets acquired and the liabilities assumed. If the fair value at the acquisition date of the net assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of any equity investment previously held by the acquirer in the acquiree, the excess is recognised in the income statement as a gain from the transaction.

After initial recognition, the goodwill acquired for consideration in a business combination is tested for impairment once annually or whenever there is evidence of impairment. For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, net of goodwill, if any, recognised in the financial statements of the acquirees.

At the acquisition date, non-controlling interests are measured at fair value or as a proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The measurement method is selected on a transaction basis.

The transferred consideration also includes the present value of any deferred fixed payments and the fair value of any contingent consideration (e.g. earn-out). If the potential consideration meets the definition of an equity instrument, it is classified in equity and is not subject to subsequent valuations. Other contingent fees are recognised as liabilities and measured at fair value at each year-end date and changes in fair value are recognised through profit or loss.

In the case of business combinations achieved in stages, the equity investment previously held by the CDP RETI Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting profit or loss is recognised in the income statement. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the CDP RETI Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include joint venture transactions, as well as those transactions aimed at obtaining control of one or more companies that do not constitute a business activity and those for which the business combination is carried out for reorganisation purposes, and thus between two or more entities already belonging to the same group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "Business combination under common control"). These transactions are in fact considered to have no economic substance.

II - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

I. ASSETS

Non-current assets

1. Property, plant and equipment

Below is a breakdown of the CDP RETI Group's property, plant and equipment, which show a net value of 40,894 million euro at 31 December 2023 (38,633 million euro at 31 December 2022).

Property, plant and equipment: breakdown

(thousands of euro)	31/12/2023			31/12/2022		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Owned						
Land	448,309	(2,518)	445,791	418,230	(1,121)	417,109
Buildings	3,712,787	(1,363,351)	2,349,436	3,501,703	(1,279,661)	2,222,042
Plant and equipment	55,675,580	(24,463,948)	31,211,632	53,062,601	(23,175,143)	29,887,458
Other plant and equipments	2,968,447	(1,590,938)	1,377,509	2,845,756	(1,321,642)	1,524,114
Industrial and commercial equipment	543,829	(401,713)	142,116	512,461	(372,682)	139,779
Other assets	287,831	(208,242)	79,589	267,652	(202,608)	65,044
Assets under development and advances	5,177,882	(90,968)	5,086,914	4,273,535	(82,402)	4,191,133
Right of use acquired under leases ex IAS 17						
Land						
Buildings	720	(204)	516	720	(182)	538
Plant and equipment	6,126	(2,469)	3,657	6,409	(2,308)	4,101
Other plant and equipments						
Industrial and commercial equipment						
Other assets	470	(470)		1,522	(1,522)	
Assets under development and advances						
Right of use acquired under leases ex IFRS 16						
Land	46,486	(11,987)	34,499	30,084	(8,324)	21,760
Buildings	161,044	(78,211)	82,833	141,164	(60,212)	80,952
Plant and equipment						
Other plant and equipments	1,604	(366)	1,238	2,078	(192)	1,886
Industrial and commercial equipment	58,944	(44,523)	14,421	52,699	(35,665)	17,034
Other assets	110,826	(47,043)	63,783	87,330	(27,668)	59,662
Assets under development and advances						
Total	**69,200,885**	**(28,306,951)**	**40,893,934**	**65,203,944**	**(26,571,332)**	**38,632,612**

The item mainly includes investments made by the Terna group in power transport lines and transformation stations, investments made by the Snam group in transport infrastructure, gas storage and regasification, and the investments made by the Italgas group in the gas distribution segment, limited to land and buildings that are not subject to IFRIC12. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees), equal to approximately 201 million euro at 31 December 2023.

During the period, Snam group made approximately 1,521 million euro investments primarily in the transport sector (for 983 million euro), as well as other investments geared towards plant safety and quality levels maintenance and targeting the development of additional transport capacity.

As regards the Terna group, investments during the period totalled 2,073.8 million euro, including 2,017 million euro in the Regulated sector. Investments in the Unregulated sector amounted to 56.8 million euro, mainly related to the variations to third parties and to the Italy-France and Italy-Austria private interconnections.

During the period, Italgas group investments amounted to approximately 62 million euro and mainly related to industrial and commercial equipment (2.5 million euro) office buildings (5.7 million euro), fixed assets under construction and advances (14 million euro) and leased assets (37.2 million euro).

During the period, technical financial depreciation was recorded, determined on the basis of the useful life of the assets, i.e. on their residual useful lives, and, with reference to leased assets, on the basis of the contractual term if the exercise of the possible purchase option is not likely, for a total of 1,726 million euro, substantially attributable to the Snam Group for 786 million euro, to the Terna Group for 670.6 million euro and for the residual part to the Italgas Group.

Commitments to purchase property, plant and equipment are listed in paragraph “IX. Guarantees and commitments”.

Property, plant and equipment: changes for the year

(thousands of euro) Items/Figures	Land	Buildings	Plant and equipments	Other plant and equipments	Industrial and commercial equipment	Other assets	Assets under development and advances	Total
Gross opening balance	448,314	3,643,587	53,069,010	2,847,834	565,160	356,504	4,273,535	65,203,944
of which Right of use ex IAS 17		*720*	*6,409*			*1,522*		*8,651*
of which Right of use IFRS 16	***30,084***	*141,164*		*2,078*	*52,699*	*87,330*		*313,355*
Provision for amortisation, depreciation and impairment - opening balance	(9,445)	(1,340,055)	(23,177,451)	(1,321,834)	(408,347)	(231,798)	(82,402)	(26,571,332)
of which Right of use ex IAS 17		*(182)*	*(2,308)*			*(1,522)*		*(4,012)*
of which Right of use ex IFRS 16	***(8,324)***	*(60,212)*		*(192)*	*(35,665)*	*(27,668)*		*(132,061)*
Net opening balance	**438,869**	**2,303,532**	**29,891,559**	**1,526,000**	**156,813**	**124,706**	**4,191,133**	**38,632,612**
of which Right of use ex IAS 17		**538**	**4,101**					**4,639**
of which Right of use IFRS 16	**21,760**	**80,952**		**1,886**	**17,034**	**59,662**		**181,294**
Gross amount: change for the period								
Change in opening balances								
of which Right of use ex IAS 17								
of which Right of use IFRS 16								
Investments	13,970	26,153	47,872	6,119	27,144	25,912	3,511,186	3,658,356
of which Right of use ex IAS 17								
of which Right of use IFRS 16	*1,626*	*18,321*			*8,593*	*23,337*		*51,877*
Contributions from business combinations	5,599	796	13,455	15,606	11	66	96,890	132,423
of which Right of use ex IAS 17								
of which Right of use IFRS 16								
Transfers	9,983	207,893	2,722,961	128,335	13,909	25,909	(3,110,268)	(1,278)
of which Right of use ex IAS 17								
of which Right of use IFRS 16						*(80)*		*(80)*
Disposals	(116)	(7,073)	(149,176)	(2,079)	(10,579)	(18,411)	(10,066)	(197,500)
of which Right of use ex IAS 17								
of which Right of use IFRS 16		*(4,342)*			*(2,348)*	*(641)*		*(7,331)*
(Writedowns)/Writebacks								
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Other changes	17,045	3,195	(22,416)	(25,764)	7,128	9,147	416,605	404,940
of which Right of use ex IAS 17			*(283)*			*(1,052)*		*(1,335)*
of which Right of use IFRS 16	*14,776*	*5,901*		*(474)*		*880*		*21,083*
Reclassifications								
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Provision for amoirtsation, depreciation and impairment: change for the period								
Change in opening balances								
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Depreciation for the period	(3,585)	(103,347)	(1,371,424)	(165,470)	(42,026)	(40,437)		(1,726,289)
of which Right of use ex IAS 17		*(21)*	*(444)*					*(465)*
of which Right of use IFRS 16	*(3,585)*	*(20,799)*		*(774)*	*(10,950)*	*(20,333)*		*(56,441)*
Contributions from business combinations								
of which Right of use ex IAS 17								
of which Right of use IFRS 16								
Disposals		5,243	103,458	1,444	10,371	19,211	11	139,738
of which Right of use ex IAS 17			*283*			*1,051*		*1,334*
of which Right of use IFRS 16		*3,164*			*1,963*	*403*		*5,530*
(Writedowns)/Writebacks		(655)	(8,745)	(134,764)			(2,413)	(146,577)
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16		*(655)*						*(655)*
Other changes	(1,475)	(2,952)	(12,255)	29,320	(6,234)	(2,731)	(6,164)	(2,491)
of which Right of use ex IAS 17		*(1)*				*1*		
of which Right of use IFRS 16	*(78)*	*291*		*600*	*129*	*555*		*1,497*
Reclassifications								
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Gross closing balance	**494,795**	**3,874,551**	**55,681,706**	**2,970,051**	**602,773**	**399,127**	**5,177,882**	**69,200,885**
of which Right of use ex IAS 17		**720**	**6,126**			**470**		**7,316**
of which Right of use IFRS 16	**46,486**	**161,044**		**1,604**	**58,944**	**110,826**		**378,904**
Provision for amortisation, depreciation and impairment - closing balance	**(14,505)**	**(1,441,766)**	**(24,466,417)**	**(1,591,304)**	**(446,236)**	**(255,755)**	**(90,968)**	**(28,306,951)**
of which Right of use ex IAS 17		**(204)**	**(2,469)**			**(470)**		**(3,143)**
of which Right of use IFRS 16	**(11,987)**	**(78,211)**		**(366)**	**(44,523)**	**(47,043)**		**(182,130)**
Net closing balance	**480,290**	**2,432,785**	**31,215,289**	**1,378,747**	**156,537**	**143,372**	**5,086,914**	**40,893,934**
of which Right of use ex IAS 17		**516**	**3,657**					**4,173**
of which Right of use IFRS 16	**34,499**	**82,833**		**1,238**	**14,421**	**63,783**		**196,774**

2. Inventories – compulsory stock

Compulsory stock: breakdown

(thousands of euro)/(billions of cu.m.) Items/Figures	31/12/2023 Carrying amount	31/12/2023 Volumes (billions of cu.m.)	31/12/2022 Carrying amount	31/12/2022 Volumes (billions of cu.m.)
Compulsory stock	362,713	4.5	362,713	4.5
Total	**362,713**	**4.5**	**362,713**	**4.5**

Inventories - compulsory stock obligation, equal to 363 million euro (same as 31 December 2022), includes the minimum natural gas quantities that the storage companies are required to hold under Presidential Decree no. 22 of 31 January 2001 (so called "compulsory stocks obligation"). The stock of gas, equivalent to approximately 4.5 billion standard cubic metres of natural gas, is determined by the Ministry of Enterprises and Made in Italy (already, Ministry of the Environment and Energy Security) on an annual basis[63].

3. Intangible assets

The following table shows the breakdown of "Intangible assets", which at 31 December 2023 amounted to 12,562 million euro (12,083 million euro at 31 December 2022).

Intangible assets: breakdown

(thousands of euro) Items/Figures	31/12/2023 Gross amount	31/12/2023 Provision for amortisation, depreciation and impairment	31/12/2023 Net value	31/12/2022 Gross amount	31/12/2022 Provision for amortisation, depreciation and impairment	31/12/2022 Net value
Goodwill	1,081,770	(40,155)	1,041,615	1,054,365	(2,173)	1,052,192
- pertaining to Group	*956,249*	*(15,466)*	*940,783*	945,786	(2,173)	943,613
- non - controlling interest	*125,521*	*(24,689)*	*100,832*	108,579		108,579
Service concession agreements	17,310,197	(7,962,311)	9,347,886	16,595,547	(7,539,100)	9,056,447
Industrial patent and intellectual property rights						
Concessions, licenses, trademarks and similar rights	1,468,106	(380,950)	1,087,156	1,408,465	(357,353)	1,051,112
Other intangible assets	3,034,389	(2,139,640)	894,749	2,767,931	(1,965,338)	802,593
Assets under development and advances	193,712	(3,736)	189,976	121,004	(583)	120,421
Total	**23,088,174**	**(10,526,792)**	**12,561,382**	**21,947,312**	**(9,864,547)**	**12,082,765**

The main component of intangible assets primarily consists of Italgas' service concession agreements (including related assets under construction) (8.4 billion euro), which concern public-private agreements ("Service concession arrangements") relating to the development, financing, maintenance and operation of infrastructures under concession arrangements from the granting authority. The provisions on service concession agreements are applicable to Italgas in relation to the public service of natural gas distribution in Italy and Greece and the integrated water service, i.e. agreements whereby the operator undertakes to provide the public service of natural gas distribution at the tariff set by the Italian Energy Networks and Environment Regulator (ARERA), with the right to use the infrastructure controlled by the granting authority in order to provide the public service.

Impairment test on equity investments

Goodwill from the acquisition of subsidiaries is allocated to each of the cash generating units (CGUs) identified. Within the CDP RETI Group, the CGUs correspond to the individual investee companies. As an intangible asset with an indefinite useful life, goodwill is not subject to amortization, but only to verification of the adequacy of its carrying value in the financial statements. This audit, carried out annually or whenever there is evidence of impairment, involves a comparison between the book value of the CGU, including goodwill, and the recoverable amount of the CGU. If the carrying amount of the CTU is higher than its recoverable amount, the difference is recognised in the income statement by reducing goodwill as a priority, until it is zeroed.

In the current context, therefore, it continues to be necessary to constantly monitor the evolution of these elements.

[63] On 3 March 2023, the Ministry of Environment and Energy Security set the total volume of strategic storage for the contract year 2023-2024 (1 April 2023 - 31 March 2024) at 4.62 billion cubic metres, or about 48,846 Giga Watt-hours - GWh, unchanged from the thermal year 2022-2023 (1 April 2022 - 31 March 2023).

In addition, in carrying out impairment tests, CDP RETI also considers the indications of the sector authorities on the financial reporting profiles relating to risks, uncertainties, estimates, assumptions and valuations as well as the difficulties related to the possible impacts that climate risks may have on the entities under analysis.

For further details, see Part I.1.5. Other aspects of these Consolidated Explanatory Notes.

In implementation of the “partial goodwill method” for the recognition of goodwill envisaged by IFRS 3, the item “Goodwill” represents the only share belonging to the goodwill recorded in the consolidated financial statements of Terna, Snam, and Italgas, as well as the share recorded as a result of allocating the differences between the prices paid for the purchase of equity investments and the relevant equity.

Goodwill recognised in the financial statements as at 31 December 2023 in the amount of 1,042 million euro (of which 941 million euro pertaining to the Group), consists of:

- 430 million euro for Snam Group;
- 372 million euro for Terna Group;
- 240 million euro for Italgas Group.

In relation to Terna, Snam and Italgas, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable amount is equivalent to the market value of the companies, determined on the basis of the weighted average prices of the volumes traded in December. The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the effects of purchase price allocation. Especially:

- for Snam, in the configuration of fair value less costs to sell, determined on the basis of volume-weighted stock market prices recorded in December 2023 ("VWAP" method). The impairment test carried out showed that the fair value was higher than the net assets including goodwill and, consequently, no impairment adjustment was necessary. It should be noted that in order to align the fair value – thus determined – with net assets including goodwill (break-even assumptions), a reduction in the VWAP of approximately 32% would be necessary;
- for Terna, in the configuration of the fair value less costs to sell, determined on the basis of volume-weighted stock market prices recorded in December 2023 ("VWAP" method). The impairment test carried out showed that the fair value was higher than the net assets including goodwill and, consequently, no impairment adjustment was necessary. It should be noted that in order to align the fair value – thus determined – with net assets including goodwill (break-even assumptions), a reduction in the VWAP of approximately 53% would be necessary;
- for Italgas, in the configuration of the fair value less costs of sale, determined on the basis of volume-weighted stock market prices recorded in December 2023 ("VWAP" method). The impairment test carried out showed that the fair value was higher than the net assets including goodwill and, consequently, no impairment adjustment was necessary. It should be noted that in order to align the fair value – thus determined – with net assets including goodwill (break-even assumptions), a reduction in the VWAP of approximately 8% would be necessary.

Intangible assets: changes for the year

(thousands of euro) Items/Figures	Goodwill	Service concession agreements	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and advances	Total
Gross opening balance	1,054,365	16,595,547	-	1,408,465	2,767,931	121,004	21,947,312
Provision for amortisation, depreciation and impairment - opening balance	(2,173)	(7,539,100)	-	(357,353)	(1,965,338)	(583)	(9,864,547)
Net opening balance	**1,052,192**	**9,056,447**	**-**	**1,051,112**	**802,593**	**120,421**	**12,082,765**
Gross amount: change for the period							
Change in opening balances	-	-	-	-	-	-	-
Investments	-	765,463	-	3,622	255,338	267,213	1,291,636
Contributions from business combinations	25,513	-	-	-	4,317	(3,115)	26,715
Transfers	-	83,695	-	9,578	284,099	(9,921)	367,451
Disposals	-	(156,934)	-	(30)	(93,577)	(110)	(250,651)
(Writedowns)/Writebacks	-	-	-	-	-	-	-
Other changes	1,892	22,426	-	46,471	(183,719)	(181,359)	(294,289)
Reclassifications	-	-	-	-	-	-	-
Provision for amortisation, depreciation and impairment - change for the period							
Change in opening balances	-	-	-	-	-	-	-
Depreciation for the period	-	(496,850)	-	(25,304)	(265,470)	(3,275)	(790,899)
Contributions from business combinations	-	-	-	-	4	-	4
Disposals	-	96,654	-	-	93,268	-	189,922
(Writedowns)/Writebacks	(37,982)	(23,015)	-	-	-	-	(60,997)
Other changes	-	-	-	1,707	(2,104)	122	(275)
Reclassifications	-	-	-	-	-	-	-
Gross closing balance	**1,081,770**	**17,310,197**	**-**	**1,468,106**	**3,034,389**	**193,712**	**23,088,174**
Provision for amortisation, depreciation and impairment - closing balance	**(40,155)**	**(7,962,311)**	**-**	**(380,950)**	**(2,139,640)**	**(3,736)**	**(10,526,792)**
Net closing balance	**1,041,615**	**9,347,886**	**-**	**1,087,156**	**894,749**	**189,976**	**12,561,382**

Investments for the period mainly refer to service concession agreements (765 million euro) of the Italgas Group.

The contractual commitments for the acquisition of intangible assets, as well as for the provision of services connected with their implementation, are reported in paragraph “IX - Guarantees and commitments”.

4. Equity investments

Snam, Terna, and Italgas’s equity investments are listed below, together with information on the investment relationships.

Equity investments in joint operations, associates and other companies: information on investments

During the period, the value of the equity investments changed as follows:

(thousands of euro)

Items/Figures Name	Registered office	Equity investment Investor	 % holding	Voting rights %	Carrying amount	Valuation method
A. Companies subject to joint control						
AS Gasinfrastruktur Beteiligung GmbH	Wien	SNAM S.p.A.	40.00%	40.00%	111,284	Equity method
BMT Energy Transmission Development LCC	Wilmington	Terna USA LLC	40.00%	40.00%	211	Equity method
ELMED Etudes S.a.r.l.	Tunisi	Terna S.p.A.	50.00%	50.00%	216	Equity method
Ecos S.r.l.	Milan	SNAM S.p.A.	33.34%	33.34%	1,233	Equity method
Energie Reti Gas S.r.l.	Milano	Medea S.p.A.	49.00%	49.00%	21,897	Equity method
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas S.p.A.	50.00%	50.00%	2,077	Equity method
OLT Offshore LNG Toscana S.p.A.	Milano	SNAM S.p.A.	49.07%	49.07%	33,547	Equity method
Southeast Electricity Network Coordination Centers S.A.	Salonicco	Terna S.p.A.	33.00%	33.00%	2,135	Equity method
Seacorridor S.r.l.	San Donato Milanese	SNAM S.p.A.	49.90%	49.90%	647,781	Equity method
Terega Holding S.A.S.	Wien	SNAM S.p.A.	40.50%	40.50%	428,376	Equity method
Trans Austria Gasleitung GmbH	Vienna	SNAM S.p.A.	84.47%	84.47%	229,057	Equity method
Umbria Distribuzione GAS S.p.A.	Terni	Italgas S.p.A.	45.00%	45.00%	2,237	Equity method
B. Companies subject to significant influence						
Acqualatina S.p.A.	Milan	Idrolatina S.r.l.	49.00%	49.00%	32,598	Equity method
CESI S.p.A.	Milano	Terna S.p.A.	42.70%	42.70%	46,121	Equity method
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	22.09%	26,694	Equity method
CORESO S.A.	Bruxelles	Terna S.p.A.	15.84%	15.84%	950	Equity method
East Mediterranean Gas Company S.a.e.	Turin	Snam International B.V.	25.00%	25.00%	48,383	Equity method
Enerpaper S.r.l.	Torino	Geoside S.p.A.	20.01%	20.01%	488	Equity method
Equigy B.V.	Arnhem	Terna S.p.A.	20.00%	20.00%	402	Equity method
Galaxy Pipeline Assets Holdco Limited	Jersey	SNAM S.p.A.	12.33%	12.33%	131,816	Equity method
Gesam Reti S.p.A.	Lucca	Toscana Energia S.p.A.	42.96%	42.96%	21,417	Equity method
Industrie De Nora S.p.A.	Milan	Asset Company 10 S.r.l.	21.59%	21.59%	375,546	Equity method
Interconnector Ltd	London	Snam International B.V.	23.68%	23.68%	69,079	Equity method
Interconnector Zeebrugge Terminal B.V.	Bruxelles	Snam International B.V.	25.00%	25.00%	565	Equity method
Senfluga energy infrastructure holdings S.A.	Athens	SNAM S.p.A.	54.00%	54.00%	206,845	Equity method
Siciliacque S.p.A.	Palermo	Idrosicilia S.p.A.	75.00%	75.00%	52,828	Equity method
Trans Adriatic Pipeline AG	Baar	Snam International B.V.	20.00%	20.00%	403,311	Equity method
Zena Project S.p.A.	Carpi (MO)	Renovit Public Solutions S.p.A.	35.93%	35.93%	3,582	Equity method
dCarbonX Ltd	London	Snam International B.V.	50.00%	50.00%	14,669	Equity method
C. Unconsolidated subsidiaries (1)						
Arbolia S.r.l. Società Benefit	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	1,000	At Cost
Asset Company 4 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	1,010	At Cost
Asset Company 9 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	110	At Cost
Govone Biometano S.r.l.	Pordenone	Bioenerys Agri S.r.l.	100.00%	100.00%	403	At Cost
IES Biogas S.r.l. (Argentina) in liquidazione	Buenos Aires	Bioenerys Agri S.r.l.	95.00%	95.00%		At Cost
	Buenos Aires	Bioenerys S.r.l.	5.00%	5.00%		At Cost
RENPV1 S.r.l	Milano	Tep Energy Solution S.r.l.	100.00%	100.00%	10	At Cost
RENPV2 S.r.l.	Milano	Tep Energy Solution S.r.l.	100.00%	100.00%	30	At Cost
Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing (China)	Snam International B.V.	100.00%	100.00%	783	At Cost
Snam Energy Services Private Limited	Nuova Delhi	Snam International B.V.	99.999%	99.999%	13	At Cost
	Nuova Delhi	SNAM S.p.A.	0.001%	0.001%		At Cost
Tea Innovazione Due S.r.l.	Brescia	Tep Energy Solution S.r.l.	100.00%	100.00%	120	At Cost
D. Unconsolidated associates (1)						
Albanian Gas Service Company Sh.a.	Tirana	SNAM S.p.A.	25.00%	25.00%	7	At Cost
Energy Investment Solution S.r.l. (in liquidazione)	Milan	Tep Energy Solution S.r.l.	40.00%	40.00%	362	At Cost
Latina Biometano S.r.l.	Rome	Bioenerys Agri S.r.l.	32.50%	32.50%		At Cost

(1) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities

Equity investments: changes for the period

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
A. Opening balance	**2,151,327**	**2,414,450**
B. Increases	**1,284,409**	**518,559**
B.1 Purchases	424,079	28,084
of which business combinations		
B.2 Writebacks		31,000
B.3 Revaluations	403,492	253,513
B.4 Other increases	456,838	205,962
C. Decreases	**(516,543)**	**(781,682)**
C.1 Sales	(231,024)	(160,973)
of which business combinations		*(2,200)*
C.2 Writedowns	(50,163)	(522,437)
C.3 Other decreases	(235,356)	(98,272)
D. Closing balance	**2,919,193**	**2,151,327**

Equity investment additions, amounting to 424 million euro, mainly relate to Snam Group and in particular to the acquisition from Eni, of a 49.9% stake in SeaCorridor S.r.l. (410 million euro), a company that holds equity investments in the underlying companies that manage the Trans Tunisian Pipeline Company (TTPC) and Trans Mediterranean Pipeline Company (TMPC) gas pipelines.

The revaluations, amounting to 403 million euro, mainly relate to the effect on the income statement of the measurement at equity of investments subject to joint control or significant influence of the Snam group.

Equity investment disposals, amounting to 231 million euro, are mainly related to the sale by Snam Group of its shares in Industrie De Nora S.p.A. resulting in a reduction of Snam's shareholding from 25.79% to 21.59% and to the redemption of capital reserves by SeaCorridor S.r.l.

The macroeconomic context has been marked, also in the last twelve months, by the presence of a significant inflationary phenomenon to which the main central banks, including the ECB, have responded with significant and repeated increases in their respective reference interest rates. Therefore, as of December 31, 2023, Snam has tested for impairment all the main CGUs represented by the investments held in joint ventures and associated companies, verifying their recoverability by comparing their book value with their recoverable value, represented by the higher of fair value and value in use. The scope of CGUs represented by investments held in jointly controlled companies and affiliated companies is unchanged from December 31, 2022, except for the SeaCorridor CGU present against the acquisition of 49.9% of the company's capital, completed by Snam in January 2023.

Impairments amounting to 50 million euro, mainly relate to the impact on the income statement of the measurement at equity of investments subject to joint control or significant influence of the Snam group.

Specifically, to perform the impairment test, the recoverable value of the equity investments was determined in the value in use configuration on the basis of the Dividend Discount Model (DDM) or Discounted Cash Flow (DCF) methodology, with the exception of the equity investment in Industrie De Nora S.p.A., an associated company, for which the recoverable value was determined on the basis of market prices at the end of the year.

With reference to the stakes held in the Austrian companies TAG and GCA, the current scenario remains marked by significant uncertainties related not only to the duration and outcome of the Russian-Ukrainian conflict, but also to the process of defining the new regulatory framework applicable from 2025.

The trend already recorded in 2022 continues throughout 2023 for Snam S.p.A.'s shareholding in TAG (84.47%), the company that owns the pipeline that transports Russian gas to Italy through Austria, passing through Ukraine, Slovakia and up to the Tarvisio entry point, with a significant reduction in Russian gas supplies. A significantly lower impact has been recorded in 2023 in connection to GCA (Gas Connect Austria) thanks to its long-term transportation capacity contracts which gradually expire up to 2031. In fact, the company, during the year, used its interconnection points with Germany to ensure security of supply in Austria and at the same time ensure that the filling target of domestic storage facilities was met.

Given the changing scenario indicated above, for the purposes of the consolidated financial statements as at 31 December 2022, Snam had already made write-downs to the equity investments held in the Austrian companies TAG[64] and GCA[65], respectively for 340 million euro and 25 million euro.

At the moment, both investee companies are actively continuing their collaboration with the Austrian Regulatory Authority, started in 2023, to define the new regulatory framework, which is expected to be finalised by the end of the first half of 2024; despite the regulator's willingness to eliminate the so-called volume risk, there remains high uncertainty regarding the rules and parameters according to which the companies will be remunerated from 2025. In this scenario, the forecasts used to estimate the recoverable amount at 31 December 2023 were developed by Snam S.p.A.

Consequently, once the new regulatory framework is finalised, with the consequent disappearance of the uncertainty regarding the levels of future remuneration of the companies, Snam will update its valuations of the recoverable amount of the investments held in Austrian companies.

Other information on equity investments

Consistent with the provisions set out in IFRS 12 "Disclosure of interests in other entities", the financial performance of joint operations and associates is summarised below.

Significant equity investments: carrying amount and dividends received

(thousands of euro) Names	Carrying amount	Total Net equity	Pro quota Net Equity	Goodwill	Other changes	Dividend paid
A.1 Joint ventures						
Trans Austria Gasleitung GmbH	229,057	638,056	229,057	11,424	-	-
Terega Holding S.A.S.	428,376	1,057,600	428,424	-	-	15,228
AS Gasinfrastruktur Beteiligung GmbH	111,284	278,812	111,284	-	-	-
Seacorridor S.r.l.	647,781	640,973	647,781	-	-	7,886
A.2 Associates						
Trans Adriatic Pipeline AG	403,311	1,887,603	403,748	-	-	78,323
Senfluga energy infrastructure holdings S.A.	206,845	666,749	206,845	-	-	7,830
Galaxy Pipeline Assets Holdco Limited	131,816	1,028,764	131,816	-	-	29,284
Industrie De Nora S.p.A. (*)	375,546	1,746,179	377,000	-	-	5,225

(*) The related economic and financial data refer to the reporting package as of September 30, 2023. The adjustment of financial statement values as of December 31, 2023 will be implemented during 2024.

[64] Considering the significant uncertainties, the recoverable value of TAG's investment as at 31 December 2022, was determined using a scenario analysis technique aimed at calculating its expected value by multiplying each of the possible outcomes by the likelihood each outcome will occur and then summing all of those values.
[65] The write-down related to Snam's investment in AS Gasinfrastruktur Beteiligung GmbH (through which it holds an indirect interest in GCA - Gas Connect Austria).

Significant equity investments: accounting data

(thousands of euro) Names	Cash and cash equivalent	Current assets	Non current asstes	Current financial liabilities	Non current financial liabilities	Current liabilities	Non current liabilities	Revenues
A.1 Joint ventures								
Trans Austria Gasleitung GmbH	22,486	82,517	1,024,867	2,629	246,000	78,768	141,149	410,146
Terega Holding S.A.S.	98,000	219,800	3,092,800	30,400	1,792,700	120,500	311,280	474,100
AS Gasinfrastruktur Beteiligung GmbH	13,902	160,902	391,912	3,171	27,269	100	244,064	
Seacorridor S.r.l.	104,441	164,482	546,966			546,966	54,462	455,934
A.2 Associates								
Trans Adriatic Pipeline AG		642,571	4,312,114			490,469	2,904,845	836,962
Senfluga energy infrastructure holdings S.A.		402,760	1,063,750			241,468	558,293	589,334
Galaxy Pipeline Assets Holdco Limited		193,931	7,132,481			43,510	6,254,138	8,277
Industrie De Nora S.p.A. (*)		688,000	609,000			162,000	230	

(*) The related economic and financial data refer to the reporting package as of September 30, 2023. The adjustment of financial statement values as of December 31, 2023 will be implemented during 2024.

Interest income	Interesnt expenses	Depreciation	Income (loss) before taxes on continuing operations	Income (loss) after taxes on continuing operations	Taxes	Net income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3)= (1)+(2)
1,093	6,531	64,296	(66,831)		15,587	(51,244)	(838)	(52,082)
	28,800	111,400	158,800		41,200	117,600	(10,900)	106,700
6,376	7,766		48,894		2	48,892	(1,093)	47,799
9,148	11,887	23,266	427,076		302,601	124,475	(4,874)	119,601
			390,714			328,560	(121,564)	206,996
			198,016			151,746	(12,842)	138,904
			776,473			776,473	(42,305)	734,168
						199,000	(16,000)	183,000

Non-significant equity investments: accounting data

(thousands of euro) Type of investments	Carryng amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) before taxes on continuing operations	Income (loss) after taxes on continuing operations	Net income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1)+(2)
Joint ventures	63,553	200,506	12,454	152,173	(828)	-	(775)	-	(775)
Associates	317,776	1,438,053	316,609	784,848	(10,872)	-	47,571	-	47,571

The consolidated accounting figures for joint ventures and significant associates were produced based on the information provided by the investees at 31 December 2023.

Commitments relating to equity investments

The contractual commitments referring to equity investments are listed in paragraph “IX. Guarantees and commitments”.

5. Non-current financial assets

Below is a breakdown of CDP RETI Group's non-current financial assets, which had a total value of 671 million euro as at 31 December 2023 (compared with 804 million euro as at 31 December 2022).

Non-current financial assets: financial assets at fair value - breakdown and fair value levels

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
A. Financial assets at FVTPL								
A.1 Held for trading								
Debt securities								
Equity securities								
Units in collective investment undertakings					2		2	
Loans								
Trading derivatives	14,320		14,320		37,663		37,663	
Total	**14,320**		**14,320**		**37,665**		**37,665**	
A.2 Other financial assets at FVTPL								
Debt securities								
Equity securities								
Units in collective investment undertakings	11,041			11,041	2,506			2,506
Loans	7,632			7,632	5,007			5,007
Total	**18,673**			**18,673**	**7,513**			**7,513**
B. Financial assets at FVTOCI								
Debt securities	119,050	119,050			119,608	119,608		
Equity securities	50,149	8,728	97	41,324	52,731	13,190	97	39,444
Loans	13,575			13,575	13,954			13,954
Total	**182,774**	**127,778**	**97**	**54,899**	**186,293**	**132,798**	**97**	**53,398**
Total	**215,767**	**127,778**	**14,417**	**73,572**	**231,471**	**132,798**	**37,762**	**60,911**

Non-current financial assets: financial assets measured at amortised cost - breakdown and fair value levels

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Financial assets at amortized cost								
Debt securities	1,271	1,271			482	482		
Loans and receivables	389,197	1,300	82,063	305,834	418,728	3,502		415,226
of which finance lease								
Total	**390,468**	**2,571**	**82,063**	**305,834**	**419,210**	**3,984**		**415,226**

Non-current financial assets: hedging derivatives - breakdown and fair value levels

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	64,942		64,942		153,315		153,315	
Total	**64,942**		**64,942**		**153,315**		**153,315**	

The main component of the item is represented by the financial assets measured at amortised cost of the Snam Group (102 million euro) and the Terna group (285.0 million euro), the latter relating to security deposits received from operators participating in the capacity market pursuant to Del.98/2011/R/eel as amended and supplemented and to the Interconnector Guarantee Fund, established for the construction of interconnection works pursuant to Article 32 of Law 99/09.

6. Deferred tax assets

Deferred tax assets recorded in the financial statements at 31 December 2023 amount to 952 million euro (848 million euro at 31 December 2022), of which 929 million euro were recorded in the income statement.

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Deferred tax assets		
- recognised in income statement	928,700	818,709
- recognised in equity	23,277	29,162
Total	**951,977**	**847,871**

Below is the breakdown of deferred tax assets:

Deferred tax assets: breakdown

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Deferred tax assets recognised in income statement	**928,700**	**818,709**
- losses carried forward	1,040	1,579
- non-repayable grants	50,024	52,746
- misc. impairment	18,829	17,657
- financial instruments		
- payables		
- site decommissioning and reinstatement	86,535	82,153
- provisions	61,519	61,937
- write-downs on receivables	36,188	25,201
- equity investments		
- property, plant and equipment/intangible assets	554,647	474,027
- employee benefits	22,805	19,613
- exchange rate differences		
- other temporary differences	97,113	83,796
Deferred tax assets recognised in equity	**23,277**	**29,162**
- financial assets at FVTOCI		
- exchange rate differences		
- cash flow hedge	9,875	12,185
- other	13,402	16,977
Total	**951,977**	**847,871**

The changes in deferred tax assets during the year, with the balancing entry in the income statement, are shown below:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**818,709**	**852,591**
Change in opening balance		
2. Increases	**154,788**	**137,785**
2.1 Deferred tax assets recognised during the year	138,995	90,559
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	138,995	90,559
2.2 New taxes or increases in tax rates		
2.3 Other increases	15,793	31,643
2.4 Business combinations		15,583
3. Decreases	**(44,797)**	**(171,667)**
3.1 Deferred tax assets derecognised during the year	(26,746)	(48,867)
a) reversals	(26,742)	(48,863)
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other	(4)	(4)
3.2 Reduction in tax rates		
3.3 Other decreases	(18,051)	(122,800)
3.4 Business combination transactions		
4. Closing balance	**928,700**	**818,709**

The changes in deferred tax assets during the year, with the balancing entry in equity, are shown below:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**29,162**	**83,452**
Change in opening balance		
2. Increases	**1,192**	**65**
2.1 Deferred tax assets recognised during the year	1,133	1
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	1,133	1
2.2 New taxes or increases in tax rates		
2.3 Other increases	59	64
2.4 Business combinations		
3. Decreases	**(7,077)**	**(54,355)**
3.1 Deferred tax assets derecognised during the year	(4,767)	(2,148)
a) reversals	(4,767)	(2,148)
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	(2,310)	(52,207)
3.4 Business combination transactions		
4. Closing balance	**23,277**	**29,162**

7. Other non-current assets

Other non-current assets at 31 December 2023 amounted to 726 million euro (400 million euro at 31 December 2022).

The following table shows the breakdown:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Accrued income and prepaid expenses from regulated activities	127,091	148,164
Accrued income and prepaid expenses	119,554	85,313
Guarantee deposits	26,377	23,300
Loans and advances to employees	10,873	10,986
Receivables for tax withholdings and other fiscal receivables	423,785	71,603
Advances to suppliers		
Other assets	18,164	60,773
Total	**725,844**	**400,139**

Accrued income and prepaid expenses from regulated activities amounting to 127 million euros as of December 31, 2023 mainly relate to the tariff recognition by the Authority as a result of the plan to replace traditional meters with electronic ones art. 57 of ARERA Resolution No. 367/14 as amended due to the change in methodology on previous years and the recovery of lost depreciation ex DCO 545/2020/R/gas, Resolution No. 570/2019/R/gas and Determination No. 3 /2021 and to the tariff recognition pursuant to Resolution No. 737/2022/R/gas and Determination No. 1/2023 October 11, 2023 - DINE of the residual unamortized costs of the smart meters installed in the first roll out phase of the installation plans provided for by the Gas Smart Meter Directives, which it was necessary to divest in advance of the end of the useful life[66] of the Italgas group. Withholding tax and other tax credits of 424 million euros as of December 31, 2023 include credits for Ecobonus/Sismabonus of the Snam group (243 million euros) and Ecobonus/Superbonus of the Italgas group (264 million euros). For further details, please refer to the Annual Financial Report of the Snam and Italgas groups.

8. Non-current assets held for sale

Assets held for sale at 31 December 2023 amounted to 92 million euro (155 million euro at 31 December 2022).

The following table shows the breakdown:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
A. Individual assets		
A.1 Financial assets		10,839
A.2 Equity investments		3,503
A.3 Tangible assets	6,613	35,739
A.4 Intangible assets		25,984
A.5 Other assets		8,163
Total A	**6,613**	**84,228**
B. Asset groups (discontinued operating units)		
B.1 Property, plant and equipment	27	32
B.2 Inventories	1,678	26,920
B.3 Intangible assets	14,738	2,203
B.4 Equity investments		
B.5 Financial assets	63,921	26,828
B.6 Other assets	4,598	14,731
Total B	**84,962**	**70,714**
Total	**91,575**	**154,942**

The item includes the net asset values attributable to Terna and Italgas groups. More specifically:

- Terna group (approximately 85 million euro in discontinued operations and assets held for sale and approximately 5 million euro in directly attributable liabilities): they include the balance sheets values of the assets included in the scope of the agreement that the Terna group signed on 29 April 2022 with CDPQ, a global investment group, for the sale of the entire portfolio of power lines in Brazil, Peru and Uruguay owned by the Terna group. On 7 November 2022, the first closing was finalised of the Brazilian companies SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Transmissora de Energia Linha Verde II S.A., owners of three power lines in Brazil, for a total of 670 km, while on 22 December 2022 the closing was finalised of the company

[66] This recognition covered early decommissioned smart meters of caliber no larger than G6 produced up to the year 2016 and put into operation by the year 2018, in the amount of 52,292 thousand euros to be collected over the remaining tariff life of the individual decommissioned assets.

Difebal S.A., owner of a power line in Uruguay for a total of 214 km, was finalised. The sale of the other projects in Brazil and Peru will be completed in several stages, after the conditions set out in the sale agreements are fulfilled. Specifically, following the sale transaction of the Brazilian companies SPE Santa Lucia Transmissora de Energia S.A., SPE Santa Maria Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A., and the Uruguay-based company Difebal S.A., the item includes the reclassification, pursuant to IFRS 5, of the net assets attributable to the Brazilian company SPE Transmissora de Energia Linha Verde I S.A. and the Peruvian Terna Perù S.A.C.

- Italgas group (7 million euro): increased due to the sale of regulated gas assets to Energie Rete Gas of regulated assets for gas transportation activities falling within the scope of the investment agreement signed with Energetica S.p.A. in 2022.

Current assets

9. Current financial assets

Below is a breakdown of the CDP RETI Group's current financial assets, which had a net value of 413 million euro at 31 December 2023 (284 million euro at 31 December 2022).

Current financial assets: financial assets at fair value: breakdown and fair value levels

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
A. Financial assets at FVTPL								
A.1 Held for trading								
Debt securities								
Equity securities								
Units in collective investment undertakings	7			7	7			7
Loans								
Trading derivatives	1,234		1,234					
Total	**1,241**		**1,234**	**7**	**7**			**7**
A.2 Other financial assets at FVTPL								
Debt securities								
Equity securities								
Units in collective investment undertakings								
Loans					119			119
Total					**119**			**119**
B. Financial assets at FVTOCI								
Debt securities	200,557	200,557			249,254	249,254		
Equity securities								
Loans								
Total	**200,557**	**200,557**			**249,254**	**249,254**		
Total	**201,798**	**200,557**	**1,234**	**7**	**249,380**	**249,254**		**126**

Current financial assets: financial assets measured at amortised cost - breakdown and fair value levels

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Financial assets at amortized cost								
Debt securities								
Loans and receivables	182,111			182,111	10,714			10,714
Total	**182,111**			**182,111**	**10,714**			**10,714**

The increase in financial assets measured at amortised cost (171 million euro) is mainly represented by short-term time deposits subscribed during the year by Terna group.

Current financial assets: hedging derivatives - fair value levels

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	28,837		28,837		23,649		23,649	
Total	**28,837**		**28,837**		**23,649**		**23,649**	

10. Income tax receivables

Income tax receivables recorded in the consolidated financial statements at 31 December 2023 amounted to 38 million euro (66 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Income tax receivables		
- Ires receivables	14,251	57,690
- Irap receivables	19,955	4,508
- other tax receivables	3,350	3,698
Total	**37,556**	**65,896**

11. Trade receivables

Trade receivables recorded in the consolidated financial statements at 31 December 2023 amounted to 7,331 million euro (7,729 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Energy-related receivables	1,268,441	1,622,768
Grid transport consideration receivables	576,241	472,784
Gas sector trade receivables	3,405,193	3,746,819
Other trade receivables	1,962,769	1,786,572
Construction contracts	118,113	99,772
Total	**7,330,757**	**7,728,715**

Trade receivables are calculated net of amounts deemed unrecoverable which, therefore, are recorded as an adjustment to the bad debt provision.

The Gas sector trade receivables mainly relate to:

- Snam group receivables, mainly concerning the natural gas transport (2,738 million euro), energy transition (1,381 million euro) and storage (195 million euro);
- Italgas group receivables of 694 million euro, mainly related to gas distribution and related services.

Other trade receivables also include tax credits arising from the Italgas group's Superbonus (amounting to 260 million euro) recognised pursuant to the Relaunch Decree (Decree Law 34/2020).

Terna's trade receivables amount to 2,123.4 million euro in total, and mainly include:

- energy-related receivables, so-called "pass-through items" in relation to the activities carried out by Terna S.p.A. pursuant to Resolution 111/06 (602.6 million euro) and, also, receivables due from dispatching customers for user fees (654.8 million euro). It also includes accounts receivable (11.2 million euro) from the Cassa per i Servizi Energetici e Ambientali (CSEA) in relation to service quality;
- the receivable in respect of the grid transmission fees amounting to 576.2 million euro, related to the consideration paid to the Terna group and other owners use of the National Transmission Grid by electric power distributors;
- other trade receivables (278.7 million euro): these mainly refer to trade receivables from customers of the Unregulated business, for specialist services rendered to third parties mainly in the field of plant engineering services, operation and maintenance of High and Very High Voltage plants, as well as housing and telecommunication equipment. Maintenance services for optical fibre networks and for orders of the Tamini group, Brugg Cables' group and the LT group.

12. Inventories

Inventories at 31 December 2023 were recorded in the financial statements for 2,995 million euro (3,405 million euro at 31 December 2022) and are recognised net of the provision for impairment of 61 million euro (54 million euro at 31 December 2022).

Inventories: breakdown

(thousands of euro)	31/12/2023			31/12/2022		
Items/Figures	Gross amount	Provision for impairment	Net value	Gross amount	Provision for impairment	Net value
Raw materials, supplies and consumables	990,857	(28,464)	962,393	1,055,523	(19,208)	1,036,315
Finished products and goods	2,065,252	(32,193)	2,033,059	2,403,761	(34,603)	2,369,158
Total	**3,056,109**	**(60,657)**	**2,995,452**	**3,459,284**	**(53,811)**	**3,405,473**

Inventories of raw materials, supplies and consumables mainly consist of natural gas of the Snam group (772 million euro). The item also includes 106 million euro for materials destined for Terna group's orders, as well as approximately 79 million euro from gas meters of Italgas group.

Finished products inventories, equal to 2,033 million euro in total, net of the relevant provision (2,369 million euro at 31 December 2022), consist instead of natural gas in the storage network.

13. Other current assets

The breakdown of Other current assets, which at 31 December 2023 amounted to 739 million euro (806 million euro at 31 December 2022), is shown below.

Other current assets: breakdown

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Accrued income and prepaid expenses from regulated activities	13,610	42,165
Accrued income and prepaid expenses	83,307	77,761
Guarantee deposits	2,439	73
Loans and advances to employees	2,220	2,689
Receivables for tax withholdings and other fiscal receivables	370,346	172,490
Advances to suppliers	54,455	70,474
Other assets	212,978	439,899
Total	**739,355**	**805,551**

Withholding tax and other tax credits of 370 million euro as at 31 December 2023 include credits for Ecobonus/Sismabonus mainly due to Snam group and to Italgas group. For further details, please refer to the Annual Financial Report of the Snam and Italgas groups.

14. Cash and cash equivalents

Cash and cash equivalents, which amounted to 3,140 million euro at 31 December 2023 (4,530 million euro at 31 December 2022) can be broken down as shown in the following table and refer mainly to:

- Snam group (1,382 million euro): mainly refer to current accounts and bank deposits in euro (1,209 million euro), representing the use of cash held for the group's financial needs, and the cash equivalents from subsidiaries (total 173 million euro);
- Terna group (1,378.2 million euro): short-term, highly liquid deposits (1,194.5 million euro) and bank current accounts and cash in hand (183.7 million euro);
- Italgas group (250 million euro): sums deposited in current accounts and time deposits that can be immediately liquidated with leading banking institutions.

Cash and cash equivalents: breakdown

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Current accounts and demand deposits	1,085,700	2,668,537
Short-term financial investments	2,047,782	1,860,622
Cash	6,403	829
Total	**3,139,885**	**4,529,988**

II. LIABILITIES

15. Equity

15 a. Group equity

Equity pertaining to the Group, amounting to 4,976 million euro at 31 December 2023 (4,917 million euro at 31 December 2022) consisted of the following:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Share capital	**162**	**162**
Issue premium	**1,315,158**	**1,315,158**
Reserves	**3,331,666**	**3,331,690**
- Legal reserve	32	32
- Reserve for shareholder payments for investments	2,029,921	2,029,921
- Other reserves		
- Retained earnings	1,301,713	1,301,737
Valuation reserves	**40,944**	**89,340**
- Cash flow hedges	24,038	57,595
- Exchange rate differences	8,164	7,195
- Actuarial Profit (Loss) on defined-benefit pension plans	(5,848)	(4,361)
- Share of valuation reserves of equity investments accounted for using equity method	20,017	33,641
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(625)	(928)
- Financial assets (equity securities) measured at fair value through other comprehensive income	(4,802)	(3,802)
Advances on dividends	**(343,047)**	**(331,879)**
Net income for the period (+/-)	**631,499**	**512,689**
Total	**4,976,382**	**4,917,160**

During the period, there were no changes to the shareholding structure and the number of shares, which remained the same compared to the prior year:

Member / Number of shares / %	Share category A	Share category B	Share category C	%
CDP	95,458			59.10%
State Grid		56,530		35.00%
Cassa Forense			4,253	2.63%
Foundations and Savings Banks			5,273	3.27%
Total	**95,458**	**56,530**	**9,526**	**100.00%**

Shares outstanding at the reporting date consisted of 161,514 shares without nominal value, fully paid-up.

15.b. Non-controlling interests

A breakdown of the item Non-controlling interests is provided below:

(thousands of euro) Names	31/12/2023	31/12/2022
1. Italgas S.p.A.	2,370,926	2,205,089
2. Snam S.p.A.	6,371,397	6,369,860
3. Terna S.p.A.	5,158,774	5,077,510
Total	**13,901,097**	**13,652,459**

Non-current liabilities

16. Provisions for risks and charges

The provisions for risks and charges recorded in the consolidated financial statements at 31 December 2023 amounted to 925 million euro (859 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
1. Provision for risks of legal disputes	43,321	43,058
2. Provision for early retirement incentives	51,483	43,006
3. Provision for site decommissioning and reinstatement	565,203	497,704
4. Provision for tax risks	21,137	14,324
5. Provision for environmental risks and charges	64,850	80,800
6. Provisions for credit risk on guarantees provided		
7. Other provisions	178,655	180,309
Total	**924,649**	**859,201**

The provisions for site decommissioning and remediation, which represent the majority of this item, were recorded by the Snam group companies to cover the costs they will presumably incur to remove and reinstate natural gas storage and transport facilities.

The changes to the provisions for risks and charges recorded during the year are detailed below:

(thousands of euro) Items/Figures	Provision for risks of legal disputes	Provision for early retirement incentives	Provision for site decommissioning and reinstatement	Provision for tax risks	Provision for environmental risks and charges	Provisions for credit risk on guarantees provided	Other provisions	Total
Opening balance	**43,058**	**43,006**	**497,704**	**14,324**	**80,800**		**180,309**	**859,201**
Change in opening balance								
Changes for business combinations (+/-)								
Increases:								
Allocation in the year	9,749	18,743		7,421	5		26,918	62,836
Changes due to the passing of time			18,183		994			19,177
Changes due to changes to the discount rate			46,571					46,571
Other changes	3,741	5,000	4,697	898	526		43,132	57,994
Decreases:								
Use in the financial year	(13,187)	(15,266)	(1,952)	(758)	(17,475)		(31,586)	(80,224)
- to charges	*(6,417)*	*(14,766)*	*(1,952)*	*(570)*	*(13,900)*		*(31,180)*	*(68,785)*
- due to surplus	*(6,770)*	*(500)*		*(188)*	*(3,575)*		*(406)*	*(11,439)*
Changes due to changes to the discount rate								
Other changes	(40)			(748)			(40,118)	(40,906)
Closing balance	**43,321**	**51,483**	**565,203**	**21,137**	**64,850**		**178,655**	**924,649**

17. Provisions for employee benefits

Below is the breakdown of the provisions for employee benefits:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Severance pay	96,054	99,154
Long-term service award	6,981	3,996
Supplementary health funds	20,377	18,850
Energy discount	2,206	2,420
Other employee benefits	17,973	21,026
Total	**143,591**	**145,446**

The changes to the Provisions for employee benefits are shown below:

(thousands of euro)

Items/Figures	Severance pay	Long-term service award	Supplementary health funds	Energy discount	Other employee benefits	Total
Opening balance	**99,154**	**3,996**	**18,850**	**2,420**	**21,026**	**145,446**
Changes for business combinations						
Current cost	1,650	860	776		1,395	4,681
Interest expense	3,302	233	713	76	558	4,882
Revaluations:						
- actuarial profit and loss due to changes in financial assumptions	1,246	10	8,009	(93)	692	9,864
- actuarial profit and loss due to changes in demographic assumptions	91					91
- effect of past experience	890	(117)	(7,063)		96	(6,194)
Other changes	(1,887)	2,231	(792)	(197)	(3,397)	(4,042)
Paid benefits	(8,392)	(232)	(116)		(2,397)	(11,137)
Closing balance	**96,054**	**6,981**	**20,377**	**2,206**	**17,973**	**143,591**

The average actuarial assumptions used by the CDP RETI Group for the purpose of applying IAS 19 are provided below.

Items/Figures %	Min	Max
Discount rate	2.95%	4.35%
Expected rate of salary increases	1.00%	4.00%
Inflation rate	2.00%	2.40%

18. Long-term loans (non-current portion)

Long-term loans (non-current portion) recorded by the Group at 31 December 2023 amounted to 28,721 million euro (27,407 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Bonds	19,592,056	18,953,966
- EMTN programme	19,095,017	18,457,547
- other issues	497,039	496,419
Bank loans	8,280,373	7,870,267
Lease liabilities	126,842	126,997
Other lenders	721,335	456,106
Total	**28,720,606**	**27,407,336**

Long-term loans relate chiefly to non-current portion of bond issues (totalling around 19 billion euro) by Snam (around 8.7 billion euro), Terna (5.7 billion euro) and Italgas (4.8 billion euro).

An analysis of bond issues, with an indication of the issuing company, the currency, the interest rate and maturity, is provided below:

An analysis of bond issues, with an indication of the issuing company, the currency, the interest rate and maturity, is provided below:

(thousands of euro)

					Carrying amount at 31/12/2023		Maturity analysis (years)				
Issuer	year of issue	Maturity	Currency	Rate	Current	Non current	2025	2026	2027	2028	beyond
TERNA SPA		2024	euro	4.90%	826,364						
TERNA SPA		2024	euro	4.90%	53,531						
TERNA SPA		2025	euro	0.13%		498,513	498,513				
TERNA SPA		2026	euro	1.00%		499,174		499,174			
TERNA SPA		2026	euro	1.60%		79,664		79,664			
TERNA SPA		2027	euro	1.38%		987,991			987,991		
TERNA SPA		2027	euro	3.44%		99,815			99,815		
TERNA SPA		2028	euro	1.00%		712,939				712,939	
TERNA SPA		2029	euro	0.38%		597,619					597,619
TERNA SPA		2029	euro	3.63%		742,675					742,675
TERNA SPA		2030	euro	0.38%		437,029					437,029
TERNA SPA		2032	euro	0.75%		366,278					366,278
TERNA SPA		2033	euro	3.88%		642,506					642,506
SNAM SPA	2014	2024	euro	3.25%	376,306						
SNAM SPA	2016	2026	euro	0.88%	2,002	1,247,102		1,247,102			
SNAM SPA	2017	2025	euro	1.25%	3,107	266,502	266,502				
SNAM SPA	2017	2024	euro	variable rate	106,953						
SNAM SPA	2017	2027	euro	1.38%	1,391	550,784			550,784		
SNAM SPA	2019	2025	euro	1.25%	2,135	498,883	498,883				
SNAM SPA	2019	2030	euro	1.63%	3,985	248,359					248,359
SNAM SPA	2019	2024	euro	0.00%	699,311						
SNAM SPA	2019	2034	euro	1.00%	1,803	590,673					590,673
SNAM SPA	2020	2030	euro	0.75%	2,018	498,376					498,376
SNAM SPA	2020	2028	euro	0.00%		597,694				597,694	
SNAM SPA	2021	2030	euro	0.750%	1,009	255,646					255,646
SNAM SPA	2021	2025	euro	0.000%		499,816	499,816				
SNAM SPA	2021	2031	euro	0.625%	1,571	494,031					494,031
SNAM SPA	2022	2034	euro	1.250%	4,307	646,572					646,572
SNAM SPA	2022	2029	euro	0.750%	3,379	844,359					844,359
SNAM SPA	2022	2026	euro	3.375%	692	298,312		298,312			
SNAM SPA	2023	2028	euro	3.250%	4,196	480,318				480,318	
SNAM SPA	2023	2029	euro	4.000%	2,415	641,472					641,472
ITALGAS S.p.A.	2017	2027	euro	1.63%	11,553	747,237			747,237		
ITALGAS S.p.A.	2017	2024	euro	1.11%	383,249						
ITALGAS S.p.A.	2017	2029	euro	1.63%	13,281	746,305					746,305
ITALGAS S.p.A.	2019	2030	euro	0.88%	3,600	594,846					594,846
ITALGAS S.p.A.	2019	2031	euro	1.00%	273	496,497					496,497
ITALGAS S.p.A.	2020	2025	euro	0.25%	649	498,438	498,438				
ITALGAS S.p.A.	2021	2028	euro	0.00%		495,437				495,437	
ITALGAS S.p.A.	2021	2033	euro	0.50%	2,178	494,543					494,543
ITALGAS S.p.A.	2023	2032	euro	4.13%	11,609	492,784					492,784
EAON S.A. (already DEPA Infrastructure)	2022	2029	euro	1,70% +		165,404					165,404
EAON S.A. (already DEPA Infrastructure)	2022	2034	euro	1,90% +		9,245					9,245
EAON S.A. (already DEPA Infrastructure)	2022	2034	euro	1,90% +		31,179					31,179
CDP RETI	2022	2027	euro	5,975%	5,377	497,039	29,375	29,375	438,289		

With reference to the analysis of the maturities of payables for loans, please refer to the following table:

(thousands of euro)

Loans	year of issue	Maturity	Currency	Rate	Carrying amount at 31/12/2023		Maturity analysis (years)				
					Current	Non current	2025	2026	2027	2028	beyond
IFRS 16 residual (no CDP RETI Group)		2025	euro	0.000%	17,280						
BEI		2045	euro	2.430%	24,600	2,382,624	47,700	58,500	117,100	142,200	2,017,124
TERNA SPA		2024	euro	0%	300,000						
TERNA SPA		2025	euro	3.700%	100,000	599,400	599,400				
BEI		2041	euro	3.820%	115,283	715,676	115,300	115,300	115,300	115,300	254,476
Financial Lease		2024	euro	0.000%	1,058						
IFRS 16 residual (no CDP REI Group)			euro	0.000%	8,593	34,558	7,805	6,334	3,902	3,426	13,091
Mediobanca	2021	2024	euro	0.040%	100,000						
INTESA SAN PAOLO	2021	2024	euro	0.000%	250,000						
UNICREDIT	2021	2024	euro	0.000%	250,000						
BAYERISCHE	2022	2027	euro	2.229%	687	75,000			75,000		
CASSA DEPOSITI E PRESTITI	2022	2027	euro	3.279%	438	200,000			200,000		
CASSA DEPOSITI E PRESTITI	2023	2027	euro	4.242%	2,724	299,486			299,486		
ICBC	2023	2026	euro	0.000%	2,001	100,000		100,000			
BNL	2023	2025	euro	0.000%	2,180	200,000	200,000				
INTESA SAN PAOLO	2023	2026	euro	0.00%	2,577	250,000		250,000			
UNICREDIT	2023	2025	euro	0.000%	1,479	150,000	150,000				
CAIXA BANK	2023	2026	euro	0.000%	1,614	200,000		200,000			
BBVA	2023	2026	euro	0.000%	289	200,000		200,000			
Banca Europea per gli Investimenti	2013	2032	euro	2.948%	4,665	34,665	4,333	4,333	4,333	4,333	17,333
Banca Europea per gli Investimenti	2015	2035	euro	2.733%	25,317	273,535	24,867	24,867	24,867	24,867	174,067
Banca Europea per gli Investimenti	2017	2037	euro	1.498%	33,167	258,376	20,667	20,667	20,667	20,667	175,708
Banca Europea per gli Investimenti	2019	2038	euro	1.372%	9,926	126,000	9,000	9,000	9,000	9,000	90,000
Banca Europea per gli Investimenti	2019	2031	euro	0.547%	3,808	17,500	2,500	2,500	2,500	2,500	7,500
Banca Europea per gli Investimenti	2019	2039	euro	0.642%	3,837	101,500	7,000	7,000	7,000	7,000	73,500
Banca Europea per gli Investimenti	2012	2029	euro	2.989%	20,238	100,000	20,000	20,000	20,000	20,000	20,000
Banca Europea per gli Investimenti	2015	2035	euro	1.155%	15,899	140,064	13,333	13,333	13,333	13,333	86,732
Banca Europea per gli Investimenti	2013	2033	euro	1.630%	22,599	169,801	18,867	18,867	18,867	18,867	94,333
Banca Europea per gli Investimenti	2022	2032	euro	2.601%	725	55,739	3,981	7,963	7,963	7,963	27,869
Banca Europea per gli Investimenti	2022	2027	euro	2.960%	12	54,500	10,900	21,800	21,800		
Banca Europea per gli Investimenti	2023	2028	euro	3.426%	556	39,763		15,905	15,905	7,953	
Banca Popolare di Sondrio	2019	2025	euro	1.5% + Euribor 1M	122	10	10				
Mediocredito	2019	2023	euro	0.02							
Banco BPM	2017	2023	euro	0.90%+ Euribor 3M							
BPER	2019	2025	euro	0.551% + Euribor 3M	405	237	237				
Banca Popolare di Sondrio	2019	2024	euro	1.25% + Euribor 3M	1,249						
IFRS 16 residual (no CDP REI Group)			euro		32,700	92,233	65,586	11,820	7,257	4,644	2,926
ITALGAS S.p.A. - BEI	2017	2037	euro	0.35+Euribor 6M	24,642	311,852	24,000	24,000	24,000	24,000	215,852
ITALGAS S.p.A. - BEI	2015	2035	euro	0.14+Euribor 6M	9,093	90,963	8,267	8,267	8,267	8,267	57,895
ITALGAS S.p.A. - BEI	2016	2032	euro	0.47+Euribor 6M	25,870	199,873	25,000	25,000	25,000	25,000	99,873
ITALGAS S.p.A. - BEI	2022	2037	euro	0.0318	222	149,930		12,500	12,500	12,500	112,430
ITALGAS S.p.A. - BEI	2023	2042	euro	0.0277	172	12,062			750	750	10,562
TOSCANA ENERGIA S.p.A - BEI	2016	2031	euro	0.0105	12,616	53,190	8,182	8,182	8,182	8,182	20,462
ITALGAS S.p.A. - TL INTESA SANPAOLO	2022	2025	euro	0.60+Euribor 3M	2,092	250,220	250,220				
GEOSIDE - FIN LT INTESA SANPAOLO	2021	2025	euro	0.0083	443	454	454				
Other bank debts			euro		124	480	480				
IFRS 16 residual (no CDP RETI Group)			euro								
CDP RETI	2020	2025	euro	Euribor 6M + spread	5,468	936,536	936,536				
CDP RETI	2023	2026	euro	Euribor 6M + spread	1,305	252,272	14,005	238,267			
IFRS 16 residual (no CDP RETI Group)			euro		28	51	30	21			

The table below shows the reconciliation of the liabilities arising from the loans, as required by IAS 7:

(thousands of euro) Items/Figures	31/12/2022	Changes from financing cash flows	No cash flow changes: Effect of changes in foreign exchange rates	Changes due to IFRS9	Changes arising from obtaining or losing control of subsidiaries or other businesses	31/12/2023
Cash and cash equivalents	4,529,988	(1,390,553)		450		3,139,885
Short-term financial debts	2,066,827	2,119,986		530,821	13,568	4,731,202
Long-term financial debts	30,571,082	2,288,871		(358,443)		32,501,510
Financial debts for leased goods	169,758	(58,547)		71,249	2,983	185,443
Gross financial debt	**32,807,667**	**4,350,310**	**-**	**243,627**	**16,551**	**37,418,155**
Net financial debt	**28,277,679**	**5,740,863**	**-**	**243,177**	**16,551**	**34,278,270**

19. Other non-current financial liabilities

Other non-current financial liabilities were recognised in the financial statements for a total amount of 184 million euro (247 million euro at 31 December 2022). The following table shows the breakdown of the item and the respective fair value levels.

(thousands of euro)	31/12/2023			31/12/2022		
Items/Figures	L1	L2	L3	L1	L2	L3
Fair value-related hedging derivatives		**165,575**			**247,174**	
a) interest rate risk		165,575			247,174	
b) exchange rate risk						
c) several risks						
Cash flow hedge-related derivatives		**3,782**			**34**	
a) interest rate risk		3,782			34	
b) exchange rate risk						
c) other						
Foreign investments hedging derivatives						
a) interest rate risk						
b) exchange rate risk						
c) other						
Non-hedging derivatives		**14,434**				
Total		**183,791**			**247,208**	

20. Deferred tax liabilities

Deferred tax liabilities recorded at 31 December 2023 amounted to 1,952 million euro (2,055 million euro at 31 December 2022), and consist almost entirely of deferred tax liabilities entered as the balancing entry recognised in the income statement as detailed in the following table:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Deferred tax liabilities		
- recognised in income statement	1,912,188	1,993,803
- recognised in equity	40,091	61,478
Total	**1,952,279**	**2,055,281**

Below is the breakdown of deferred tax liabilities:

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Deferred tax liabilities recognised in income statement	**1,912,188**	**1,993,803**
- surplus paid in instalments	4,846	6,816
- staff severance pay	13,743	13,695
- leasing		
- property, plant and equipment	1,732,587	1,810,430
- own securities		
- equity investments	25,637	23,215
- other financial instruments		
- exchange rate differences		
- other temporary differences	135,375	139,647
Deferred tax liabilities recognised in equity	**40,091**	**61,478**
- financial assets at FVTOCI		
- other reserves	37,385	61,478
- Law 213/98 reserves	2,706	
- other reserves		
Total	**1,952,279**	**2,055,281**

The changes in deferred tax liabilities during the year, with the balancing entry in the income statement, are shown below.

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**1,993,803**	**2,147,088**
Change in opening balance		
2. Increases	**36,617**	**101,188**
2.1 Deferred tax liabilities recognised during the year	11,036	24,878
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	11,036	24,878
2.2 New taxes or increases in tax rates		
2.3 Other increases	25,581	25,462
2.4 Business combination transactions		50,848
3. Decreases	**(118,232)**	**(254,473)**
3.1 Deferred tax liabilities derecognised during the year	(94,267)	(122,734)
a) reversals	(92,384)	(121,390)
b) due to change in accounting policies		
c) others	(1,883)	(1,344)
3.2 Reduction in tax rates		
3.3 Other decreases	(23,965)	(131,739)
3.4 Business combination transactions		
4. Closing balance	**1,912,188**	**1,993,803**

The changes in deferred tax liabilities during the year, with the balancing entry in equity, are shown below.

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**61,478**	**5,300**
Change in opening balance		
2. Increases	**12,803**	**58,016**
2.1 Deferred tax liabilities recognised during the year	12,753	57,852
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	12,753	57,852
2.2 New taxes or increases in tax rates		
2.3 Other increases	50	164
2.4 Business combination transactions		
3. Decreases	**(34,190)**	**(1,838)**
3.1 Deferred tax liabilities derecognised during the year	(33,689)	(1,838)
a) reversals	(22,198)	(1,838)
b) due to change in accounting policies		
c) others	(11,491)	
3.2 Reduction in tax rates		
3.3 Other decreases	(501)	
3.4 Business combination transactions		
4. Closing balance	**40,091**	**61,478**

21. Other non-current liabilities

The table below provides a breakdown of Other non-current liabilities recognised at 31 December 2023 for a total amount of 2,672 million euro (2,996 million euro at 31 December 2022).

(thousands of euro)

Items/Figures	31/12/2023	31/12/2022
Accrued liabilities and deferred income	6,796	6,612
Payments on account and advances		
Accrued liabilities and deferred income from regulated activities	1,235,938	1,292,161
Other liabilities	1,429,630	1,696,863
Total	**2,672,364**	**2,995,636**

Other non-current liabilities are broken down as follows:

- Accrued expenses and deferred income from regulated activities that include deferred income for grants related to plants of Terna S.p.A. (64.3 million euro), as well as advances received for the construction of the privately-owned Italy–Montenegro, Italy–France and Italy–Austria private Interconnector (totalling 464.3 million euro). The item includes other non-current liabilities related to connection fees of the Italgas group (522.3 million euro);
- Other liabilities, essentially consisting of security deposits paid (1,040 million euro) mainly by users of the balancing service provided by the Snam group pursuant to Resolution ARG/gas 45/11;
- Accrued expenses and deferred income relating to Group operations.

22. Liabilities directly attributable to assets held for sale

At 31 December 2023, the item was valued at 4.6 million euro (26.8 million euro at 31 December 2022) and referred to “Liabilities associated with individual assets held for sale” from the Terna group, as described in note 8 of the balance sheet, to which reference should be made.

The following table shows the breakdown:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
C. Liabilities associated to individual assets held for sale		
C.1 Debts		4,621
C.2 Securities		1,875
C.3 Other liabilities		10,736
Total C		**17,232**
D. Liabilities associated to groups of individual assets held for sale		
D.1 Loans payable		3
D.2 Financial liabilities		
D.3 Provisions		
D.4 Other liabilities	4,583	9,593
Total D	**4,583**	**9,596**
Total	**4,583**	**26,828**

See note 8. of Balance Sheet Assets for further details.

Current liabilities

23. Current portion of long-term loans

This item, which at 31 December 2023 amounted to 3,966 million euro (3,334 million euro at 31 December 2022) includes the current portion of long-term loans. The following table shows its composition:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Bonds	2,528,244	2,506,903
- EMTN programme	2,522,867	2,501,526
- other issues	5,377	5,377
Bank loans	1,375,014	782,689
Lease liabilities	58,601	42,761
Other lenders	4,488	1,151
Total	**3,966,347**	**3,333,504**

A breakdown of this item is detailed in the tables set out in note 18.

24. Trade payables

Trade payables recorded at 31 December 2023 amounted to 4,506 million euro (6,251 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Payables due to suppliers	4,431,834	6,205,613
- energy-related payables	*1,649,164*	*2,649,454*
- non-energy-related payables	*1,141,556*	*992,791*
- GAS sector payables	*1,194,025*	*2,225,914*
- due to other suppliers	*447,089*	*337,454*
Payables for construction contracts	74,224	45,447
Total	**4,506,058**	**6,251,060**

Energy-related trade payables (1,649 million euro) recorded in Terna’s financial statements, relating to the financial effects of “pass-through” costs, principally related to Terna’s electricity dispatching operations, as well as to the transport fees due to other owners of portions of the national transmission grid.

Non-energy related trade payables of 1.142 million euro refer to amounts owed to suppliers for invoices both already received and yet to be received for tenders, services and the purchase of materials and equipment.

Trade payables from the GAS segment of 1,194 million euro mainly related to i) the transport sector (488 million euro, of which 169 million euro related to balancing services) and to the energy transition sector (350 million euro) of the Snam group and ii) trade payables (278 million euro) of the Italgas group.

25. Income tax liabilities

Current tax liabilities amounted to 73 million euro at 31 December 2023 (81 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
Income tax payables		
- Ires payables	51,058	59,890
- Irap payables	20,434	15,642
- other tax payables	1,395	5,721
Total	**72,887**	**81,253**

26. Current financial liabilities

Current financial liabilities amounted to 4,733 million euro at 31 December 2023 (2,068 million euro as at 31 December 2022).

Other financial liabilities amounted to 4,731 million euro at 31 December 2023 (2,067 million euro at 31 December 2022), and mainly related to uncommitted floating-rate credit facilities (250 million euro), the issue of unsecured Euro Commercial Papers (2,679 million euro) of the Snam group, and short-term loans and other current financial liabilities of Terna group (1,261 million euro).

The following table shows the breakdown:

(thousands of euro)	31/12/2023				31/12/2022			
Items/Figures	Carring amount	L1	L2	L3	Carring amount	L1	L2	L3
Fair value-related hedging derivatives	**1,344**		**1,344**		**1,649**		**1,649**	
a) interest rate risk	1,344		1,344		1,649		1,649	
b) exchange rate risk								
c) several risks								
Cash flow hedge-related derivatives	**157**		**157**					
a) interest rate risk	157		157					
b) exchange rate risk								
c) other								
Hedging derivatives on foreign investment								
a) interest rate risk								
b) exchange rate risk								
c) other								
Non-hedging derivatives	**404**		**404**					
Other financial liabilities	**4,731,202**		**2,930,320**	**1,800,254**	**2,066,827**			**2,066,827**
Total	**4,733,107**		**2,932,225**	**1,800,254**	**2,068,476**		**1,649**	**2,066,827**

27. Other current liabilities

Other current liabilities amounted to 7,076 million euro at 31 December 2023 (8,215 million euro at 31 December 2022) and were broken down as shown in the following table:

(thousands of euro) Items/Figures	31/12/2023	31/12/2022
VAT payables	142,487	118,373
Irpef withholdings on employees	15,854	13,771
Other duties and taxes	11,468	15,628
Accrued liabilities and deferred income	45,533	52,728
Advances	277,699	168,716
Payables due to pension and social security institutions	72,235	61,769
Payables due to employees	138,772	128,685
Accrued liabilities and deferred income from regulated activities	106,118	103,545
Other liabilities	6,265,639	7,551,668
Total	**7,075,805**	**8,214,883**

“Other liabilities” mainly refer to payables for investing activities (938 million euro, mainly related to natural gas transport, for 462 million euro, and natural gas storage, for 93 million euro) and payables due to CSEA (Cassa Conguaglio Settore Elettrico) by the Snam group (4,037 million euro).

III - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

A. REVENUES

28. Revenues from sales and services

Revenues from sales and services: breakdown

(thousands of euro)

Items/Figures	2023	2022
Revenues from electricity dispatching and distribution		
Grid transport consideration fees	2,107,559	1,968,637
CTR adjustments for previous years		
Service quality	11,210	23,168
Other energy revenues	511,516	517,390
Other sales and performance	492,451	388,810
Total	**3,122,736**	**2,898,005**
- of which IFRIC 12 revenues	*80,622*	*67,426*
Revenues from storage, transportation, regasification and distribution of natural gas		
Storage	501,183	460,768
Distribution	2,249,421	1,998,922
Transport and dispatching	2,523,450	2,212,210
Regasification	77,580	43,091
Other sales and performance	1,456,525	963,927
Total	**6,808,159**	**5,678,918**
- of which IFRIC 12 revenues	*787,136*	*727,756*
Total revenues from sales and services	**9,930,895**	**8,576,923**

Revenues for the dispatching and distribution of electricity (3,123 million euro) increased overall growth (approximately +225 million euro compared to the previous year) essentially deriving from the following effects:

- the grid transmission fees (+139 million euro compared to the previous year): this item refers to the income for ownership and management of the National Transmission Grid (NTG) earned by Terna S.p.A. (1,955.6 million euro) and the subsidiaries Rete S.r.l. (135.5 million euro), Terna Crna Gora d.o.o. (15.7 million euro) and Rete Nord S.r.l. (0.8 million euro, relating to the period before the merger by incorporation into Rete S.r.l. of 20 December 2023). This increase is mainly related to the higher adjusted asset base for the period net of the volume effect (+91.6 million euro) and higher output-based incentives related to the realisation of additional inter-zonal transmission capacity, amounting to +34.5 million euro for the accrued amount of the premium pursuant to Resolution 23/2022 and, for +12.9 million euro for the recognition of the premium for the efficiency of investment costs made in 2022, pursuant to Resolution 473/2023.
- other energy income, mainly refer to: (i) the consideration paid for the dispatching and metering service fees (DIS component, amounting to 124.2 million euro, MIS component, amounting to 0.6 million euro; (ii) incentives on dispatching activities (303.8 million euro); (iii) income from concession activities, which includes income form construction and development of infrastructure under concession, as a result of the application of IFRIC 12 (amounting to 80.6 million euro). Output-based incentive mechanisms on dispatching activities, accrued on the basis of the provisions of Resolutions 597/2021 and 132/2022 aimed at reducing the costs of the Dispatching Service Market (DSM), the shortfall in wind power production and essential services (302.6 million euro, corresponding to the accrued portion of the current value of the incentive due in the period 2022-2024 which equates to 813.7 million euro before discounting). The item shows a net decrease compared to last year (amounting to -5.9 million euro) primarily due to the combined effect of: (i) decrease in incentives on dispatching activities (amounting to -30.9 million euro), mainly attributable to the 2022 recognition of incentives related to the implementation during the three-year period 2019-2021 of network development interventions aimed at resolving congestion within zones, network constraints by voltage regulation and essential services (-140.5 million euro, Resolution 26/2023), offset by the 2023 accrual recognitions based on the provisions of Resolutions 597/2021 and 132/2022 aimed at reducing the costs of the Dispatching Service Market (DSM), the shortfall in wind power production and essential services which resulted in an increase of 108.4 million euro, driven by updates of the overall performance estimates for the three-year period 2022-2024; (ii) increase in DIS and MIS fee (+11.8 million euro) substantially attributable to the update of dispatching fees provided for in Resolution 738/2022; (iii) increase in revenues from concession activities (+13.2 million euro) due to higher investments made in the period on the dispatching infrastructure.
- other sales and services (approximately +104 million euro compared to the previous year): mainly due to the higher contribution from the Brugg Group (amounting to +30.2 million euro), higher revenues within the Energy Solutions activities (+61.7 million euro), and also to the increase in revenues within the Connectivity activities (+3.3 million euro)

and for connection services to the National Transmission Grid (+2.1 million euro). It also notes an increase in revenues on the Italy-France interconnection (+12.1 million euro) due to the recognition in 2022 of the contractually required penalty payable to energy users for delays in the execution of activities, net of the recognition of the penalty receivable from delays to suppliers disclosed in "Other revenues and income".

Revenues related to the gas sector, which amounted to 6,808 million euro, are essentially derived from the following effects:

- Snam group's revenues from the Natural Gas Transmission segment of 2,480 million euro are shown net of fee components, mainly referring to the transportation sector, additional to the fee and intended to cover general gas system charges (4,048 million euro, 2,651 million euro in 2022), the amounts of which are paid back by Snam to the Cassa per i Servizi Energetici e Ambientali (CSEA). The main components relate to:
    - to the CRVST fee (for a total amount of 1,658 million euro in 2023; 1,006 million euro in 2022), introduced by Resolution No. 782/2017/R/GAS, to cover the charges arising from the new "gas settlement" regulations, to be applied to the quantities of gas redelivered to the Transportation Service User at the redelivery points feeding the distribution networks;
    - to the variable CRVos fee, introduced in 2011 by the Authority's Resolution ARG/gas 29/11, to cover the charges arising from the application of the revenue guarantee factor for the storage service and the charges incurred by the Gestore Servizi Energetici (GSE) for the provision of the measures referred to in Articles 9 and 10 of Legislative Decree 130/10 (for a total amount of 1,258 million euro in 2023; 962 million euro in 2022).

  During 2023, Snam provided transportation service for 351 users.
- Snam group's revenues from the Natural Gas Storage business in the amount of 553 million euro, mainly related to service fees for modulation storage activity. During 2023, Snam provided natural gas storage service for 67 operators.
- Snam group's revenues from the Liquefied Natural Gas (LNG) Regasification business of 77 million euro, mainly related to fees for regasification service and whose increase is mainly attributable to the recognition of revenues related to higher regasified volumes in 2022 and revenues related to the start of operations of the Piombino regasification terminal.
- Italgas group's revenues, mainly refer to the fee for natural gas transmission service and other regulated revenues and revenues from the construction and upgrading of gas and water distribution infrastructure related to concession agreements in accordance with IFRIC 12. Il natural gas distribution revenues correspond to regulated allowed revenues and therefore contain the positive differential that was generated during the year compared to revenues in the amount of 225 million euro. Revenues from gas distribution in Italy are shown net of the following items, which relate to tariff components additional to the tariff intended to cover general gas system charges. These amounts are paid, where positive, charged, where negative, in equal amounts, to CSEA. The additional fees to the distribution service (-1,011 million euro) mainly concern the following fees: (i) RE, to cover the charges burdening the Fund for measures and interventions for energy saving and the development of renewable sources in the natural gas sector; (ii) RS, to cover the charges burdening the Gas Service Quality Account; (iii) UG1, to cover any imbalances in the equalization system and any adjustments; (iv) UG2, to compensate for retail marketing costs; (v) UG3int, to cover charges related to the interruption intervention; (vi) UG3ui, to cover the charges related to any imbalances in the balances of the specific equalization mechanisms for the Distribution Default Service Provider (FDD), as well as the delinquency charges incurred by the Suppliers of Last Instance (FUI), limited to non-disconnectable end customers; (vii) UG3ft, to cover the delinquency amounts recognized to the transitory suppliers of the transmission system; (viii) GS, to cover the tariff compensation system for economically distressed customers.

  Revenues from gas distribution (1,422 million) refer to the transportation of natural gas on behalf of all commercial operators requesting access to the networks of distribution companies under the Network Code. These revenues include the effects deriving from the implementation of Resolution No. 737/2022/R/gas in terms of the recognition of the residual value of smart meters of a calibre not exceeding G6 produced up to the year 2016 and put into operation by the year 2018 (52.3 million), the higher revenues related to the contribution art. 57 of ARERA Resolution no. 570/2019/R/gas relating to the replacement of traditional meters with electronic ones (smart meters) and the recovery of lost depreciation (so-called IRMA) pursuant to DCO 545/2020/R/gas, Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021.
- Revenues from other sales and services essentially include revenues from energy efficiency interventions attributable to energy efficiency projects (935 million euro; 578 million euros in 202) and fees for the construction and operation of biogas and biomethane plants (157 million euro; 115 million euro in 2022) with regard to the Snam Group and with regard to the Italgas group to interventions carried out during the year commonly referred to as Superbonus as provided by the Relaunch Decree (DL 34/2020), which introduced Superbonus 110, an incentive form of access to the tax bonus for interventions carried out on civil housing properties for energy efficiency and/or seismbonus that allows to receive 110% of the generated and eligible expenditure (282 million euro) in 4 years.

Lastly, it should be noted that revenues related to the transportation, storage and regasification sectors include fees to cover energy costs, which amount to 413 million euro (198 million euro in 2022), up mainly as a result of the higher tariffs recognized. Based on the provisions of the current regulatory framework for the fifth regulatory period, as of January 1, 2020, energy costs related to fuel gas purchase costs, which were previously contributed in kind by shippers, charges for the purchase of CO_2 emission rights and electricity consumption, are covered in revenues through the variable fee applied to users.

29. Other revenues and income

The table below shows the breakdown of Other revenues and income, which as at 31 December 2023 amounted to 181 million euro (183 million euro at 31 December 2022):

(thousands of euro)

Items/Figures	2023	2022
Other industrial revenues	**44,587**	**46,021**
Revenues from the sale of gas for the balancing service	1,523	
Income from the sale of energy efficiency securities		
Contractual penalties and other income relating to trade transactions	43,064	46,021
Other revenues and incomes	**114,911**	**119,139**
Rental income	2,516	2,826
Lease of business unit		
Other contributions	34,516	28,873
Other income	77,879	87,440
Gains on disposal	**21,470**	**17,777**
Gains on disposal from property, plant and equipment	20,279	14,884
Gains on disposal from intangible assets	1,191	2,893
Total	**180,968**	**182,937**

B. OPERATING COSTS

30. Raw materials and consumables used

The breakdown of costs for raw materials is shown in the table below:

(thousands of euro)

Items/Figures	2023	2022
Raw materials, supplies, consumables and goods	1,675,469	1,113,470
Increases for internal work	(57,542)	(55,680)
Total	**1,617,927**	**1,057,790**

The item represents the value of materials and miscellaneous equipment consumed in ordinary plant operation and plant maintenance, as well as the consumption of materials for the fulfilment of orders.

31. Services

Costs for services recognised in the financial statements at 31 December 2023 amounted to 1,439 million euro (1,234 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro)

Items/Figures	2023	2022
Construction, planning and works management	850,769	561,669
IT services (Information Technology)	148,503	124,811
Purchase of transport capacity (interconnection)	265	
Maintenance services	79,312	57,199
Technical, legal, administrative and professional services	202,556	203,372
Personnel-related services	38,251	30,241
Telecommunications services	42,936	38,658
Electricity, thermal energy, water, etc.	45,223	65,848
Advertising and marketing expenses	33,604	24,675
Other services	188,930	170,790
Costs for leases and rentals	199,756	150,963
- fees, patents and user licenses	*84,220*	*79,576*
- leases and rentals	*115,536*	*71,387*
Increases for internal work	(401,247)	(201,245)
Commission expenses	9,886	7,133
Total	**1,438,744**	**1,234,114**

Costs for professional services include the 2023 fees for auditing, certification and other services provided to companies of the Group by the independent auditors of the parent company CDP RETI, namely Deloitte & Touche S.p.A.

The following disclosure is provided pursuant to Article 149-duodecies of CONSOB Issuers' Regulations:

(thousands of euro)

Items/Figures	Service Provider	2023
Auditing		3,213
Certification	Deloitte & Touche S.p.A.	527
Other		132
Total		**3,872**

32. Staff costs

A breakdown of staff costs is provided below:

(thousands of euro)

Items/Figures	2023	2022
1) Employees	**1,096,749**	**1,019,425**
a) salaries and wages	764,180	718,864
b) social security charges	61,539	3,267
c) staff severance pay	20,786	17,763
d) pension costs	150,746	191,394
e) provision for staff severance pay	1,668	7,430
f) provision for post-employment benefits:		
- defined contribution		
- defined benefits		
g) payments to external supplementary pension plans:	29,302	27,115
- defined contribution	24,935	23,463
- defined benefits	4,367	3,652
h) costs related to payment agreements based on own equity instruments		
i) other benefits for employees	68,528	53,592
2) Other personnel in service	**14,263**	**9,454**
3) Board of Directors and Board of Auditors	**14,161**	**21,250**
4) Retired personnel		
5) Increases for internal work	**(198,843)**	**(188,793)**
Total	**926,330**	**861,336**

The following table shows the average headcount of group employees by contractual level:

Items/Figures	2023	2022
Senior Managers	321	317
Middle Managers	1,945	1,838
Office staff	7,713	7,354
Manual workers	3,727	3,774
Total	**13,706**	**13,283**

With reference to the average figures of workforce per company, see paragraph "3.1 Organisational structure" of the consolidated report on operations.

33. Amortisation, depreciation and impairment of property, plant and equipment and intangible assets

Amortisation, depreciation and impairment, amounting to 2,725 million euro at 31 December 2023 (2,349 million euro at 31 December 2022) are broken down as follows:

(thousands of euro) Items/Figures	2023 Amortisation and depreciation (a)	2023 Impairment adjustments (b)	2023 Write-backs (c)	2023 Net result (a+b+c)	2022 Amortisation and depreciation (a)	2022 Impairment adjustments (b)	2022 Write-backs (c)	2022 Net result (a+b+c)
Property, plant and equipment	**1,726,289**	**146,577**		**1,872,866**	**1,638,457**	**20,688**		**1,659,145**
- Owned	*1,669,383*	*145,922*		*1,815,305*	*1,596,210*	*19,252*		*1,615,462*
- Right of use acquired under leases ex IAS 17	*465*			*465*	*555*			*555*
- Right of use acquired under leases IFRS 16	*56,441*	*655*		*57,096*	*41,692*	*1,436*		*43,128*
Intangible assets	**790,899**	**60,997**		**851,896**	**684,267**	**6,045**		**690,312**
- Owned	*790,899*	*60,997*		*851,896*	*684,254*	*6,045*		*690,299*
- Right of use acquired under leases IFRS 16					*13*			*13*
Total	**2,517,188**	**207,574**		**2,724,762**	**2,322,724**	**26,733**		**2,349,457**

33 a. Net impairment/ recoveries of trade receivables and other receivables

This item, introduced following the adoption of IFRS 9, is equal to -50.2 million euro (-9.8 million euro at 31 December 2022) and essentially refers to the Snam group.

34. Other operating costs

Other operating costs, which amounted to 292 million euro at 31 December 2023 (240 million euro at 31 December 2022), are shown in the table below:

(thousands of euro) Items/Figures	2023	2022
Indirect duties and taxes	29,122	32,084
Losses from cancellation of property, plant and machine and intangible assets	54,560	47,695
Net provisions for bad debts		
Methane gas consumption tax		
Service quality charges	8,385	3,753
Net provision for risks and charges	32,654	16,185
Net accruals to the provisions for credit risk on commitments and guarantees issued		
Other costs	166,979	140,512
Total	**291,700**	**240,229**

C. FINANCIAL INCOME/(EXPENSE)

35. Financial income

Financial income, amounting to 254 million euro as at 31 December 2023 (221 million euro as at 31 December 2022) is broken down as follows:

(thousands of euro) Items/Figures	2023	2022
Interest income and other financial income	198,787	73,353
- of which: interest income on finance lease		
Interest income on hedging derivatives	46,307	12,330
Income on trading activities	831	130,747
Income on hedging transactions	2,202	4,109
Financial income on disposal and repurchase		
Fair value gains of financial assets measured at fair value	233	
Recoveries for credit risk relating to financial assets at fair value	87	
Other financial income	5,360	873
Total	**253,807**	**221,412**

36. Financial expenses

Financial expenses recognised at 31 December 2023 amounted to 755 million euro (411 million euro at 31 December 2022) and are broken down as follows:

(thousands of euro) Items/Figures	2023	2022
Interest expenses and other charges	718,469	373,797
- of which: interest expenses on bonds	*317,140*	*268,047*
- of which: interest expense on finance lease	*4,498*	*1,403*
Interest expenses on hedging derivatives	637	1,008
Exchange rate differences	426	
Financial expenses from trading activities	23,343	
Financial expenses from hedging activities	11,088	13,613
Financial expenses on disposal and repurchase		14,315
Fair value losses of financial assets measured at fair value	1,027	94
Adjustments for credit risk relating to financial assets		8,491
Other financial expenses		
Total	**754,990**	**411,318**

37. Portion of income / (expenses) from equity investments accounted for using the equity method

Income and expenses from equity investments, amounting to 426 million euro at 31 December 2023 (-194 million euro at 31 December 2022) consisted of the following:

(thousands of euro)	2023				2022			
Items/Figures	Joint ventures	Associates	Other	Total	Joint ventures	Associates	Other	Total
A. Income	**129,687**	**351,876**	**2,256**	**483,819**	**113,318**	**237,744**	**3,365**	**354,427**
1. Income	129,687	273,805		403,492	113,318	140,195		253,513
- Net equity valued investments	129,687	273,805		403,492	113,318	140,195		253,513
- Other investments								
2. Gains on disposal		76,238		76,238		65,057	15	65,072
3. Writebacks						31,000		31,000
4. Other		1,833	2,256	4,089		1,492	3,350	4,842
B. Charges	**(54,758)**	**(2,247)**	**(1,264)**	**(58,269)**	**(387,038)**	**(151,697)**	**(9,246)**	**(547,981)**
1. Impairment	(46,652)	(1,209)	(1,264)	(49,125)	(4,118)	(151,673)	(1,646)	(157,437)
- Net equity valued investments	(46,652)	(1,209)		(47,861)	(4,118)	(151,673)		(155,791)
- Other investments			(1,264)	(1,264)			(1,646)	(1,646)
2. Impairment adjustments		(1,038)		(1,038)	(365,000)			(365,000)
3. Losses on disposal						(24)	(600)	(624)
4. Other	(8,106)			(8,106)	(17,920)		(7,000)	(24,920)
Total	**74,929**	**349,629**	**992**	**425,550**	**(273,720)**	**86,047**	**(5,881)**	**(193,554)**

Gains on disposal relates to capital gains from the sale of shares in Industrie De Nora S.p.A. (76 million euro) resulting in Snam's Group now holding 21.59% of the company's share capital (25.79% percent pre-sale).

For further information see paragraph "4. Equity investments" of these notes.

37a. Other income (expenses) from equity investments

At 31 December 2023 this item did not have an entry.

D. TAXES FOR THE PERIOD

38. Taxes for the period

Taxes for the year amounted to 792 million euro (832 million euro at 31 December 2022) and were broken down as follows:

(thousands of euro)

Items/Figures	2023	2022
1. Current taxes (+/-)	992,524	972,921
2. Change in current taxes from previous years (+/-)	(5,145)	(1,411)
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	(112,249)	(41,692)
5. Change in deferred tax liabilities (+/-)	(83,231)	(98,077)
Taxes for the period	**791,899**	**831,741**

Reconciliation between theoretical and actual tax liability: IRES

(thousands of euro)

Items/Figures	2023	2022
Income (loss) before taxes	**2,986,603**	**2,626,244**
IRES theoretical tax liability (24.0%)	(716,785)	(630,299)
Increase in taxes	**(323,686)**	**(382,879)**
- non deductible interest expenses 4%	(10,363)	(5,500)
- temporary non deductible differences	(35,032)	(32,308)
- permanent non deductible differences	(37,197)	(129,228)
- equity investments impairment		
- adjustments on receivables		
- effect of different foreign rates (-)	(570)	(214)
- additional IRES tax (so called "Robin Hood tax")		
- technical reserves		
- exchange rate differences		
- other changes	(240,524)	(215,629)
Decreases in taxes	**218,350**	**198,250**
- dividends 95% exempt	136,850	141,498
- non-taxable income	514	
- ACE benefit	54,815	15,549
- temporary differences		11,958
- prior period deductible expenses		
- IRAP deduction	2,014	2,054
- staff bonuses		
- technical reserves		
- use of accruals		9,436
- exchange rate differences		
- effect of different foreign rates (+)	15,169	
- other changes	8,988	17,755
IRES Actual tax liability	**(822,121)**	**(814,928)**

Reconciliation between theoretical and actual tax liability: IRAP

(thousands of euro)

Items/Figures	2023	2022
IRAP tax base	**3,117,206**	**3,179,687**
IRAP theoretical tax liability 5.57%	(173,628)	(177,109)
Increases in taxes	**(27,973)**	**(18,882)**
- non deductible interest expenses 4%	(3,814)	(279)
- other non deductible expenses	(17,707)	(9,731)
- effect of different regional tax rates (-)	(6,452)	(8,872)
Decreases in taxes	**36,307**	**34,474**
- prior period deductible expenses (+)		
- deductible employees costs		
- decreases	6,941	4,986
- effect of different regional tax rates (+)	29,366	29,488
- IRAP surcharge		
IRAP Actual tax liability	**(165,294)**	**(161,517)**

E. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS

39. Net income (loss) from assets held for sale

The net income (loss) from assets held for sale at 31 December 2023, amounting to 2.5 million euro, consisted of the profits (losses) on assets included in the scope of the agreement that the Terna group signed on 29 April 2022 with CDPQ, a global investment group, for the sale of the entire portfolio of power lines in Brazil, Peru and Uruguay owned by the Terna group.

On 7 November 2022, the first closing was finalised of the Brazilian companies SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Transmissora de Energia Linha Verde II S.A., while on 22 December 2022 the closing of the company Difebal S.A., owner of a power line in Uruguay, was finalised. The sale of the other projects in Brazil and Peru will be completed in several stages, after the conditions set out in the agreement are fulfilled.

(thousands of euro)

Items/Figures	2023	2022
1. Income	37,017	20,595
2. Expenses	(53,834)	(31,024)
3. Results of valuations of the disposal groups and associated liabilities	21,511	(17,330)
- Revaluations	21,511	2,625
- Impairments		(19,955)
4. Gains (losses) on disposal	(421)	8,702
- Gains on disposal		43,221
- Losses on disposal	(421)	(34,519)
5. Duties and taxes	(1,736)	(1,289)
Total	**2,537**	**(20,346)**

IV – BUSINESS COMBINATIONS

IV.1 TRANSACTIONS IN THE PERIOD

The following business combinations of relevance for the CDP RETI Group were carried out during 2023.

(thousands of euro) Company name	Date of transaction	(1)	(2)	(3)	(4)
Agriwatt Castel Goffredo Società Agricola ar.l.	23/01/2023	2,673	100%	2,081	(258)
Omnia S.r.l.	29/03/2023	1,521	100%	176	98
Soragna Agroenergie Società Agricola ar.l.	13/04/2023	3,654	100%	1,686	(220)
Zibello Agroenergie Società Agricola ar.l.	13/04/2023	3,834	100%	1,682	(245)
Bietifin Srl	14/06/2023	3,819	100%	2,129	164
Rete Nord S.r.l.	22/06/2023	14,609	100%	558	85
CH4 Energy Srl	04/07/2023	43,659	100%	895	(10,765)
Biowaste CH4 Legnano Srl	27/07/2023	23,257	100%	2,136	(24,664)
MST Srl	11/10/2023	6,431	100%	555	(74)
Moglia Energia Società Agricola ar.l.	11/10/2023	4,007	100%	624	976
Società Agricola Agrimetano Ro S.r.l.	13/10/2023	4,649	100%	348	(81)
Società Agricola Pozzonovo S.r.l.	13/10/2023	2,705	100%	535	(24)

(1) = Cost of transaction
(2) = Percentage of voting rights in the Ordinary Shareholders' Meeting
(3) = Total group revenues
(4) = Group net Profit (Loss)

Acquisitions of Agriwatt Castel Goffredo Società Agricola ar.l., Soragna Agroenergie Società Agricola ar.l., Zibello Agroenergie Società Agricola ar.l., Bietifin S.r.l., Moglia Energia Società Agricola ar.l., MST S.r.l., Società Agricola Agrimetano Ro S.r.l. and Società Agricola Pozzonovo S.r.l.

In 2023, control was acquired, through Snam, over eight companies operating in the Biogas/Biomethane business.

For the purposes of the 2023 Annual Financial Report, a preliminary purchase price allocation was carried out; the process of identifying the fair value of the acquired assets and liabilities will be completed in the following period, within 12 months from each of the respective acquisition dates.

The acquisitions were charged to the Biomethane Agri CGU and closed for a total consideration of 32 million euro, inclusive of the estimated contractual earn-outs. The preliminary PPA resulted in the recognition of a goodwill amount of 13 million euro and of 14 million euro of intangible assets (attributable to the fair value of the authorisations of the plants held by the acquired companies), in addition to deferred taxes of 4 million euro.

The tables below show the consideration paid for the acquisition of the companies and give a breakdown of the assets acquired and liabilities assumed at the reference date of each of the eight transactions (amounts in thousands of euro).

Agriwatt Castel Goffredo Società Agricola ar.l.

(thousands of euro)

Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	770		770
Property, plant and equipment	1,648	418	2,066
Intangible assets		2,636	2,636
Other non current assets	610	717	1,327
Deferred tax receivables	213	4	217
Total acquired assets	**3,241**	**3,775**	**7,016**
Liabilities			
Deferred tax liabilities	3	735	738
Provision for risks and charges		441	441
Other non current liabilities	2,629	10	2,639
Other current liabilities	614	29	643
Total acquired liabilities	**3,246**	**1,215**	**4,461**
Acquired net assets	**(5)**	**2,560**	**2,555**
Badwill		118	118
Business combination cost	**(5)**	**2,678**	**2,673**

Soragna Agroenergie Società Agricola ar.l.

(thousands of euro)

Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	266		266
Property, plant and equipment	2,158	5	2,162
Intangible assets	3	2,088	2,091
Deferred tax receivables		20	20
Income tax receivables	142		142
Trade receivables	366		366
Other current assets	769	(45)	724
Total acquired assets	**3,704**	**2,068**	**5,771**
Liabilities			
Financial liabilities	2,034	28	2,062
Deferred tax liabilities		603	603
Trade liabilities	1,361		1,361
Provision for risks and charges	84	(84)	
Income tax liabilities	69		69
Other current liabilities			
Total acquired liabilities	**3,548**	**547**	**4,095**
Acquired net assets	**155**	**1,521**	**1,676**
Goodwill		1,978	1,978
Business combination cost	**155**	**3,498**	**3,654**

Zibello Agroenergie Società Agricola ar.l.

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	398		398
Property, plant and equipment	2,263		2,263
Intangible assets	39	3,808	3,847
Deferred tax receivables		21	21
Other current assets	1,443		1,443
Total acquired assets	**4,143**	**3,829**	**7,972**
Liabilities			
Financial liabilities	2,500	19	2,519
Deferred tax liabilities	47	1,106	1,153
Other non current liabilities	1,391		1,391
Total acquired liabilities	**3,938**	**1,125**	**5,063**
Acquired net assets	**205**	**2,704**	**2,909**
Goodwill		926	926
Business combination cost	**205**	**3,630**	**3,834**

Bietifin S.r.l

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	1,773		1,773
Property, plant and equipment	193		193
Intangible assets	20		20
Other current assets	1,885		1,885
Total acquired assets	**3,871**		**3,871**
Liabilities			
Financial Debts	120		120
Deferred tax liabilities	392		392
Severance pay	245		245
Other current liabilities	828		828
Total acquired liabilities	**1,585**		**1,585**
Acquired net assets	**2,286**		**2,286**
Goodwill		1,533	1,533
Business combination cost	**2,286**	**1,533**	**3,819**

Moglia Energia Società Agricola ar.l.

(thousands of euro)

Items/Figures

Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	105		105
Property, plant and equipment	2,113	1,160	3,273
Intangible assets	17	514	531
Other current assets	1,454		1,454
Total acquired assets	**3,689**	**1,674**	**5,363**

Liabilities			
Financial liabilities	2,249	319	2,568
Deferred tax liabilities		143	143
Provision for risks and charges		772	772
Other current liabilities	980	69	1,049
Total acquired liabilities	**3,229**	**1,303**	**4,532**
Acquired net assets	**460**	**371**	**831**
Goodwill		3,176	3,176
Business combination cost	**460**	**3,547**	**4,007**

MST S.r.l.

(thousands of euro)

Items/Figures

Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	319		319
Property, plant and equipment	1,892	108	2,000
Financial assets			
Deferred tax assets		22	22
Ather assets	1,825		1,825
Total acquired assets	**4,115**	**2,740**	**6,855**

Liabilities			
Financial liabilities	435	62	497
Deferred tax liabilities	63	750	813
Other non current liabilities	1,217	45	1,262
Severance pay			
Provision for risks and charges			
Non controlling interests (+/-)			
Total acquired liabilities	**1,715**	**857**	**2,572**
Acquired net assets	**2,400**	**1,883**	**4,283**
Goodwill		2,148	2,148
Business combination cost	**2,400**	**4,031**	**6,431**

Società Agricola Agrimetano Ro S.r.l.

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	296		296
Property, plant and equipment	1,644	775	2,419
Intangible assets	51	878	929
Deferred tax assets		16	16
Other current assets	2,183		2,183
Total acquired assets	**4,174**	**1,669**	**5,843**
Liabilities			
Deferred tax liabilities	1	268	269
Provision for risks and charges	481		481
Other current liabilities	3,090		3,090
Total acquired liabilities	**3,572**	**268**	**3,840**
Acquired net assets	**602**	**1,401**	**2,003**
Goodwill		2,646	2,646
Business combination cost	**602**	**4,047**	**4,649**

Società Agricola Pozzonovo S.r.l.

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	72		72
Property, plant and equipment	1,042	818	1,860
Intangible assets	51	1,655	1,706
Deferred tax assets		16	16
Other current assets	1,282		1,282
Total acquired assets	**2,447**	**2,489**	**4,936**
Liabilities			
Financial liabilities		182	182
Deferred tax liabilities		474	474
Provision for risks and charges		340	340
Other current liabilities	1,915	221	2,136
Total acquired liabilities	**1,915**	**1,217**	**3,132**
Acquired net assets	**532**	**1,272**	**1,804**
Goodwill		901	901
Business combination cost	**532**	**2,173**	**2,705**

Acquisition of Omnia S r.l.

On 29 March 2023, LT S.r.l. (a wholly-owned subsidiary of Terna Energy Solutions S.r.l., in turn a subsidiary of Terna S.p.A.) acquired 100% of Omnia S.r.l., a company operating in the Operation & Maintenance of photovoltaic plants. The acquisition is aimed at consolidating LT S.r.l.'s position as a leader on the national market in the construction and operation of photovoltaic plants.

IFRS 3 requires the acquirer to allocate the cost of the business combination through the recognition of all assets, liabilities and potential liabilities that meet specific recognition criteria, at their fair value determined at the acquisition date. In this case, the acquisition cost of 100% of the company's capital is 1.5 million euro.

The amount of the expected consideration was higher than the value of the net assets at the acquisition date, resulting in goodwill of approximately 1.4 million euro.

The table below shows the consideration paid for the acquisition of the companies and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

(thousands of euro)

Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	17		17
Property, plant and equipment	4		4
Currenti financial assets - FVTOCI	2		2
Trade receivables	179		179
Income tax receivables	25		25
Ather current assets	41		41
Total acquired assets	**268**		**268**
Liabilities			
Debiti commerciali	46		46
Passività per imposte sul reddito	27		27
Altre passività correnti	31		31
Total acquired liabilities	**104**		**104**
Acquired net assets	**164**		**164**
Goodwill	1,357		1,357
Business combination cost	**1,521**		**1,521**

Acquisition of Rete Nord S.r.l.

On 22 June 2023, Terna S.p.A. acquired 100% of Rete Nord S.r.l. (formerly "Edyna Transmission S.r.l."), the company that owns the following NTG assets:

- a portion (approximately 70 km) of a 220 kV power line in Trentino-Alto Adige;
- a 220 kV station in Resia (Udine);
- a 220 kV station in Naturno (Bolzano).

IFRS 3 requires the acquirer to allocate the cost of the business combination through the recognition of all assets, liabilities and potential liabilities that meet specific recognition criteria, at their fair value determined at the acquisition date. In this case, the acquisition cost of 100% of the company's capital is 14.6 million euro.

The amount of the expected consideration was substantially in line with the value of the net assets at the acquisition date.

The table below shows the consideration paid for the acquisition of the companies and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction (amounts in thousands of euro).

(thousands of euro)

Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	293		293
Property, plant and equipment	13,249		13,249
Intangible assets	801		801
Trade payables	395		395
Deferred tax receivables	180		180
Other current assets	17		17
Total acquired assets	**14,935**		**14,935**
Liabilities			
Financial liabilities			
Deferred tax liabilities	198		198
Trade liabilities	129		129
Income tax liabilities	5		5
Other current liabilities	8		8
Total acquired liabilities	**340**		**340**
Acquired net assets	**14,595**		**14,595**
Goodwill	14		14
Business combination cost	**14,609**		**14,609**

Acquisition of CH4 Energy S.r.l. and Biowaste CH4 Legnano S.r.l.

In 2023, control was acquired, through Snam, over two companies operating in the Biogas/Biomethane Waste business.

For the purposes of the 2023 Annual Financial Report, a preliminary purchase price allocation was carried out; the process of identifying the fair value of the acquired assets and liabilities will be completed in the following period, within 12 months from each of the respective acquisition dates.

With reference to the acquisitions charged to the Biomethane Waste CGU, against a total outlay of 67 million euro, inclusive of the estimated contractual earn-outs, the preliminary PPA resulted in the recognition of 11 million euro of goodwill and 36 million euro of intangible non-current assets, in addition to 9 million euro of deferred taxes.

CH4 Energy S.r.l.

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	40		40
Property, plant and equipment	32,300	1,433	33,733
Intangible assets	12	33,327	33,339
Deferred tax receivables	228		228
Other current assets	2,351		2,351
Total acquired assets	**34,931**	**34,760**	**69,691**
Liabilities			
Financial liabilities		728	728
Deferred tax liabilities	22	9,306	9,328
Severance pay	7		7
Provision for risks and charges		334	334
Other current liabilities	26,097	347	26,444
Total acquired liabilities	**26,126**	**10,715**	**36,841**
Acquired net assets	**8,805**	**24,045**	**32,850**
Goodwill		10,809	10,809
Business combination cost	**8,805**	**34,854**	**43,659**

Biowaste CH4 Legnano S.r.l.

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	69		69
Property, plant and equipment	21,136		21,136
Intangible assets	207	2,309	2,516
Deferred tax assets	221	930	1,151
Other current assets	3,885		3,885
Total acquired assets	**25,518**	**3,239**	**28,757**
Liabilities			
Financial liabilities	1,756	327	2,083
Deferred tax liabilities	22	702	724
Other current liabilities	2,693		2,693
Total acquired liabilities	**4,471**	**1,029**	**5,500**
Acquired net assets	**21,047**	**2,210**	**23,257**
Goodwill			
Business combination cost	**21,047**	**2,210**	**23,257**

IV.2 BUSINESS COMBINATIONS CARRIED OUT AFTER THE REPORTING DATE

In the period running from the reporting date of the consolidated financial statements to the date of their approval by the Board of Directors, no business combinations were completed.

V – TRANSACTIONS WITH RELATED PARTIES

V.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table provides the remuneration amounts for 2023 paid to members of the management and control bodies, and key management personnel of the Parent Company and of the companies that are consolidated on a line-by-line basis.

Remuneration of key management personnel

(thousands of euro)	31/12/2023			
Items/Figures	Directors	Board of auditors	Key management personnel	Total
a) short-term benefits	10,852	2,097	12,403	25,352
b) post-employment benefits	389		616	1,005
c) other long-term benefits	823		3,587	4,410
d) severance benefits				
e) share-based payments			1,727	1,727
Total	**12,064**	**2,097**	**18,333**	**32,494**

V.2 INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

This paragraph provides the disclosures required pursuant to IAS 24 concerning transactions concluded in 2023 between the CDP RETI Group and related parties.

The related parties of the CDP RETI Group are:

- the Ministry of the Economy and Finance (MEF) and the Group's direct and indirect subsidiaries and associates;
- the companies of the CDP Group, including companies subject to joint control or under significant influence, and their subsidiaries;
- the companies of the CDP RETI Group subject to joint control or under significant influence, and their subsidiaries;
- the company State Grid Europe Limited (SGEL), which exercises significant influence over the parent company CDP RETI and the company State Grid International Development, which owns the entire capital of SGEL;
- key management personnel of the CDP RETI Group, their close family members and any companies controlled by them, even jointly;
- post-employment benefit plans for employees of the CDP RETI Group.

The following table shows the assets, liabilities, guarantees and commitments as well as the financial transactions as at 31 December 2023, broken down by type of related party

Transactions with related parties

(thousands of euro) Items/values	CDP	CDP RETI Group subsidiaries and associates	CDP Group subsidiaries and associates	MEF and MEF subsidiaries and associates	Other	Total transactions with related parties	Financial statement item Total	% Impact
						31/12/2023		
Property, plant and equipment			74			74	40,893,934	0%
Non-current financial assets	47,103					47,103	671,177	7%
Other non-current assets							725,844	0%
Current financial assets	1,075	88,600		1		89,676	412,746	22%
Trade receivables		41,401	500,704	302,831	1,185	846,121	7,330,757	12%
Other current assets	4,624		12			4,636	739,355	1%
Cash and cash equivalents	101,040			116		101,156	3,139,885	3%
Total assets	**153,842**	**130,001**	**500,790**	**302,948**	**1,185**	**1,088,766**	**53,913,698**	**2%**
Loans	370,902		79	736	30,145	401,862	28,720,606	1%
Other financial liabilities	41,067					41,067	183,791	22%
Current portion of long-term loans	2,908					2,908	3,966,347	0%
Trade payables	123,977	42,024	438,689	144,757		749,447	4,506,058	17%
Current financial liabilities	3,782	1,373	87	50		5,292	4,733,107	0%
Other current liabilities	537		13,957	17,454	2,862	34,810	7,075,805	0%
Total liabilities	**543,173**	**43,397**	**452,812**	**162,997**	**33,007**	**1,235,386**	**49,185,714**	**3%**
Revenues	77	26,449	1,382,996	2,608,489	188	4,018,199	10,111,863	40%
Operating costs	(8,517)	(26,172)	(443,142)	(185,877)	(6,256)	(669,964)	(7,049,627)	10%
Financial income (expense)	19,160					19,160	(501,183)	-4%
Income Statement items Total (before tax)	**10,720**	**277**	**939,854**	**2,422,612**	**(6,068)**	**3,367,395**	**2,561,053**	**n/s**

Guarantees issued	**1,063**	**1,133,828**	**139,096**	**1,050,604**		**2,324,591**
Guarantees received						
Commitments	**11,774**					**11,774**

Key transactions between the CDP RETI Group and its related parties concern trade relationships with the companies controlled by the MEF, as follows:

- Snam group's trade relationships with ENI and Enel referring, on one hand, to natural gas transportation, regasification and storage services at tariffs set by the Energy Networks and Environment Regulator (ARERA), and on the other hand, to electricity purchased from ENI to conduct its business operations;
- Terna group's trade relationships with: (i) Enel, concerning grid transmission and measure aggregation fees, dispatching fees, services associated with leases, rentals, line maintenance, power line communications on owned power lines and services; (ii) Ferrovie dello Stato, for the dispatching fee and for interventions for line shifts and crossing fees; (iii) Eni in relation to dispatching fees and NTG connection contributions.
- Italgas group's trade relationships with: (i) Eni and Enel Energia, deriving from the distribution of natural gas; (ii) ENI group, for the supply of electricity and methane gas for internal consumption; (iii) GSE, deriving from the acquisition of energy efficiency certificates.

A significant item of loans payable and current financial liabilities is the debt payable by CDP RETI to the direct Parent Company CDP. For more information, see Section "V. Transactions with related parties" of CDP RETI S.p.A.

VI - FINANCIAL RISK MANAGEMENT

Regarding the financial risks of the Parent Company CDP RETI, reference is made to the specific section of the notes to the financial statements.

With regard to enterprise risk, the main risks measured and managed at the level of the subsidiaries Snam, Terna and Terna are indicated below.

SNAM GROUP

Financial risks

Within the framework of corporate risks, the main financial risks identified, monitored, and, as specified below, managed by Snam, are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of default by a counterparty;
- liquidity risk arising from a lack of financial resources to meet short-term commitments.

With regard to the risk of exposure to changes in exchange rates, due to the current circumstances, at present the Snam group's exposure is small with regard to transaction risk, while it still has exposure to translation risk in relation to several foreign subsidiaries that prepare their financial statements in currencies other than the euro. For the time being, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange rate differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

With regard to the risk arising from commodity price fluctuations, Snam's objective is to protect the value of cash flows from unfavourable movements in the risk component to which they are exposed by trading derivative instruments to mitigate the aforementioned price risk.

The management and control of financial risks is carried out centrally by Snam and is aimed at defining and monitoring the objectives of the financial structure and the corresponding risk limits, in order to preserve financial sustainability and rating. Snam therefore develops strategies and Key Risk Indicators (KRI) for optimisation and control of the risk profile, duly taking into account the context in which Snam operates, the Risk Appetite Framework and the overall value system produced by the Snam group's businesses.

Below, a description is provided of Snam's policies and principles for the management and control of financial risks, according to the approach required by IFRS 7 – Financial Instruments: Disclosures.

Interest rate risk

Interest rate risk relates to fluctuations in interest rates, which may affect the market value of the company's financial assets and liabilities and the level of net financial charges, as well as, specifically, the level of revenue recognised with respect to the regulated businesses.

Snam's objective is to optimise interest rate risk whilst pursuing the objectives defined and approved in the strategic plan.

The Snam group has adopted a centralised organisational model. Under this model, Snam's business units cover their financial requirements through recourse to the financial markets and use funds in line with the approved objectives, ensuring that the risk profile is kept within set limits.

As at 31 December 2023, the Snam group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other financial institutions, in the form of loans and credit facilities at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate (Euribor), or at fixed rates. As at 31 December 2023, exposure to interest rate risk, considering outstanding hedges, amounted to approximately 30% of total group exposure (20% at 31 December 2022). As at 31 December 2023, Snam held Interest Rate Swaps (IRSs) for an overall notional amount of 487 million euro. Hedges against changes in the interest rate refer to: (i) a floating-rate bond loan with maturity in 2024 (106 million euro); (ii) floating-rate bank loans with maturities between 2032 and 2035 (total of 381 million euro).

While the Snam group has put in place a proactive risk management policy, in accordance with the revenue recognition mechanism, the rise in interest rates relating to floating-rate debt not hedged might have adverse impacts on the Snam group's business and balance sheet and cash flow situation. Although the exposure to changes in interest rates is limited to roughly 30% of the Snam group's total exposure and is fully linked to the Euribor rate, a change in the method of calculating the Euribor rate and any related fallback clauses that may be introduced, could result in the need for the Snam group to amend the financial agreements affected by the change and/or the management of future cash flows.

Credit risk

Credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact Snam's performance and financial balance. With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of Snam's business units and of its centralised functions in charge of debt collection and dispute management.

For trade receivables, provisions for impairment reflect the value of expected losses over the life of the receivable and are determined on a collective basis according to the expected credit loss model, in line with the requirements of the reference accounting standards, or on the basis of individual and analytical assessments for credit exposures that present specific elements of risk (e.g. litigation or in the presence of available detailed information on the recoverability of the exposure).

As regards the regulated activities Snam provides its business services to 450 gas sector operators. The top 10 operators represent approximately 64% of the whole market (Eni, Enel Global Trading and Edison hold the top three positions in the ranking). The rules governing the customers' access to the services offered are established by the Authority and are provided for in the Codes, which set out, for each type of service, the duties and responsibilities of the parties selling and providing the services, as well as the contractual clauses that significantly reduce the risk of non-compliance by customers. The Codes provide for the issue of guarantees covering the obligations undertaken. In specific cases, the issue of said guarantees can be mitigated when the customer has a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by Snam Rete Gas as a major transmission service operator since 1 December 2011. More specifically, the current balancing rules require that, on a cost-effective basis, Snam focuses primarily on purchases and sales on the GME balancing platform to guarantee the resources needed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network. For regulated activities, the expected loss determination model enhances the guarantee and coverage mechanisms described above. Within the activities pertaining to the energy efficiency business, the credit risk is strongly mitigated by the use of incentive instruments (Ecobonus-Sismabonus-Superbonus) (in any case influenced by the risk of managing the obligations relative to "Superbonus" and "Minor Bonus") that guarantee the financial coverage of significant portions of the amounts of the interventions.

Below is a description of the credit recovery activities with respect to certain users of the transmission and balancing system as well as the storage system.

Debt collection action pursued against certain users of the transport and balancing system

The balancing service ensures the security of the network and the correct allocation of costs on market operators. Balancing is intended in both a physical and commercial sense. The physical balancing of the network consists of dispatch operations through which Snam Rete Gas controls gas flow parameters (flow rate and pressure) in real time to ensure the safe and efficient transport of gas from feed points to draw points. The commercial balancing of the network consists of the necessary operations for the correct planning, accounting and allocation of transported gas, along with a remuneration system that incentivizes users to balance the quantities of gas they feed into the network with the quantities they withdraw.

In accordance with the current balancing system introduced by resolution ARG/gas 45/11 and in force since 1 December 2011, Snam Rete Gas, in its capacity as Balancing Operator, is required to procure the amounts of gas required to balance the system and offered on the market by users through a dedicated Energy Market Operator platform. As such, it sees to the clearing of individual imbalances through the purchase and sale of gas at the benchmark unit price (principle of economic merit). Snam is also required to collect from any defaulting users the amounts paid to clear their imbalances.

Receivables not collected, relating to the period from 1 December 2011 to 23 October 2012

The regulatory framework initially set out by the Authority in resolution ARG/gas 155/11 envisaged the obligation for users to provide specific guarantees to cover their exposures, for which, in the event that Snam Rete Gas diligently provided the service and was unable to recover the costs incurred, said costs would be recouped through a price set by the Authority.

In the subsequent resolution 351/2012/R/gas[67], the Authority approved the application of a variable unit price (CVBL) to cover the receivables not collected, envisaging an instalment plan for the costs to be recouped of no less than 36 months, with a maximum monthly payment of 6 million euro.

The Authority later opened a fact-finding investigation into the methods for the provision of the balancing service in the period spanning 1 December 2011 to 23 October 2012[68]. The investigation was then closed by the Authority by resolution 144/2013/E/gas of 5 April 2013. On the same date, the Authority: (i) started up a procedure to determine the share of the costs arising from the uncollected receivables to be recouped by the gas balancing operator, for the period 1 December

[67] The aforementioned resolution was annulled with sentence of the TAR of Milan n.1587/2014, in relation to the obligation for Users to pay the CVBL fee in the amount of €0.001/Smc starting from 1 October 2012. Furthermore, with subsequent Resolution 372/2014/R/gas the coefficient was redetermined to the same extent of 0.001 €/Smc.

[68] The period targeted by the fact-finding investigation, initially limited to 1 December 2011–31 May 2012, was later extended to 23 October 2012.

2011–23 October 2012; and (ii) initiated six sanctioning proceedings aimed at investigating violations in the balancing service for natural gas.

In relation to point (i) above, the procedure was closed by resolution 608/2015/R/gas, in which the Authority decided not to recognize a portion of the uncollected receivables relating to the specific matters under investigation, without prejudice to the right of Snam Rete Gas to withhold any amounts receivable in relation to balancing service costs that had already been collected. The Company appealed against resolution 608/2015/R/gas to the Regional Administrative Court of Milan, which partially upheld the appeal lodged by the Company in its ruling No. 942/2017. Both the Company and the Authority lodged partial appeals against the ruling. The ruling was later upheld by the Council of State in its ruling No. 1630/2020.

During the aforementioned investigation period, Snam Rete Gas started up debt collection action to recover amounts receivable in relation to balancing service and transport service costs, after having terminated the transport contracts of the six users involved in the aforementioned sanctioning procedures, on the grounds of default or breach of the obligations binding under industry regulations and the Network Code governing balancing operations.

Snam Rete Gas obtained the issue of eleven provisionally enforceable injunction orders by Judicial Authorities, six of which referred to amounts receivable in relation to the balancing service[69] and five referred to amounts receivable in relation to the transport service, on the basis of which enforcement action was initiated. Said action recovered only a negligible part of the total outstanding debt of the users, also considering the insolvency proceedings filed by the users in question.

Specifically, at the date of this report:

- five users have been declared bankrupt. In relation to all five of these Users, Snam Rete Gas obtained admission to the list of claims for the entire amounts receivable, plus interest. In one of the bankruptcy proceedings, an arrangement approved by the majority of creditors was filed; following the final distribution of assets, the bankruptcy procedures were closed. Another, second procedure was recently closed following the approval and execution of the final distribution of assets;
- one user filed a request for a voluntary arrangement with creditors, with the Judicial Authority handing down its ruling approving the arrangement[70].

Receivables not collected, subsequent to 23 October 2012

In 2013, another two transport contracts were terminated and Snam Rete Gas applied for *ex parte* proceedings, obtaining three injunction orders for receivables not collected — two in relation to the balancing service and one in relation to the transport service. Appeals brought by both users were rejected, consolidating Snam Rete Gas's creditor claims. The enforcement procedures led to the recovery of a negligible amount of the total outstanding debt of the users, both of which were later declared bankrupt. Snam Rete Gas duly lodged its creditor claims in the insolvency proceedings against the users. In both cases, the insolvency proceedings led to the recovery of only a small part of the total outstanding debt of the bankrupt users.

In 2014, another transport contract was terminated. The debt collection actions initiated by Snam Rete Gas obtained two provisionally enforceable injunction orders, one referring to amounts receivable in relation to the balancing service and one in relation to the transport service. After the user was declared bankrupt, Snam Rete Gas obtained admission to the list of claims for the entire amount receivable, plus interest.

Finally, in 2015, another transport contract was terminated. The debt collection actions initiated by Snam Rete Gas obtained two provisionally enforceable injunction orders against the user, one referring to amounts receivable in relation to the balancing service and one in relation to the transport service. In addition, the user was later declared bankrupt and Snam Rete Gas duly lodged its creditor claim in the relative insolvency proceedings. Given the insolvency of the bankrupt user, the insolvency proceedings have ended.

As effectively acknowledged in the provisionally enforceable injunction orders obtained from Judicial Authorities, Snam Rete Gas acted with propriety and in accordance with the provisions of the transport contract, the Network Code and, more generally, with applicable laws and regulations.

Finally, we report that preliminary investigations led the Public Prosecutor's Office at the Milan Court, on 12 February 2016, to order the urgent precautionary seizure of assets and property belonging to companies variously linked to five of the users mentioned above. In May 2017, the investigation was closed and the companies were charged with criminal conspiracy to commit aggravated fraud against Snam Rete Gas. At the preliminary hearing on 19 December 2018, the judge accepted the application by Snam Rete Gas to join a civil law claim for damages to the criminal proceedings. The Court granted the application for measures of inquiry and opened the hearing to oral arguments.

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[69] Some of the aforementioned injunctive orders have been opposed by the affected users. In particular, three users, in addition to requesting to suspend the provisional enforceability and to revoke and/or declare the injunctions themselves null, voidable and/or in any case ineffective, have formulated counterclaims for Snam Rete Gas to be ordered to pay compensation for the damages they allegedly suffered. The opposition proceedings activated by them were declared extinguished with the consequent invalidity of the counterclaim and the injunctions becoming final.

[70] A complaint was lodged against the approval provision before the Court of Appeal of Turin, as well as - given the confirmatory provision adopted by the same Court - an appeal before the Supreme Court of Cassation.

The criminal proceedings ended with a conviction, on 15 February 2023, against the defendants Mr Giuli and Mr Moretti, both sentenced respectively to 9 years and 5 years and 6 months in prison, as well as the payment (as compensation for damages) of a provisional amount of 8 million euro in favour of Snam Rete Gas, in addition to the reimbursement of the costs of the proceedings. An appeal was filed on 28 June 2023 against the conviction in the interest of Snam Rete Gas, limited to civil rulings. We await notification of the hearing date before the Milan Court of Appeal.

The criminal proceedings originated from a complaint/lawsuit (and subsequent integrations) brought by Snam Rete Gas as the offended party in October 2012 in relation to the crimes of malicious falsehood and aggravated fraud.

Debt collection action pursued against certain users of the storage system

Strategic storage supplies withdrawn by three users, invoiced by Stogit, and drawn but not reinstated by the user within the terms set forth by the Storage Code

Following the withdrawal of strategic storage supplies by a user in 2010, Stogit initiated debt collection action, obtaining an injunction order whose provisional enforceability was confirmed in the appeal brought by the counterparty. Appropriate enforcement action was consequently taken.

After the further withdrawal and failure to reinstate strategic gas supplies in the first quarter of 2011, Stogit applied for and obtained a second provisionally enforceable injunction order for the additional amounts receivable.

Urgent legal action was also initiated for the reinstatement of all the gas supplies unduly drawn, which ended with the sentencing of the debtor, whose subsequent application for interim measures was rejected.

In 2012, said user and another two users (similarly in default with Stogit) applied for voluntary arrangement proceedings, in which Stogit duly lodged its creditor claims.

Later, following a sub-proceeding for the cancellation of the arrangement, the Asti Court declared two of the aforementioned users bankrupt. In both cases, Stogit obtained admission to the list of claims.

The voluntary arrangement procedure involving the third user is still pending, after one of the creditors appealed against the validation of the arrangement. The appeal was upheld by the Turin Court of Appeal and is now pending before the Court of Cassation.

Strategic storage supplies withdrawn by one user, invoiced by Stogit, and drawn but not reinstated by the user within the terms set forth by the Storage Code, attributable to the natural gas years 2010–2011 and 2011–2012

Stogit filed a lawsuit with the Milan Civil Court to obtain a provisionally enforceable injunction order of payment against a user, pursuant to Article 186-ter of the Civil Code.

At present, following the partial reinstatement of gas supplies after legal action was initiated, around 23.6 million Scm of supplies remain to be reinstated to Stogit.

Appropriate enforcement action was therefore taken by Stogit.

The Rome Court subsequently declared the user bankrupt and Stogit obtained admission to the list of claims in the relative insolvency proceedings.

Strategic storage supplies withdrawn by one user, invoiced by Stogit, and drawn but not reinstated by the user within the terms set forth by the Storage Code, attributable to the months of October and November 2011

Stogit filed a lawsuit with the Milan Civil Court to obtain a provisionally enforceable injunction order of payment against a user for the undue withdrawal of gas supplies, of which around 56.0 million Scm remain to be reinstated to Stogit.

Pending the decision of the court, the Rome Court declared the user bankrupt. As such, the Milan Civil Court ruled to discontinue the lawsuit and Stogit lodged its creditor claim in the relative insolvency proceedings, which resulted in a final distribution of assets. In 2020, with the closure of the insolvency proceedings, no amounts were liquidated to the company.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Snam’s Risk Management goal is to implement, in its strategic plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the Snam group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

Snam’s objective is therefore to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with Snam’s business profile and regulatory framework.

Furthermore, the financial market is characterised by an increasing availability of sources of funding for companies that are able to improve the environmental impact of their investments. The interest of investors is linked and subject to the ability of these companies to achieve specific environmental sustainability goals.

With a view to ensuring the proper management of the liquidity risk, the diversification of sources of funding, including through use of sustainable financial instruments, is therefore vital to ensure that companies have wide access to financial markets at competitive conditions, with resulting positive effects on their financial position and performance of operations.

Likewise, Snam’s failure to meet the KPIs for ESG - within the scope of the group’s general goal to make its business more sustainable over the medium-long term - could in future result in higher borrowing costs or lack of access to certain sources of funding.

The mitigation of this risk is further aided by Snam’s strong focus on ESG issues, which traditionally form an important and structured part of its business strategy. In line with this approach, starting in 2018, Snam has made increasing use of sustainable finance instruments, reaching the target of 80% of all “committed” sources in 2023, 3 years in advance. With the presentation of the 2023-27 Strategic Plan, the target was raised to 85% of total funding, to be reached by 2027.

In this regard, it should be noted that: (i) in February 2024, a new Sustainable Finance Framework for the issuance of green and sustainability-linked financial instruments was published in order to strengthen the company's continued commitment to the energy transition; (ii) Snam received a Second Party Opinion from ISS; (iii) based on the new framework, a sustainable loan of 1.5 billion euro was issued in February 2024, in dual tranches with the first 500 million euro Green Bond Snam and a 1 billion euro Sustainability-Linked Bond (SLB).

In particular, during 2023, Snam issued the following on the bond market: (i) in September, the first EU taxonomy-aligned transition bond convertible into existing ordinary shares of Italgas and maturing in 2028 for a nominal amount of 500 million euro and (ii) in November, its second EU Taxonomy-Aligned Transition Bond for 650 million euro to finance the energy transition projects and, in particular, the Eligible Projects defined in Snam's Sustainable Finance Framework published in November 2021. During the year, Snam also finalised the following with the main relationship banks: (i) bank loans for 1.4 billion euro, in Green loan and KPI-linked format; (ii) a Revolving Credit Facility (RCF) KPI-linked line with a pool of banks for a total of 1.8 billion euro, secured by the SupportItalia guarantee issued by SACE to cover 80% of the amount. Lastly, in November 2023, Snam renewed its Euro Commercial Paper programme, increasing it from 2.5 billion euro to 3.5 billion euro and linking it to environmental and social sustainability objectives in line with the sustainable loan, obtaining an initial ESG rating of EE for the instrument from the ESG rating company Standard Ethics, raised to EE+ during 2022 and confirmed in November 2023.

Lastly, as at 31 December 2023, Snam had unused long-term committed credit facilities totalling approximately 6.2 billion euro, of which: (i) 5.0 billion euro in pooled credit lines; (ii) a total of 1.2 billion euro of Revolving Credit Facilities (RCF). As at 31 December 2023, Snam had a Euro Medium Term Notes (EMTN) programme for an overall maximum nominal value of 13 billion euro, used for approximately 9.4 billion euro, as well as a Euro Commercial Paper (ECP) Programme, used at 31 December for 2.7 billion euro.

Snam’s cash and cash equivalents mainly refer to current accounts and promptly collectable bank deposits.

The Snam group’s main long-term financial debt instruments contain covenants typically used in international practice, which include negative pledge and pari passu clauses. Failure to comply with these clauses or the occurrence of other events, e.g. cross-default events, may result in Snam’s failure to comply and could trigger the early repayment of the related loan, resulting in additional costs and/or problems of liquidity. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

Among the factors that determine the risk perceived by the market, the credit rating, assigned to Snam by the rating agencies, plays a decisive role because it affects the company’s ability to access sources of funding and the related financial conditions. A deterioration of this credit rating could therefore limit access to the capital market and/or result in an increase in the cost of sources of funding, with consequent adverse effects on the group’s earnings, cash flows and financial position.

Snam’s long-term rating is: (i) Baa2 with stable outlook, confirmed on 9 February 2024 by Moody’s Investors Services; (ii) BBB+ with stable outlook, confirmed on 27 February 2024 by Standard & Poor’s Global Rating (“S&P”); (iii) BBB+ with stable outlook, confirmed on 28 March 2024 by Fitch Ratings (“Fitch”). Snam’s long-term rating by Moody’s, Fitch and Standard & Poor’s is one notch above that of the Italian Republic. Based on the methodology adopted by Moody’s and S&P, the downgrade by one notch of the Italian Republic’s current rating would trigger a likely equivalent downgrade of Snam’s current rating. In this regard, it should be noted that on 17 November 2023 Moody’s confirmed the rating of the

Italian Republic, improving the outlook to stable from negative; this action resulted in the revision of Snam's outlook from negative to stable on 21 November 2023. The Rating Agencies are due to announce their next country reviews for Italy on 19 April 2024 for S&P, 3 May 2024 for Fitch and 31 May 2024 for Moody's.

Snam's short-term rating - used in the context of its Commercial Paper programme - is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Although the Snam group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam group's business and financial position and performance.

Financial covenants and negative pledge contractual clauses

As at 31 December 2023, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues.

As at 31 December 2023, the financial debt subject to these restrictive clauses amounted to approximately 3.8 billion euro.

Bond loans issued by Snam as at 31 December 2023, with a nominal value of approximately 9.9 billion euro, mainly referred to the securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

TERNA GROUP

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

In this section information is provided on the Terna group's exposure to each of the risks listed above, the aims, policies and processes for managing these risks and the methods used to measure them, also including further quantitative information on the 2023 financial statements.

The group's risk management policies seek to identify and analyse the risks to which the group companies are exposed, establish their limits and create a system to monitor them. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of group companies.

The Terna Group's exposure to the above risks is substantially represented by Terna S.p.A.'s exposure to its own risks.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically with respect to the instruments to be used and the precise operating limits in managing them.

To enhance comparability, some balances as at 31 December 2022 have been restated.

Below are the main balance sheet items exposed to the aforementioned risks.

(millions of euro)	31/12/2023 Loans carried at amortized cost	Fair value	Total	31/12/2022 Loans carried at amortized cost	Fair value	Total
Assets	-	-	-			
Derivative financial instruments		17.8	17.8		75.7	75.7
Cash, Securities and Deposits	1,543.2	316.3	1,859.5	2,155.1	366.4	2,521.5
Trade receivables	2,123.4	-	2,123.4	2,358.3		2,358.3
Total	**3,666.6**	**334.1**	**4,000.7**	**4,513.4**	**442.1**	**4,955.5**

(millions of euro)	31/12/2023 Payables carried ad amortised cost	Fair values	Total	31/12/2022 Payables carried ad amortised cost	Fair value	Total
Liabilities	-	-	-			
Financial debt	11,995.5		11,995.5	10,770.1		10,770.1
Derivative financial instruments		164.6	164.6		248.0	248.0
Trade payables	2,864.9		2,864.9	3,687.7		3,687.7
Total	**14,860.4**	**164.6**	**15,025.0**	**14,457.8**	**248.0**	**14,705.8**

Financial risks

Market and financial risks of the group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk relates to interest rate risk, foreign exchange risk and inflation risk.

Risk management must pursue the objective of minimising the risks in question by selecting counterparties and instruments compatible with the corporate Risk Management policy. Speculative activity is not envisaged in the corporate mission.

The Terna group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to execute planned recourse to new debt and hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changing market conditions or changes in the hedged item make the latter unsuitable or unduly expensive.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (level 2) by means of appropriate valuation models for each category of financial instrument, using market data as at the end of the financial year (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risks

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates could have an impact on the fair value or future cash flows of financial instruments.

In conducting its operations, the group is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with typically long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. At the end of 2023, the fixed-rate group debt was 87%.

As at 31 December 2023, interest rate derivatives are represented by fair value hedge derivatives and cash flow hedge derivatives, used to hedge the risk of changes in the fair value of loans and associated cash flows, respectively.

The following table shows the notional amounts and the fair value of derivatives entered into by the Terna group:

	31/12/2023		31/12/2022		Change (+ / -)	
(millions of euro)	Notional	Fair value	Notional	Fair value	Notional	Fair value
FVH derivatives	1,853.0	(164.5)	1,973.5	(248.0)	(120.5)	83.5
CFH derivatives	2,362.8	17.2	1,996.3	75.5	366.5	(58.3)

The notional amounts of CFH derivatives as at 31 December 2023, amounting to 2,362.8 million euro, are broken down as follows:

- 1,309.8 million euro (fair value equal to 27.4 million euro) maturing in 2024;
- 260.0 million euro (fair value equal to 0.3 million euro) maturing in 2025;
- 353.0 million euro (fair value equal to -0.3 million euro) maturing in 2027;
- 500.0 million euro (fair value equal to -10.2 million euro) maturing in 2029;

The notional amounts of FVH derivatives as at 31 December 2023, amounting to 1,853.0 million euro, are broken down as follows:

- 950.0 million euro (fair value equal to -58.9 million euro) maturing in 2030;
- 323.0 million euro (fair value equal to -33.8 million euro) maturing in 2039;
- 490.0 million euro (fair value equal to -60.1 million euro) maturing in 2042;
- 90.0 million euro (fair value equal to -11.7 million euro) maturing in 2043.

Sensitivity to interest rate risk

Terna has interest rate swaps in place through which it manages the interest rate fluctuation risk.

Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, initially and periodically verified, is high, Terna chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for CFH derivatives, the fair value changes of the derivative must be recognised in “Other comprehensive income” (immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items; therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact of fair value changes on the income statement.

The following table shows: the amounts recognised through profit or loss and in “Other comprehensive income” in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative shift in the market yield curve; and the differential impact of those changes recognisable in the income statement and in “Other comprehensive income”. A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

	Net income or loss			Comprehensive income		
(millions of euro)	Current rates +10%	Current values	Current rates -10%	Current rates +10%	Current values	Current rates -10%
31 December 2023						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(0.7)	(2.8)	(4.9)	(48.5)	(58.3)	(68.2)
Hypothetical change	*2.1*		*(2.1)*	*9.8*		*(9.9)*
31 December 2022						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	5.0	3.6	2.1	169.8	159.1	148.3
Hypothetical change	*1.4*		*(1.4)*	*10.7*		*(10.8)*

Global regulators have begun reforming the IBOR (Interbank Offered Rates) indices, which are the benchmark indices for most financial instruments traded worldwide, in order to restore the reliability and robustness of the benchmarks. The transition from EONIA to ESTER has already taken place in 2022, with no major impact. The group continues to closely monitor the market and the results obtained by the various working groups in the sector that manage the transition to the new reference rates for the other maturities (EURIBOR). Management is aware of the associated risks and accordingly activities are planned to complete the transition in parallel with the changes in the applicable regulations. In addition, all new financial agreements include fallback clauses governing the transition period.

Inflation risk

As regards inflation rate risk, the rates established by the Regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the company used an inflation-linked bond issue which matured in September 2023, thereby obtaining a partial hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate is partially offset by lower financial expense and vice versa.

Exchange rate risk

Exchange rate risk management must be carried out with the aim of defending the company's profitability from the risks of exchange rate fluctuations through continuous market control and constant monitoring of existing exposure. To manage this risk, each time, Terna selects the financial hedging instruments with structural and duration characteristics consistent with the group's exposure to foreign currencies. The instruments used by Terna are those with limited complexity, high liquidity and ease of pricing, such as forward contracts and options. The group's existing contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

As at 31 December 2023, the group's Income Statement exposure to exchange rate risk was residual and due to the currency flows of subsidiaries Tamini and Brugg.

Liquidity risk

Liquidity risk is the risk that the Terna group might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity. As at 31 December 2023, the group had approximately 703 million euro available in short-term credit facilities (out of total credit lines of around 1,040 million euro), 3,455 million euro in revolving credit facilities. Lastly, Terna S.p.A. has entered into a Euro-Commercial Paper (ECP) financing agreement for a maximum total amount of 1,000 million euro, of which 130 million euro is still undrawn as at 31 December 2023.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings.

Terna essentially renders its services to counterparties considered solvent by the market and hence with a high credit standing, and avoids concentrations of credit risk.

Credit risk management is also compliant with Resolution no. 111/06 of the Italian Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), which, at Article 49, introduced instruments to limit the risks linked to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be defined by ARERA where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	31/12/2023	31/12/2022	Change (+ / -)
Derivative financial instruments	17.8	75.7	(57.9)
Cash and cash equivalents and other financial assets	1,859.5	2,521.5	(662.0)
Trade receivables	2,123.4	2,358.3	(234.9)
Total	**4,000.7**	**4,955.5**	**(954.8)**

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which Terna S.p.A. is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. For more information on the contractual provisions of outstanding loans at 31 December 2023, please see the section "Loans and financial liabilities" in the Notes to the financial statements of the Terna group.

Bank Guarantees

The amount of bank guarantees issued to third parties on behalf of group companies as at 31 December 2023 totalled 315.5 million euro, subdivided as follows: 71.9 million euro on behalf of Terna S.p.A., 101.6 million euro on behalf of the company Tamini Trasformatori S.r.l., 53.3 million euro on behalf of the company Terna Rete Italia S.p.A., 19.9 million euro on behalf of the company Terna Interconnector S.r.l., 51.6 million euro on behalf of the Brugg Group companies, 0.1 million euro on behalf of the company Terna Plus S.r.l., 4.5 million euro on behalf of the company Terna Perù SAC, 12 million euro on behalf of the company Terna Energy Solutions S.r.l. and 0.1 million euro on behalf of the company Terna Chile S.p.A.

ITALGAS GROUP

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

Financial risks

Credit risk

Credit risk represents the exposure to potential losses deriving from the non-fulfilment of obligations undertaken by counterparties or from delayed payment by counterparties of amounts due, with negative impact on the Italgas group's economic results and financial position.

Italgas, with reference to the year under consideration, is not significantly exposed to credit risk, however, to manage it and to mitigate it further, the Company has implemented the following: definition of rules for user access to the gas distribution service established by the regulator and set out in the Network Codes. These rules outline and govern the rights and obligations of the parties involved and provide for contractual clauses that reduce the risk of default such as the issuance of bank or insurance guarantees, the implementation of analysis and monitoring of the credit portfolio; the evaluation of initiatives for outsourcing debt collection to external specialised companies. Monthly monitoring of the activities and performance of the companies in charge; verification of the reliability of gas distribution customers: as at 31 December 2023, in Italy on average 98.6% of trade receivables are settled at maturity and over 99.7% within the following 4 days; in Greece on average 94.9% of trade receivables are settled at maturity and approximately the entire remaining ones within the following 4 days.

Interest rate risk, inflation and deflation risk

Fluctuations in interest rate risk impacts the market value of the Company's financial assets and liabilities particularly on the net financial expenses and represents:

- the risk that a long period of inflation below the group's forecasts could have negative effects, over the long term, on the Regulated Asset Base (RAB) value and on expected regulated revenues;
- the risk of an unexpected increase in the inflation rate with possible negative impact on expected costs.

To monitor and mitigate the possible consequences of this risk, Italgas has implemented various management initiatives, such as preparing a monitoring process for the financial and business plan, controlling and reporting Financial Risks; carrying out an annual financial planning and forecast with a seven-year time horizon; operating to maintain a debt ratio between fixed and floating rates that minimises the risk (as at 31 December 2023, 91.9% of gross financial debt was at a fixed rate versus 8.1% at floating rate) choosing a diverse portfolio of external funding (bond issues underwritten by institutional investors, syndicated loan agreements with banks and other financial institutions in the form of medium-long term debt and bank credit lines indexed to market reference rates, in particular the Europe Interbank Offered Rate (Euribor)) or monitoring of the main economic/financial indicators, including financial structure indices used by rating agencies, liquidity indicators, debt mix/composition indicators, counterparty risk indicators, and certain key quantities, such as the ratio between indebtedness and RAB.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

For the year ending 31 December 2023, Italgas was not subject to any significant liquidity risk and has implemented various management initiatives, including countermeasures as described in risk “Interest rate risk, inflation and deflation risk”; verifying that it has an adequate level of liquid assets deposited in current accounts and time deposits with primary banking institutions and continuing the Euro medium-term note (EMTN) Programme, in addition to and to supplement using banking system, which currently allows it to issue a residual nominal 1.5 billion euro Notes, to be placed with institutional investors.

Credit Rating Risk

With reference to Italgas’s long-term debt, a major rating agency confirmed Italgas’s long-term credit rating at Baa2 for the year 2023.

This trend, in line with the Italian scenario, reflects Italgas’s exposure to the pressures linked to a deterioration in sovereign credit quality.

In light of these considerations, Italgas’s credit rating downgrade risk was analysed, i.e. the risk of worsening of the Company’s economic-financial parameters or that due to a downgrade of the rating of the Italian Republic, which, based on the methodologies adopted by the rating agencies, could trigger a downward adjustment of Italgas’s rating.

Based on these assessments, Italgas has implemented the following management initiatives:

- implementation of countermeasures as described in “Interest rate risk, inflation and deflation risk”
- having an ongoing dialogue with Rating Agencies.

Default Risk and Debt Covenants

The Default Risk and Debt Covenants arises from the failure to meet the commitments accompanying these loans, and in certain cases only when that default is not remedied by the stipulated deadlines, and the occurrence of other events such as, for example, cross-default events, some of which are subject to specific materiality thresholds, which may result in defaults by Italgas and could cause the related loan to become immediately due.

With reference to financial year ending on 31 December 2023, to monitor and mitigate this risk, Italgas highlighted the absence of financial covenants and/or collateral in their loan agreements (as at 31 December 2023, there were no loans with these characteristics, with the exception of the European Investment Bank (EIB) loan underwritten by Toscana Energia for an original nominal amount of 90 million euro, that stipulated compliance with certain financial covenants. Italgas has also implemented monitoring of compliance with contractual clauses such as: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out (as at 31 December 2023, these commitments had been met).

VII – SHARE-BASED PAYMENTS

Incentive plans for executives based on Snam shares

Long-term Performance Share Plan

At the Snam Shareholders' Meetings held on 18 June 2020 and 4 May 2023, the Shareholders approved the 2020-2022 and 2023-2025 long-term performance share plans, granting the Board of Directors, and by default the Chief Executive Officer too, with express power of sub-delegation, all powers necessary to implement the plans.

The incentive plans are designed to reward senior executives, identified by Snam's Chief Executive Officer, such as Snam's management team and that of its subsidiaries as well as those employees who hold roles with the greatest impact on the achievement of medium-long term business results or with strategic relevance for the achievement of Snam's multi-year objectives. Additionally, the plans are aimed at rewarding any other positions identified, in relation to the performance achieved, the skills possessed or with a view to staff retention. The maximum number of beneficiaries per three-year cycle is 100.

The plans provide for three allocations of ordinary shares each in the years 2020-2021-2022 and 2023-2024-2025, respectively. Each allocation is subject to a three-year vesting period, in the years 2023-2024-2025 and 2026-2027-2028, respectively, at the end of which the actual allocation of shares, if applicable, takes place, as illustrated in the diagram below.

	Vesting period and performance			
2020 award	2020	2021	2022	2023 free share award
2021 award	2021	2022	2023	2024 free share award
2022 award	2022	2023	2024	2025 free share award
2023 award	2023	2024	2025	2026 free share award

The Board of Directors set the maximum number of shares backing each three-year period of the plans to 3,500,000.

The "2023-2025 plan" includes free shares granted in variable numbers in relation to the individual assignment and the degree to which the performance targets of the plan are met. The actual vesting of the shares assigned is subject to the achievement of specific performance targets, which are reviewed for all beneficiaries at the end of each three-year vesting period, and is subject to a timely review by the Appointments and Compensation Committee of the actual achievement of the targets, in support of the resolutions passed in this regard by the Board of Directors.

The plan's performance targets, are linked to the following parameters:

- Accumulated adjusted net income in the three-year period corresponding to the performance period, with a weighting of 40%;
- Value Added generated in the three-year period corresponding to the performance period, with a weighting of 20%;
- Energy Transition Readiness metric, with an overall weighting of 20%, in respect of the following parameters:
  i) Kilometres of "H2 ready" network (weighting 10%);
  ii) installed MW in biomethane projects (weighting 5%);
  iii) CSS - H2 projects and market design (weighting 5%);
- ESG Metric, with a weighting of 20%, measured through performance against two indicators over a three-year period, aiming to:
  i) reduce natural gas emissions over the next three years (weighting 10%);
  ii) ensure fair representation of the least present gender in Snam's management team (weighting of 10%), in terms of % of senior and middle manager positions of the least represented gender on the total of senior and middle manager positions of the Snam group.

An additional number of shares is also envisaged - defined as dividend equivalent - to be allocated based on the shares actually granted at the end of the vesting period. The number of additional shares to be assigned is determined by dividing the sum of the dividends distributed during the vesting period by the average share price recorded in the month preceding the allocation. For the Chief Executive Officer and the other beneficiaries of the plan, 20% of the granted shares, gross of those necessary to comply with the tax expense, will be subject to a lock-up period.

For more information see the “2023-2025 Long-term Performance Share Plan Information Document” prepared pursuant to article 84-bis of the Issuers’ Regulation, available on Snam’s website.

Consistent with the substantial nature of remuneration, in accordance with International Accounting Standards, the plan’s costs are determined by reference to the fair value of the instruments granted and the forecast of the number of shares to be granted at the end of the vesting period; the cost is recognised in proportion to the time over the vesting period.

The costs for 2023, equal to the sum of the number of shares expected to vest at maturity multiplied by their fair value at the grant date, were recognised as a component of labour costs against a corresponding equity reserve and totalled 5 million euro (6 million euro in 2022).

2023-2027 LONG-TERM PERFORMANCE SHARE PLAN OF TERNA S.P.A.

The Regulations of the new Performance Share Plan 2023-2027 were approved by the Board of Directors on 14 June 2023, implementing the terms set by the Ordinary Shareholders’ Meeting held on 9 May 2023.

The Plan gives the right to assign a number of Terna S.p.A. shares (Performance Shares) for no consideration at the end of the performance period, provided that the performance targets to which the plan is connected are reached.

On 10 July 2023, the programme for the purchase of treasury shares covering the 2023-2027 Performance Share Plan was concluded, for a maximum disbursement of about 7 million euro and the purchase of 917,611 ordinary shares of the Company (representing approximately 0.046% of the share capital). Lastly, in line with Terna’s commitment to the issues of sustainability and social and environmental responsibility, the programme includes a mechanism linked to the achievement by the company of specific environmental, social and governance targets.

As at 31 December 2023, Terna S.p.A. holds a total of 4,213,660 treasury shares (representing 0.210% of the share capital).

The aforementioned total number of shares held by the Company is made up by purchases made in implementation of four separate Share Buyback Programs, respectively, covering the:

I. Performance Share Plan 2020-2023, during the period from 29 June 2020 to 6 August 2020;
II. Performance Share Plan 2021-2025, during the period from 31 May 2021 to 23 June 2021;
III. Performance Share Plan 2022-2026, during the period from 27 May 2022 to 13 June 2022, and
IV. Performance Share Plan 2023-2027, during the period from 22 June 2023 to 6 July 2023,

net of 1,079,860 treasury shares, allocated by the Company, during the period from 9 May 2023 to 1 June 2023, in favor of the beneficiaries of the 2020-2023 Performance Share Plan.

The Company does not hold, either directly or indirectly through subsidiaries, any additional treasury shares in its portfolio other than those purchased under the aforementioned Plans.

LONG-TERM PERFORMANCE SHARE PLAN OF ITALGAS S.P.A.

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

On 12 March 2024, in implementation of the 2021-2023 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders’ Meeting on 20 April 2021, the Board of Directors resolved on the free allotment of a total of 497,089 new ordinary shares of the Company to the beneficiaries of the Plan (so-called first cycle of the Plan) and executed the first tranche of the capital increase approved by the same Shareholders’ Meeting, for a nominal amount of 616,390 euro drawn from the retained earnings reserve.

VIII – OPERATING SEGMENTS

This disclosure has been prepared in accordance with IFRS 8 “Operating segments”.

CDP RETI's mission is to manage its equity investments in Snam, Terna and Italgas, as a long-term investor with the aim of supporting the development of transport, regasification, storage and distribution infrastructures for natural gas as well as the transmission of electricity.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The segments that CDP RETI and its subsidiaries operate in essentially consist of:

- gas transport, regasification, storage and energy transition[71]overseen by the companies of the Snam group;
- gas distribution, integrated water and energy efficiency service overseen by the Italgas group companies;
- dispatch and transmission of electricity by the companies of the Terna group.

The operating segments of the CDP RETI Group are consistent and in continuity with the disclosure provided in the 2022 financial statements.

The table below shows the results of the CDP RETI Group’s operating segments at 31 December 2023, together with a reconciliation with the Group’s results.

[71] It includes the biogas/biomethane and energy efficiency businesses, and hydrogen start-up activities.

(million of euro)	2023							2022
Items	CDP RETI	Snam	Terna	Terna	Intercompany adj.	Other adj.	Group	Group
Revenues from sales and services		4,244	3,123	2,564			9,931	8,577
Other revenues and income		44	64	74	(1)		181	183
Revenues from financial statement		**4,288**	**3,187**	**2,638**	**(1)**		**10,112**	**8,760**
Reclassifications				(821)			(821)	(756)
Revenues from sectors		**4,288**	**3,187**	**1,818**	**(1)**		**9,291**	**8,004**
Costs from financial statement (not included Depreciation and Amortization)	**(2)**	**(1,891)**	**(1,018)**	**(1,412)**	**1**	**(3)**	**(4,325)**	**(3,404)**
Reclassifications				802		(1)	801	738
Costs from sectors (not included Depreciation and Amortization)	**(2)**	**(1,891)**	**(1,018)**	**(610)**	**1**	**(4)**	**(3,524)**	**(2,666)**
EBITDA	**(2)**	**2,397**	**2,169**	**1,208**		**(4)**	**5,767**	**5,338**
EBITDA margin	*0%*	*26%*	*23%*	*13%*		**-**	*62%*	*67%*
Ammortisation, depreciation and impairment		(1,126)	(806)	(546)		(247)	(2,725)	(2,349)
Reclassifications			(1)	19		2	20	18
Operating profit (EBIT)	**(2)**	**1,271**	**1,362**	**681**		**(249)**	**3,062**	**3,007**
EBIT margin	*0%*	*14%*	*15%*	*7%*		*-3%*	*33%*	*38%*
Financial income	595	99	106	6		(553)	253	221
Borrowing expenses	(85)	(314)	(252)	(103)			(754)	(411)
Portion of income (expenses) from equity investments valued with the equity method		479	3	3		(60)	425	(191)
Reclassifications								
Taxes for the period	5	(389)	(358)	(119)		69	(792)	(832)
Profit from discontinued operations			3				3	(20)
Reclassifications								
Net income from sectors	**513**	**1,146**	**864**	**468**		**(793)**	**2,197**	**1,774**

The balance sheet information analysed by Top Management does not refer directly to the individual segment operations, but rather to the overall valuation and representation of Equity, Net Financial Debt and Technical Investments.

IX - GUARANTEES AND COMMITMENTS

Guarantees and commitments, amounting in total to 15.6 billion euro at 31 December 2023 (19.1 billion euro at 31 December 2022), are broken down as follows:

Guarantees and commitments: breakdown

Items/Figures	31/12/2023	31/12/2022
Guarantees pledged	**2,261,975**	**2,340,210**
Trade guarantees	601,723	777,453
Financial guarantees	1,450,025	1,545,370
Assets held as guarantee for third-party services	210,227	17,387
Commitments	**9,720,538**	**6,880,387**
Commitments for the purchase of goods and services	9,652,777	6,753,024
Commitments for associates		
Other	67,761	127,363
Risks	**3,674,097**	**9,919,995**
For third-party assets held for safekeeping	3,302,237	9,574,112
For damages and claims	371,860	345,883
Total	**15,656,610**	**19,140,592**

IX.1 GUARANTEES

Guarantees given, for a total amount of 2,262 million euro, refer to indemnities issued to third parties against sureties and other guarantees issued in the interest of subsidiaries or associates to guarantee the performance of works and in relation to tenders and credit facilities mainly associated with the distribution of natural gas. Financial guarantees provided, amounting to 1,450 million euro, include the following:

- the guarantee provided by Snam in the interest of third parties to its associate TAP (for 1,129 million euro);
- guarantees issued by the Terna g1roup to third parties in the amount of 315.5 million euro, broken down as follows: 71.9 million euro on behalf of Terna S.p.A., 101.6 million euro on behalf of Tamini Trasformatori S.r.l., 53.3 million euro on behalf of Terna Rete Italia S.p.A., 19.9 million euro on behalf of Terna Interconnector S.r.l., 51.6 million euro in the interest of Brugg group companies, 0.1 million euro in the interest of Terna Plus S.r.l., 4.5 million euro in the interest of Terna Perù SAC, 12.0 million euro in the interest of Terna Energy Solutions S.r.l. and 0.1 million euro in the interest of Terna Chile S.p.A.

Non-financial guarantees include:

- those lent by Snam on behalf of its subsidiaries (371 million euro) and mainly refer to:
  i) guarantees provided in favour of the Italian Revenue Agency mainly on behalf of the subsidiaries Stogit, GNL, Greenture and Bioenerys Agri (154 million euro);
  ii) performance guarantees indemnities issued to third parties (76 million euro);
  iii) the Parent Company Guarantee provided in the interest of Snam FSRU Italia S.r.l. issued alongside the signing of the Development Agreement for the engineering, procurement, modifications, installation and commissioning of the FSRU "BW Singapore", in favour of the contractor BW Fleet Management AS (32 million euro).
- those provided by Italgas amounting to 445,703 thousand euro, that refer mainly to suretyship guarantees and other guarantees given on behalf of subsidiaries.

IX.2 COMMITMENTS

Commitments undertaken with suppliers for the purchase of property, plant and equipment and the supply of services related to investments in property, plant and equipment and intangible assets under construction/development amounted to a total of 9,653 million euro, mainly referring to the Terna group (6,027 million euro), the Snam group (2,407 million euro) and the Italgas group (1,220 million euro).

IX.3 RISKS

Risks for third-party assets held, amounting to 3,302 million euro (9,574 million euro as at 31 December 2022), refer to around 7.5 billion cubic metres of natural gas held at storage facilities by the beneficiaries of the service. This amount was determined by measuring the quantities of stored gas at the presumed unitary repurchase cost, amounting to around 0.44 euro per normal cubic metre (1.32 euro per normal cubic metre at 31 December 2022).

Risks associated with compensation and claims, totalling 372 million euro and mainly attributable to Italgas group, refer to compensation potentially payable but not probable in relation to ongoing disputes with low probability of verification of the related business risk.

X – DISCLOSURE OF LEASES

X.1 LESSEE

Qualitative disclosures

On first-time adoption the CDP RETI Group applied the new standard according to the “Modified Retrospective Approach”, which allows recognition of the cumulative effect of the application of the standard on the first-time adoption date without restating the comparative information.

As a result of this decision, upon first-time adoption no impact on the book equity was recognised at 1 January 2019. Property, plant and equipment includes 81 million euro in right-of-use assets against Operating lease liabilities of 73.4 million euro. Total lease liabilities recognised upon FTA amounted to 73.9 million euro.

The Group has decided to adopt some of the practical expedients and recognition exemptions provided by the standard. More specifically:

- exclusion of leases with a total or remaining lease term of 12 months or less;
- exclusion of leases with a low underlying asset value at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application;
- exclusion of leases of intangible assets (IFRS 16.4).

For further details, please refer to paragraph “I.2 Main items of the consolidated financial statements” in the Notes to the consolidated financial statements.

Quantitative disclosures

Classification by time band of the payments to be made and reconciliation with the lease liabilities recognised

(thousands of euro) Time bands	31/12/2023 Lease payables	31/12/2022 Lease payables
Up to 1 year	59,003	43,781
Between 1 and 2 years	75,097	76,205
Between 2 and 3 years	18,388	20,868
Between 3 and 4 years	11,276	13,189
Between 4 and 5 years	8,129	7,782
Over 5 years	16,131	14,332
Total lease payments to be made	**188,024**	**176,157**
Reconciliation with lease liabilities	**(2,581)**	**(6,399)**
Unearned finance income (+)	(2,581)	(6,399)
Unguaranteed residual value (+)		
Lease liabilities	**185,443**	**169,758**

Exceptions to IFRS 16 (short term, low value, etc.) - Classification by time band of the payments to be received

(thousands of euro) Time bands	31/12/2023 Lease payments to be made	31/12/2022 Lease payments to be made
Up to 1 year	17,280	14,223
Between 1 and 2 years	47,304	51,744
Between 2 and 3 years		
Between 3 and 4 years		
Between 4 and 5 years		
Over 5 years		
Total	**64,584**	**65,967**

X.2 LESSOR

Qualitative disclosures

The CDP RETI Group does not have operating leases outstanding for which the related lease payments are recognised in the income statement on a straight-line basis over the term of the agreement.

ANNEXES

ANNEX 1: SCOPE OF CONSOLIDATION

Company name	Registered office	Share capital (euro)		Investor	% holding	Consolidation method
Parent company						
CDP Reti S.p.A.	Rome	161,514		Cassa depositi e prestiti S.p.A.	59.10%	
				State Grid Europe Limited	35.00%	
				Cassa Nazionale di Previdenza e Assistenza Forense	2.63%	
				Soci terzi	3.27%	
Consolidated companies						
AS Gasinfrastruktur Beteiligung GmbH	Wien	35,000		SNAM S.p.A.	40.00%	Equity
ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	10,000,000		SNAM S.p.A.	100.00%	Line-by-line
AVVENIA THE ENERGYINNOVATOR S.r.l.	Rome	10,000		Terna Energy Solutions S.r.l.	100.00%	
Acqua S.r.l.	Milan	20,350,000		Nepta S.p.A.	100.00%	Line-by-line
Acqualatina S.p.A.	Latina	23,661,533		Idrolatina S.r.l.	49.00%	Equity
Agriwatt Castel Goffredo Società Agricola a r.l.	Como	100,000		Bioenerys Agri S.r.l.	100.00%	Line-by-line
Albanian Gas Service Company Sh.a.	Tirana	875,000	(i)	SNAM S.p.A.	25.00%	Unconsolidated subsidiary
Arbolia S.r.l. Società Benefit	San Donato Milanese (MI)	100,000		SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Asset Company 10 S.r.l.	San Donato Milanese (MI)	10,000		SNAM S.p.A.	100.00%	Line-by-line
Asset Company 4 S.r.l.	San Donato Milanese (MI)	100,000		SNAM S.p.A.	100.00%	Unconsolidated
Asset Company 9 S.r.l.	San Donato Milanese (MI)	10,000		SNAM S.p.A.	100.00%	Unconsolidated
BMT Energy Transmission Development LCC	Wilmington	500,000	(f)	Terna USA LLC	40.00%	Equity
BYS Società Agricola Impianti S.r.l.	Pordenone	28,000		Bioenerys Agri S.r.l.	100.00%	Line-by-line
Bietifin S.r.l.	Bologna	500,000		Bioenerys Agri S.r.l.	100.00%	Line-by-line
Bioenerys Agri S.r.l.	Pordenone	100,000		Bioenerys S.r.l.	100.00%	Line-by-line
Bioenerys Ambiente S.r.l.	San Donato Milanese (MI)	1,710,764		Bioenerys S.r.l.	100.00%	Line-by-line
Bioenerys S.r.l.	San Donato Milanese (MI)	5,000,000		SNAM S.p.A.	100.00%	Line-by-line
Biogas Bruso Società Agricola a R.L.	Pordenone	10,000		Bioenerys Agri S.r.l.	99.90%	Line-by-line
Biowaste CH4 Anzio S.r.l.	San Donato Milanese (MI)	700,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Biowaste CH4 Foligno S.r.l.	San Donato Milanese (MI)	4,347,618		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Biowaste CH4 Group S.r.l.	San Donato Milanese (MI)	22,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Biowaste CH4 Legnano	Turin	24,558,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Biowaste CH4 Tuscania S.r.l.	San Donato Milanese (MI)	5,950,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Biowaste Ch4 Genova S.r.l.	San Donato Milanese (MI)	4,127,000		Bioenerys Ambiente S.r.l.	100.00%	
Bludigit S.p.A.	Milan	11,000,000		Italgas S.p.A.	100.00%	Line-by-line
Brugg Cables (India) Pvt., Ltd.	Haryana	48,000,000	(g)	Brugg Kabel GmbH	0.26%	Line-by-line
				Brugg Kabel AG	99.74%	
Brugg Cables (Shanghai) Co., Ltd.	Shanghai	1,600,000	(f)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables (Suzhou) Co., Ltd.	Suzhou	32,000,000	(k)	Brugg Cables (Shanghai) Co., Ltd.	100.00%	Line-by-line
Brugg Cables Company	Riyadh	50,000	(o)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables Italia S.r.l.	Milan	10,000		Brugg Kabel Manufacturing AG	100.00%	Line-by-line
Brugg Cables Middles East Contracting LLC	Dubai	200,000	(o)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables, Inc.	Chicago	1,000	(f)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel AG	Brugg	22,000,000	(l)	Brugg Kabel Services AG	90.00%	Line-by-line
Brugg Kabel GmbH	Schwieberdingen	103,000		Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel Manufacturing AG	Brugg	7,000,000	(l)	Brugg Kabel Services AG	100.00%	Line-by-line
Brugg Kabel Services AG	Brugg	1,000,000	(l)	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
CESI S.p.A.	Milan	8,550,000		Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	155,108,283		Terna S.p.A.	22.09%	Equity
CH4 Energy S.r.l.	Palermo	10,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
CORESO S.A.	Bruxelles	1,000,000		Terna S.p.A.	15.84%	Equity
Cubogas S.r.l.	San Donato Milanese (MI)	1,000,000		Greenture S.p.A.	100.00%	Line-by-line
Enaon EDA S.A.	Athens	243,811,712		Enaon S.A.	100.00%	Line-by-line
Enaon S.A.	Athens	79,709,919		Italgas Newco S.p.A.	100.00%	Line-by-line
ELMED Etudes S.a.r.l.	Tunisi	2,016,120	(h)	Terna S.p.A.	50.00%	Equity
ESPERIA-CC S.r.l.	Roma	10,000		Terna S.p.A.	1.00%	Line-by-line
East Mediterranean Gas Company S.a.e.	Cairo	147,000,000	(f)	Snam International B.V.	25.00%	Equity
BYS Ambiente Impianto S.r.l. (già Ecoprogetto	San Donato Milanese (MI)	1,000,000		Renerwaste Lodi S.r.l.	55.00%	Line-by-line
				Bioenerys Ambiente S.r.l.	45.00%	
Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	1,000,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Ecos S.r.l.	Genova	10,000		SNAM S.p.A.	33.34%	
Emiliana Agroenergia Società Agricola S.r.l.	Piacenza	30000		Bioenerys Agri S.r.l.	100.00%	Line-by-line
Energie Reti Gas S.r.l.	Milan	11,000,000		Medea S.p.A.	49.00%	Equity
Energy Investment Solution S.r.l. (in liquidazione)	Milan	100,000		Tep Energy Solution S.r.l.	40.00%	Unconsolidated
Enerpaper S.r.l.	Turin	20,156		Geoside S.p.A.	20.01%	Equity
Enersi Sicilia	San Donato Milanese (MI)	400,000		Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Enura S.p.A.	San Donato Milanese (MI)	3,700,000		SNAM S.p.A.	55.00%	Line-by-line
Equigy B.V.	Arnhem	50,000		Terna S.p.A.	20.00%	Equity
Evolve S.p.A.	Milan	1,450,000		Renovit S.p.A.	70.00%	Line-by-line
FSRU I Limited	Hamilton	369,923,484		SNAM FSRU ITALIA S.r.l.	100.00%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MI)	17,300,000		SNAM S.p.A.	100.00%	Line-by-line
Galaxy Pipeline Assets Holdco Limited	Jersey	1,979,221,357	(f)	SNAM S.p.A.	12.33%	Equity
Gasrule Insurance D.A.C.	Dublin	20,000,000		SNAM S.p.A.	100.00%	Line-by-line
Geoside S.p.A.	Casalecchio di Reno	57,089,254		Toscana Energia S.p.A.	32.78%	Line-by-line
				Italgas S.p.A.	67.22%	
Gesam Reti S.p.A.	Lucca	20,626,657		Toscana Energia S.p.A.	42.96%	Equity
Govone Biometano S.r.l.	Pordenone	70,000		Bioenerys Agri S.r.l.	100.00%	Unconsolidated subsidiary

Company name	Registered office	Share capital (euro)	Investor	% holding	Consolidation method
Greenture S.p.A.	San Donato Milanese (MI)	2,320,000	SNAM S.p.A.	100.00%	Line-by-line
Halfbridge Automation S.r.l.	Rome	10,000	LT S.r.l.	70.00%	Line-by-line
IES Biogas S.r.l. (Argentina) in liquidazione	Buenos Aires	100,000 (j)	Bioenerys Agri S.r.l.	95.00%	Unconsolidated
			Bioenerys S.r.l.	5.00%	
Idrolatina S.r.l.	Milan	6,902,587	Acqua S.r.l.	100.00%	Unconsolidated
Idrosicilia S.p.A.	Milan	22,520,000	Acqua S.r.l.	98.70%	
Immogas S.r.l.	Florence	1,718,600	Toscana Energia S.p.A.	100.00%	Line-by-line
Industrie De Nora S.p.A.	Milan	18,268,204	Asset Company 10 S.r.l.	21.59%	Equity
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	10,000,000	ASSET COMPANY 2 S.r.l.	100.00%	Line-by-line
Interconnector Ltd	London	12,754,680 (a)	Snam International B.V.	23.68%	Equity
Interconnector Zeebrugge Terminal B.V.	Bruxelles	123,946	Snam International B.V.	25.00%	Equity
Italgas Newco S.p.A.	Milan	50,000,000	Italgas S.p.A.	90.00%	Line-by-line
Italgas Reti S.p.A.	Turin	252,263,314	Italgas S.p.A.	100.00%	
Italgas S.p.A.	Milan	1,003,227,569	CDP Reti S.p.A.	25.99%	Line-by-line
			SNAM S.p.A.	13.47%	
LT S.r.l.	Rome	400,000	Terna Energy Solutions S.r.l.	75.00%	Line-by-line
Latina Biometano S.r.l.	Roma	10,000	Bioenerys Agri S.r.l.	32.50%	Unconsolidated
MST S.r.l.	Pordenone	800,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
MZ Biogas S.a.r.l.	Pordenone	119,000	Bioenerys Agri S.r.l.	99.90%	
Maiero Energia S.a.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Medea S.p.A.	Sassari	95,500,000	Italgas Reti S.p.A.	51.85%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	200,000	Italgas S.p.A.	50.00%	Equity
Moglia Energia Società Agricola a R.L.	Pordenone	30,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Nepta S.p.A.	Milan	50,000	Italgas S.p.A.	100.00%	Line-by-line
OLT Offshore LNG Toscana S.p.A.	Milan	40,489,544	SNAM S.p.A.	49.07%	Equity
RENPV1 S.r.l	Milan	10,000	Tep Energy Solution S.r.l.	100.00%	Unconsolidated
RENPV2 S.r.l.	Milan	10,000	Tep Energy Solution S.r.l.	100.00%	Unconsolidated
Ravenna LNG Termina S.r.l.	San Donato Milanese (MI)	10,000	SNAM FSRU ITALIA S.r.l.	100.00%	Line-by-line
Renerwaste Cupello S.r.L.	San Donato Milanese (MI)	1,000,000	Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Renerwaste Lodi S.r.l.	San Donato Milanese (MI)	10,000	Bioenerys Ambiente S.r.l.	100.00%	Line-by-line
Renovit Public Solutions S.p.A.	Milan	200,000	Renovit S.p.A.	70.00%	Line-by-line
Renovit S.p.A.	San Donato Milanese (MI)	4,375,000	SNAM S.p.A.	60.05%	Line-by-line
Rete S.r.l.	Rome	387,267,082	Terna S.p.A.	100.00%	Line-by-line
SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	1,200,000,000	SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	2,735,670,476	CDP Reti S.p.A.	31.35%	Line-by-line
SOUTHEAST ELECTRICITY NETWORK	Salonicco	200,000	Terna S.p.A.	33.00%	Equity
SPE TRANSMISSORA DE ENERGIA LINHA	Belo Horizonte	506,999,313 (d)	TERNA PLUS S.r.l.	75.00%	Line-by-line
Seacorridor S.r.l.	San Donato Milanese (MI)	100,000,000	SNAM S.p.A.	49.90%	Equity
Senfluga energy infrastructure holdings S.A.	Athens	20,125,050	SNAM S.p.A.	54.00%	Equity
Siciliacque S.p.A.	Palermo	400,000	Idrosicilia S.p.A.	75.00%	Equity
Snam FSRU ITALIA S.r.l.	San Donato Milanese (MI)	10,000	SNAM S.p.A.	100.00%	Line-by-line
Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing (China)	15,493,800 (k)	Snam International B.V.	100.00%	Equity
Snam International B.V.	Amsterdam	6,626,800	SNAM S.p.A.	100.00%	Line-by-line
Snam energy services private limited	New Delhi	1,000,000 (g)	Snam International B.V.	100.00%	Unconsolidated
			SNAM S.p.A.	0.00%	
Società Agricola Agrimetano Pozzonovo S.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Agrimetano Ro S.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Agrimetano S.r.l.	Faenza (RA)	60,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Agrimezzana Biogas S.r.l.	San Rocco al Porto LO)	30,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Asola Energie Biogas S.r.l.	Asola (MN)	60,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 1 S.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 2 S.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 3 S.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 4 S.r.l.	Pordenone	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Carignano Biogas S.r.l.	Bologna	100,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola G.B.E. Gruppo Bio Energie S.r.l.	Pordenone	20,000	Società Agricola Sangiovanni S.r.l.	100.00%	Line-by-line
Società Agricola La Valle Green Energy S.r.l	Cerea (VR)	10,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola SQ Energy S.r.l.	Pordenone	100,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola San Giuseppe Agroenergia S.r.l.	Bologna	450,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Sangiovanni S.r.l.	Pordenone	20,000	Società Agricola SQ Energy S.r.l.	50.00%	Line-by-line
			Bioenerys Agri S.r.l.	50.00%	
Società Agricola Santo Stefano Energia S.r.l.	Casalmoro (MN)	60,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola T4 Energy S.r.l.	Pordenone	200,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Tessagli Agroenergia S.r.l.	Commessaggio (MN)	29,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Società Agricola Zoppola Biogas S.r.l.	Pordenone	10,000	Società Agricola Sangiovanni S.r.l.	100.00%	Line-by-line
Soragna Agroenergie Società Agricola S.r.l.	Sorbolo Mezzani (PR)	60,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
Stogit S.p.A.	San Donato Milanese (MI)	152,205,500	SNAM S.p.A.	100.00%	Line-by-line
TERNA Crna Gora d.o.o.	Podgorica	208,000,000	Terna S.p.A.	100.00%	
TERNA PLUS S.r.l.	Rome	16,050,000	Terna S.p.A.	100.00%	Line-by-line
TERNA RETE ITALIA S.p.A.	Rome	300,000	Terna S.p.A.	100.00%	Line-by-line
Tamini Transformatori India Private limited	Maharashtra (India)	13,175,000 (g)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Transformers USA L.L.C.	Sewickley	52,089 (f)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Legnano (MI)	4,285,714	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Tea Innovazione Due S.r.l.	Brescia	20,000	Tep Energy Solution S.r.l.	100.00%	Unconsolidated
Tep Energy Solution S.r.l.	Rome	1,000,000	Renovit S.p.A.	100.00%	Line-by-line
Terega Holding S.A.S.	Pau	505,869,374	SNAM S.p.A.	40.50%	Equity
Terna 4 Chacas S.A.C.	Lima	13,734,560 (e)	TERNA PLUS S.r.l.	99.99%	Line-by-line
			Terna Chile S.p.A.	0.01%	
Terna Chile S.p.A.	Santiago del Cile	2,475,710,500 (c)	TERNA PLUS S.r.l.	100.00%	Line-by-line
Terna Energy Solutions S.r.l.	Rome	2,000,000	Terna S.p.A.	100.00%	Line-by-line
Terna Forward S.r.l.	Rome	10,000	Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	10,000	Terna S.p.A.	65.00%	Line-by-line
			TERNA RETE ITALIA S.p.A.	5.00%	
Terna Peru S.A.C.	Lima	116,813,900 (e)	TERNA PLUS S.r.l.	99.99%	Line-by-line
			Terna Chile S.p.A.	0.01%	
Terna S.p.A.	Rome	442,198,240	CDP Reti S.p.A.	29.85%	Line-by-line
Terna USA LLC	New York	1 (f)	TERNA PLUS S.r.l.	100.00%	
Tlux S.r.L.	Piancogno (BS)	50,000	Renovit Public Solutions S.p.A.	85.00%	Line-by-line
Toscana Energia S.p.A.	Firenze	146,214,387	Italgas S.p.A.	50.66%	Line-by-line
Trans Adriatic Pipeline AG	Baar	800,000,004 (l)	Snam International B.V.	20.00%	Equity
Trans Austria Gasleitung GmbH	Wien	76,566	SNAM S.p.A.	84.47%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	2,120,000	Italgas S.p.A.	45.00%	Equity
Zena Project S.p.A.	Carpi (MO)	10,000,000	Renovit Public Solutions S.p.A.	35.93%	Equity
Zibello Agroenergie Società Agricola S.r.l.	Sorbolo Mezzani (PR)	60,000	Bioenerys Agri S.r.l.	100.00%	Line-by-line
dCarbonX Ltd	London	4 (a)	Snam International B.V.	50.00%	Equity

(a) values in GBP
(b) values in Uruguayan Pesos
(c) values in Chilean Pesos
(d) values in Real
(e) values in Nuovo Sol
(f) values in Dollar
(g) values in Indian Rupees
(h) values in Tunisian Dinar
(i) values in Albanian ALL
(j) values in Argentine Pesos
(k) values in Renminbi Chinese
(l) values in Swiss Francs
(m) values in Dirham
(n) values in Lev
(o) values in Saudi Riyal

ANNEX 2: DISCLOSURE PURSUANT TO LAW 124 OF 4 AUGUST 2017, ARTICLE 1, PARAGRAPHS 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law no. 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree-Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds, and amended for updates last introduced with Law 160 of 2023.

The reformulation of the original regulatory provisions had clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding “Transparency in the system of public funding: analysis of the rules and interpretation guidance”.

According to the contents of Article 35 of Decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

As a result of the updates introduced with Law 160 of 2023, for State aid and de minimis aid contained in the National State Aid Register referred to in Article 52 of Law no. 234 of 24 December 2012, the registration of aid in the aforementioned system, with consequent publication in the transparency section provided for therein, by the entities granting or managing the same aid in accordance with the relevant regulations, replaces the publication obligations of the beneficiary companies envisaged by Law no. 124 of 4 August 2017, as the provision that the existence of aid subject to publication in the National State Aid Register must be declared in the notes to the financial statements has been eliminated.

The disclosure obligations established by Law no. 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law no. 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

The tables below show the public funding received and disbursed in 2023 by the fully-consolidated subsidiaries of the CDP RETI Group basis that fall within the subjective scope of the law in question, as presented in their respective separate or sub-consolidated financial statements.

Public payments received pursuant to art.1 c.125 Law no.124/2017

Beneficiary	Licensor			Causal	Amount €/thousand
	Name/Company name	Fiscal code	VAT number		
GNL Italia SpA	Ministero delle Infrastrutture e dei Trasporti - Fondo Complementare al PNRR	3231010962	3231010962	Project for the Adaptation of the Panigallia Terminal located in Portovenere	1,102
Greenture SpA	Ministero delle Infrastrutture e dei Trasporti - Fondo Complementare al PNRR	9542490967	9542490967	Construction of a liquefaction plant in Pignataro Maggiore for the supply, storage and utilisation of Bio LNG and LNG	3,374
Snam SpA	Regione Lombardia	80050050154	12874720159	I-Gap project - Development of technologies for the design of natural gas absorption heat pumps for residential use	73
Terna SpA	Ministero dello Sviluppo Economico	80230390587	80230390587	state aid	6,618

Public grants pursuant to art.1 c.126 Law no.124/2017

Beneficiary	Beneficiary			Causal	Amount €/thousand
	Name/Company name	Fiscal code	VAT number		
Tamini Trasformatori Srl	Fondimpresa	97278470584	-	Training plan no. 310041- safety update 2021/2022	35
Terna SpA	Fondaz. Accademia Naz. Santa Cecilia	5662271005	566227005	Renewal of Terna as a Founding Member	160
Terna SpA	Susan G.Komen Italia Onlus	6073831007	6073831007	Nationwide Prevention Day	15
Terna SpA	Fond. Pol. Univ. A.Gemelli Irccs	13109681000	13109681000	Support for the purchase of machinery for functional neurosurgery	65
Terna SpA	Sistech - Association Loi 1901	FR83538232600022	FR83538232600022	Scholarship Support Boost Programme	60
Terna SpA	Associazione Italiana contro le Leucemie	10823601009	10823601009	Supporting non-profit organisations	60
Terna SpA	Società Botanica Italiana Onlus	464940485	464940485	Tiny Forest Project	56
Terna SpA	Fondazione Venezia Capitale Mondiale della Sostenibilità	94102820274	94102820274	Joining the foundation as a co-founding member	33
Terna SpA	Fondazione Accademia Musicale Chigiana	92035840526	92035840526	Summer Academy 2023	20

REPORT OF INDEPENDENT AUDITORS

Deloitte.

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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
CDP RETI S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of CDP RETI S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including material accounting policy information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of CDP RETI S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Investments for the operation of infrastructures and for service concession agreements

Description of the key audit matter	The consolidated balance sheet of the CDP RETI Group as at and for the year ended 31 December 2023 presents "property, plant and equipment" for a value of 40,894 million euro and "intangible assets" for a value of 12,561 million euro. The items mainly include infrastructure investments made by the Group companies which operate in regulated sectors, in particular: (I) from TERNA group, with regards to the operation and development of the Italian national transmission grid (NTG) for high and extra-high voltage power; (ii) from SNAM group with regards to natural gas transportation, storage and regasification of natural gas; and (iii) from ITALGAS group with regards to the development and maintenance of infrastructures related to the natural gas distribution and metering service under concession located in Italy and Greece. During the year "properties, plants and equipment" increased by 3,658 million euro whereas "intangible assets" by 1,292 million euro. They experienced decreased for depreciation and amortization respectively by 1,726 million euro and 791 million euro. The sectors in which the Group's companies are regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA") and the Greek Regulatory Authority for Energy ("RAE") (exclusively with regards to the infrastructures related to natural gas distribution and metering service under concession located in Greece) which define, among the others, the rules for the remuneration of the related services. In particular, the Group's regulated revenues are determined by ARERA and RAE and provide for recognition of a predefined return on the net invested capital recognized for regulatory purposes (RAB – Regulatory Asset Base), of the relative depreciation and of some operating expenses. The RAB value is determined by ARERA and RAE mainly through the "revalued historical cost" and "historical cost" methods, respectively. We believe that infrastructure investments carried out by Group companies operating in regulated sectors represent a key audit matter for the Group's consolidated financial statements as at December 31, 2023 due to (i) the relevance of the tangible and intangible assets related to these infrastructure investments, compared to the Group's total assets, (ii) the relevance of the investments made during the year, and (iii) their impact in determining the remuneration of services related to these sectors. Paragraph I.2 and notes 1 and 3 of paragraph II of the consolidated financial statements describe the accounting policies applied by the Group and the changes for the year.

Audit procedures performed	Our audit procedures concerning investments for operation and development of infrastructures and for service concession agreements included for the Group companies, among others, the following: • understand the processes and the relevant controls referred to the recognition of such investments in the financial statements and assessment of operating effectiveness of these controls • critical analysis of the "property, plant and equipment" and "intangible assets" captions, included the analysis of any unusual item; • test the accurate start of depreciation when the asset is available for use, for a sample of projects included in tangible and intangible assets with depreciation starting date in the year, and analysis of the aging of projects included in the assets in progress; • with reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards; • assessment of the consistency between the useful life used for the depreciation of the assets and their regulatory useful life and reperforming procedures of the period depreciation. Finally, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements and its compliance with the relevant accounting standards.

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CDP RETI S.p.A. has appointed us on May 10, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CDP RETI S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure of CDP RETI Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98, with the consolidated financial statements of CDP RETI Group as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure are consistent with the consolidated financial statements of CDP RETI Group as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As described in the report on operations, the Directors of CDP RETI S.p.A. made use of the exemption from the preparation of the non-financial statement pursuant to art. 6, paragraph 2 of Legislative Decree 30 December 2016, no. 254.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 18, 2024

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

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Alessandro Uggias, in his capacity as Financial Reporting Manager of CDP RETI S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements during 2023.
2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2023 was based on a process developed by CDP RETI S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.
3. In addition, it is hereby certified that:

3.1 the consolidated financial statements at 31 December 2023:
- have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the information in the books and other accounting records;
- give a true and fair view of the performance and financial position of the issuer and of the companies included in the scope of consolidation.

3.2 the Report on Operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome,18 April 2024

The Chief Executive Officer	Financial Reporting Manager
Dario Scannapieco	Alessandro Uggias

3.
REPORT ON OPERATIONS OF CDP RETI S.P.A.

1.

Operating performance of CDP Reti S.p.A.

2.

Report on corporate governance and ownership structure of CDP Reti

1. OPERATING PERFORMANCE OF CDP RETI S.P.A.

1.1 REVIEW OF OPERATIONS

Key Management Figures

Key financial figures

Items		31/12/2023	31/12/2022
Dividends	(thousand of euros)	553,365	523,114
- of which Snam	*(thousand of euros)*	*292,821*	*281,546*
- of which Terna	*(thousand of euros)*	*193,740*	*179,400*
- of which Terna (1)	*(thousand of euros)*	*66,804*	*62,168*
Profit (loss) on operations (2)	(thousand of euros)	(45,430)	(25,374)
Net income (loss)	(thousand of euros)	512,538	500,513
Comprehensive income	(thousand of euros)	487,049	549,638

Key balance sheet and cash flow figures

Items		31/12/2023	31/12/2022
Equity investments carrying amount	(thousand of euros)	5,023,065	5,023,065
- of which Snam	*(thousand of euros)*	*3,086,833*	*3,086,833*
- of which Terna	*(thousand of euros)*	*1,315,200*	*1,315,200*
- of which Terna	*(thousand of euros)*	*621,032*	*621,032*
Receivables for dividends not yet collected	(thousand of euros)	118,856	*115,906*
Equity	(thousand of euros)	3,566,454	3,591,082
Net financial debt (2)	(thousand of euros)	(1,609,767)	(1,604,073)

Other key figures and ratios

Items			31/12/2023	31/12/2022
Equity investments market value (2) (3)		(thousand of euros)	10,532,625	10,052,963
Dividends collected		(thousand of euros)	550,415	517,635
Dividends distributed		(thousand of euros)	511,676	491,775
Dividend per share		euros	3,173.33	3,098.88
	Interim	euros	*2,123.92*	*2,054.80*
	Final	euros	*1,049.41*	*1,044.08*
Net cash flow for the period		(thousand of euros)	(36,928)	74,216
ROE (2)		(%)	14%	14%
Dividends/Borrowing expenses (2)		(numbers)	6.50	19.67
Net financial debt/Equity investments carrying amount (2)		(%)	32%	32%
Net financial debt/Equity (Leverage) (2)		(numbers)	0.45	0.45
Net financial debt/Dividends (2)		(numbers)	2.91	3.07

(1) Company established on 1 June 2016 and previously called ITG Holding S.p.A. (as of 7 November 2016 renamed Italgas S.p.A.)

(2) NON GAAP ratios. Borrowing expenses, when calculated net of the effects related to IRS hedging derivatives, are 52 million for 2023 (23 million for 2022). In this case, the Ratio would be 10.69 for 2023 and 22.36 for 2022.

(3) Product of the number of CDP RETI shares for the official price per share at the end of the period by Snam, Terna and Italgas

1.2 INCOME STATEMENT RESULTS

To facilitate the reading of the Income statement, in view of the fact that CDP RETI S.p.A. is an investment vehicle, the following reclassified income statement has been prepared, first presenting the items that relate to the financial operations, as this is the most significant component of income[72].

The income statement results of CDP RETI S.p.A. for 2023, compared with the previous year, are summarised in the management Income statement reported below.

Reclassified Income Statement CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2023	31/12/2022
Dividends	553,365	523,114
Profit (loss) on core business	**553,365**	**523,114**
Financial income and expenses	(43,180)	(22,918)
Depreciation	(47)	(48)
Administrative expenses	(2,203)	(2,408)
Profit (loss) on operations	**(45,430)**	**(25,374)**
Other revenues and income	17	15
Operating income	**507,952**	**497,755**
Income taxes	4,586	2,758
NET INCOME (LOSS)	**512,538**	**500,513**

The main positive components of CDP RETI's income are related to the **dividends accruing** from Snam, Terna and Italgas, totalling 553 million euro, up from 2022 (+30.3 million euro, +5.8%) due to the dividend policy (in terms of dividend per share) of Snam (+11.3 million euro), Terna (+14.4 million euro) and Italgas (+4.6 million euro).

More in detail, this item consists of dividends received from:

- **Snam**: equal to 292.8 million euro (53% of total dividends) – 281.5 million euro in 2022 – of which (i) 174.0 million euro (collected in June 2023) and relating to the 2022 final dividend and (ii) 118.8 million euro (collected on 24 January 2024) as 2023 interim dividend (approved by the Board of Directors of Snam S.p.A.[73]);
- **Terna**: equal to 193.7 million euro (35% of total dividends) – 179.4 million euro in 2022 – of which (i) 125.0 million euro (collected in June 2023) and relating to the 2022 final dividend and (ii) around 68.7 million euro (collected on 22 November 2023) as 2023 interim dividend (approved by the Board of Directors of Terna S.p.A.[74]);
- **Italgas**: equal to 66.8 million euro (12% of total dividends) – 62.1 million euro in 2022 – collected in May 2023 and relating to the 2022 dividend.

Other income statement items include **financial income and expenses**, totalling 43 million euro (23 million euro in 2022), mainly relating to:

- interest payable (i) on the *Bond* (30 million euro), (ii) on the *Term Loan 2020* and on the *Term Loan 2023* (respectively equal to 8 million euro and 7 million euro and taking into account the interest settlement related to *Swap Transactions*), (iii) on the *Bridge Loan* (4 million euro) expired in May 2023 and (iv) in compliance with the CSA guarantee contract (2 million euro);
- interest income (9 million euro) accrued in connection with the cash held on the irregular deposit with the parent company CDP[75], which was higher than in 2022.

The increase compared to 2022 is mainly attributable to the effects of the overall refinancing of the financial debt (started in 2022 and ended in May 2023) and in particular to the higher financial expenses on the Bond (signed in October 2022) due to the higher interest rate (5.875%) compared to the interest rate (1.875%) expected from the previous bond signed in 2015 (and matured in May 2022).

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[72] This statement has been prepared on the basis of the suggestions set out in Consob Communication no. 94001437 of 23 February 1994.

[73] On 8 November 2023, Snam's Board of Directors approved to distribute a 2023 interim dividend to shareholders, equal to 0.1128 euro per share, with payment starting from 24 January 2024, with coupon due on 22 January and record date 23 January.

[74] On 8 November 2023 Terna's Board of Directors approved to distribute an interim dividend to shareholders equal to 0.1146 euro per share, with payment starting from 22 November 2023, with coupon due on 20 November 2023 and record date 21 November 2023.

[75] Compared to the deposit agreement "under which a party (depositary) receives from the other (depositor) a movable asset with the obligation to safeguard and return it in kind" (art. 1766 of the Italian Civil Code), in the irregular deposit (concerning cash or other interchangeable assets), the depositary is not obliged to return exactly the same assets but must return just as many of them of the same kind and quality. Therefore, the depositary becomes, at the time of delivery, the owner of the assets delivered to it (art. 1782 of the Italian Civil Code).

Administrative expenses, which decreased slightly compared to the same period in 2022, mainly comprise staff costs (including personnel on secondment and the remuneration to directors and auditors) and the fees paid to the parent company/third party suppliers for the services received in the period.

Income taxes, which are positive by approximately 4.6 million euro and higher by 1.8 million euro compared to the same period in 2022, are primarily made up by the sum of estimate *i)* of the income from tax consolidation related to the remuneration (5.2 million euro) of the excess of non-deductible interest expense on an individual basis and transferable to the tax consolidation[76] and *ii)* of the tax consolidation expense (0.6 million euro) recognised in the year against taxable income (this expense, initially amounting to 6.1 million euro, was partially offset by the estimated income from the 2023 ACE benefit, amounting to 5.5 million euro). Compared to the same period in 2022, despite the higher taxable income resulting from the increase in dividends for the period, there was higher tax consolidation income (attributable to the excess interest expense transferable to tax consolidation), due to higher net financial expenses (recognised in the income statement) as a result of the debt restructuring.

The income components above resulted in **Net income for the year** of 513 million euro, up (12 million euro; or +2%) compared to 2022 (501 million euro), mainly due to the increase in dividends accruing (+30 million euro) and income from tax consolidation (+2 million euro), only partially offset by higher financial operations (-20 million euro).

1.3 STATEMENT OF FINANCIAL POSITION

CDP RETI S.p.A.'s statement of financial position as at 31 December 2023 and 31 December 2022 is summarised in the following tables.

Reclassified Assets CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2023	31/12/2022
Equity investment in Snam	3,086,833	3,086,833
Equity investment in Terna	1,315,200	1,315,200
Equity investment in Italgas	621,032	621,032
Other assets	171,864	196,601
Cash and cash equivalents	129,377	166,305
TOTAL ASSETS	**5,324,306**	**5,385,971**

As at 31 December 2023, total assets amounted to 5,324 million euro and mainly consisted of balance sheet items relating to **equity investments** (about 94% of total assets) in Snam, Terna and Italgas (for an overall amount of 5,023 million euro and unchanged compared to 2022).

The decrease in total assets of 62 million euro was mainly due (i) to lower cash and cash equivalents (-37 million euro) and (ii) to the decrease in the *mark to market* of the derivative contract (-30 million euro), as analysed below.

With specific reference to the value of the **equity investments** held, please note that, also in light of the latest stock market values recorded:

- **Snam**: closing price as at 29 December 2023 equal to 4.66 euro, weighted average with price volumes of the last month before 29 December 2023 equal to 4.67 euro;
- **Terna**: closing price as at 29 December 2023 equal to 7.55 euro, weighted average with price volumes of the last month before 29 December 2023 equal to 7.60 euro;
- **Italgas**: closing price as at 29 December 2023 equal to 5.19 euro, weighted average with price volumes of the last month before 29 December 2023 equal to 5.19 euro;

above the carrying amount (equal to 2.93 euro for **Snam**, 2.19 euro for **Terna** and 2.95 euro for **Italgas**), as well as the information currently available, no impairment indicators are highlighted that are such to compromise the maintenance of the carrying amount of the equity investments held.

Other assets, totalling 172 million euro (-25 million euro compared to 2022), mainly refer to:

- the receivable from Snam (119 million euro) for the 2023 interim dividend approved in November 2023 by its Board of Directors (and collected by CDP RETI in January 2024), which represents an increase over the 31 December 2022 interim dividend receivable (116 million euro collected in January 2023);

[76] The final amount will be calculated and settled, when preparing the consolidated income tax return.

- the value (about 47 million euro) of the *Interest Rate Swap* (IRS) derivative contract signed by the company in May 2020 with the purpose of hedging the *Term Loan Facilities.* Compared to 2022 (+78 million euro) there was a decrease in the *mark to market* value of IRS, driven by interest rate volatility;
- the receivable (approximately 5 million euro and higher than the amount recognised in the same period last year) due from the parent CDP as remuneration for non-deductible interest expense (5.2 million euro) that can be transferred to the tax consolidation scheme, net of the payable (0.6 million euro, due to the parent CDP) related to the estimated tax consolidation charge for 31 December 2023. In this regard, it should be noted that the receivable at 31 December 2022 from the parent company CDP was collected by the Company in December 2023, following filing of the tax consolidation return, as envisaged in the National Fiscal Consolidation for the three-year period 2022-2024[77];
- deferred tax assets (with impact on equity), amounting to 1 million euro, related to the hedging derivative entered into by the company in May 2023.

The breakdown of **cash and cash equivalents** mainly refers to the irregular deposit (101 million euro) with the parent company CDP and bank current accounts (28 million euro).

To better understand the changes in cash and cash equivalents, please refer to the subsequent section "Net Financial Debt".

Reclassified Equity abd Liabilities CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2023	31/12/2022
Equity	3,566,454	3,591,082
- Share capital and reserves	*3,053,916*	*3,090,569*
- Net income for the period	*512,538*	*500,513*
Loans	1,698,077	1,694,494
- of which owed to Cdp	*373,760*	*499,578*
Other liabilities	59,775	100,394
- of which owed to Cdp	*45,286*	*76,372*
TOTAL LIABILITIES	**5,324,306**	**5,385,971**

As at 31 December 2023, **equity** (equal to 3,566 million euro), in addition to the net income for the period, mainly includes: i) the item *Shareholders' payment reserve for investments*, representing the value of the payment of 3.5 billion euro made in 2012 by CDP and intended to finance the purchase of the equity investment in Snam, net of the portion of this reserve distributed to CDP in 2014 (1.5 billion euro), ii) the item *Share premium account* deriving from the transfer in 2014 of Terna (1.3 billion euro), iii) the item *Valuation reserve* (positive for 27 million euro) representing the measurement at fair value of the *Interest Rate Swap* (IRS) derivatives, net of the connected deferred taxes, and iv) the 2023 interim dividend equal to 343 million euro distributed in November 2023.

Compared to the same period last year (amounting to 3,591 million euro), the item under consideration, while benefiting from the net income for the period of 513 million euro, decreased by approximately 25 million euro due to the impact of dividends distributed during the period to shareholders (totalling 512 million euro) representing the outstanding dividend for 2022[78] and the interim dividend for 2023[79] as well as the decrease of 26 million euro in the Valuation Reserve.

The payables relating to the **loans outstanding** at 31 December 2023, considering the current portion and the non-current portion, consisted of the following:

Loans existing

(thousand of euros)	31/12/2023		31/12/2022	
Items	Non current	current	Non current	current
Bond	497,039	5,377	496,419	5,377
Lease liabilities	51	28	79	27
Bridge Loan				253,289
Term Loan Facility	1,188,808	6,773	935,819	3,484
Total	**1,685,899**	**12,178**	**1,432,317**	**262,177**

Total indebtedness at 31 December 2023, amounting to 1,698 million euro (also taking into account interest accrued after 31 December 2023) and slightly increased compared to the same period last year, refers to:

- financing from *Term Loan* (942 million euro, for a total nominal value of 938 million euro) granted by a *pool* of banks (for a nominal value of 716 million euro) and by the parent company CDP (for a nominal value of 222 million euro) in

[77] The consolidation agreement was tacitly extended for the three-year period 2022-2024.
[78] 169 million euro distributed in the form of 1,044.08 euro per 161,514 shares.
[79] 343 million euro distributed in the form of 2,123.92 euro per 161,514 shares. This interim dividend was approved (by the Board of Directors on 21 November 2023) on the basis of the Company's accounting position at 30 June 2023, prepared in accordance with IFRS. The Company ended the period with a net income of approximately 343 million euro and available reserves of approximately 3,369 million euro.

May 2020 (maturity in 2025) and to the financing from *Term Loan* (254 million euro, with a nominal value of 253 million euro) granted by a *pool* of banks in May 2023 (maturity in 2026);
- the bond (502 million euro, for a total nominal value of 500 million euro), listed on the Irish Stock Exchange, subscribed by institutional investors (nominal value of 320 million euro, or 64%), by CDP (nominal value of 150 million euro, or 30%) and by State Grid Europe Limited (nominal value of 30 million euro, or 6%).

Please refer to the section "Significant events taking place in the year by sector/company" in the Consolidated Report on Operations for a more detailed description of the refinancing completed in the first half of 2023 and to the section "Net financial debt and cash flows" in the Report on Operations of the separate financial statements for more insights into the net financial debt of CDP RETI S.p.A.

This financial line item **Other liabilities**, equal to 60 million euro, decreased by 41 million with respect to 2022, refers, among others, to (i) the payable to the parent company CDP (41 million euro as at 31 December 2023; 76 million euro as at 31 December 2022) for the fulfilment of the CSA guarantee agreement ("CSA" *Credit Support Agreement*) entered into in relation to cash flow hedging derivatives (so-called *cash flow hedge*), (ii) the recognition of deferred tax liabilities (totalling 14 million euro as at 31 December 2023; 24 million euro as at 31 December 2022), made up by 13 million euro of deferred tax liability (recognised in equity) accrued in relation to the derivative and by 1 million euro (recognised in the income statement) against the 2023 interim dividend approved by Snam in November 2023 and collected in January 2024, (iii) to the valuation (4 million euro) of the *Interest Rate Swap* (IRS) derivative contract signed by the company in May 2023 for the purpose of hedging the 2023 *Term Loan*, and (iv) to payables to suppliers and to the parent company CDP, mostly in relation to existing supply contracts (c. d. service agreements). This item is also affected by the release of the deferred tax liability recognised as at 31 December 2022 (amounting to 1 million euro) in relation to the receipt of the 2022 interim dividend from Snam in January 2023.

1.4 NET FINANCIAL DEBT AND CASH FLOWS

Net financial debt, calculated in accordance with Consob Communication no. DEM/6064293 of 2006, as amended on 5 May 2021 following implementation of ESMA[80] recommendations 32-232-1138 of 4 March 2021 concerning the Net financial position, breaks down as follows in comparison with year-end 2022:

Net Financial Debt
(thousand of euros)

	Items	31/12/2023	31/12/2022
A	Cash (1)	129,377	166,305
B	Cash equivalents (1)		
C	Other current financial assets		
D	**Liquidity (A + B + C)**	**129,377**	**166,305**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt) (2)	(41,068)	(329,173)
F	Current portion of non-current financial debt (*) (2)	(12,178)	(8,888)
G	**Current financial debt (E + F)**	**(53,246)**	**(338,061)**
H	**Net current financial debt (G - D)**	**76,131**	**(171,756)**
I	Non-current financial debt (excluding current portion and debt instruments) (*) (3)	(1,188,859)	(935,898)
J	Debt instruments (3)	(497,039)	(496,419)
K	Trade payables and other non-current payables		
L	**Non-current financial debt (I + J + K)**	**(1,685,898)**	**(1,432,317)**
M	**Total financial debt (H + L)**	**(1,609,767)**	**(1,604,073)**

(*) Includes financial liabilities for leased assets recorded in accordance with IFRS 16 "Leases," of which 51 thousand euros are long-term and 28 thousand euros are short-term portions of long-term financial liabilities.

In the balance sheet of CDP RETI S.p.A.:
(1) The balance is included in the item "Cash and cash equivalents"
(2) The balance is included in the item "Current portion of long-term loans " and "Current financial liabilities"
(3) The balance is included in the item "Loans"

Net financial debt at 31 December 2023, totalling 1,610 million euro (including accrued interest to be paid after 31 December 2023), was up slightly at 31 December 2022 (1,604 million euro, including the current portion of borrowings), considering that the lower gross financial debt (1,739 million euro versus 1,770 million euro), resulting almost entirely from the lower debt to the parent company compared to the margin received by it in fulfilment of the guarantee contract relating

[80] European Securities and Markets Authority.

to the hedging derivative, was offset by the relative higher cash and cash equivalents received by CDP as a result of the below events.

The maturity profile between current and non current financial debt, compared to 31 December 2022, is different due to the May 2023 refinancing, which allowed for the previous *Bridge Loan* (nominal value of 253 million euro and maturing in May 2023[81]) to be replaced with a new *Term Loan* of the same nominal value and maturing in May 2026. Please refer to the section “Significant events taxing place in the year by sector/company” in the Consolidated Report on Operations for more detail regarding the refinancing finalised in the first half of 2023.

At 31 December 2023, the net financial debt towards the parent company CDP amounted to 314 million euro and was significantly down (-221 million euro) compared with 31 December 2022 (535 million euro), mainly due to:

- the repayment (126.5 million euro nominal residual value, corresponding to 50% of the total nominal amount) of CDP’s share of the short-term *Bridge Loan* which expired in May 2023;
- the higher cash and cash equivalents (+61 million euro) in the irregular deposit with the parent company;
- lower payables to the parent company CDP (41 million euro as at 31 December 2023; 76 million euro as at 31 December 2022) relating to the CSA guarantee contract entered into at the same time as the cash flow hedging derivative.

With regard to the detailed items, the following is noted.

Liquidity as at 31 December 2023 (129 million euro) consisted mainly of the irregular deposit (101 million euro) with the parent company CDP and the amounts on deposit with primary credit institutions (28 million euro).

In comparative terms, there was a reduction of 37 million euro in the same period in 2022 taking into account that dividends received (550.4 million euro vs. 517.6 euro in 2022), interest income received referring to the liquidity held with CDP (9 million euro) and the collection (3 million euro) of the receivable from CDP for joining the tax consolidation were more than offset:

- the dividends – 2022 final dividend and 2023 interim dividend – distributed to shareholders (512 million euro);
- the settlement of the margins received from the parent company CDP in accordance with the guarantee agreements signed at the same time as the hedging derivatives (with a negative cash flow for the period of 37 million euro);
- the payment (i) of the bond coupon (29 million euro), (ii) of the interest expense related to the Bridge Loan (4 million euro) and (iii) of the interest expense (also taking into account the settlement of the interest related to the *Swap Transactions*) associated with the *2020 Term Loan* (8 million euro) and the *2023 Term Loan* (6 million euro);
- the arrangement fees related to the refinancing of the debt (1 million euro);
- additional outflows connected to ordinary operations.

Overall, please note that the receivable from Snam for the 2023 interim dividend (about 119 million euro, collected in January 2024), in line with the approach adopted in previous years, is considered by CDP RETI as cash flow generated by its operating activity and consequently excluded from calculation of the Net Financial Debt.

Current financial debt (53 million euro) mainly refers to (i) the debt (41 million euro) to the parent company CDP for the hedging derivatives guarantee agreement and (ii) the accrued interest on the *Bond* issued in October 2022 (5.4 million euro), the *Term Loan* of 938 million euro (5.5 million euro) and the *Term Loan* of 253 million euro (1.3 million euro), due to be paid in May 2024 for the *Term Loan* and in October 2024 for the *Bond*. The significant decrease of 285 million euro compared to 2022 is mainly due to the repayment - in May 2023 - of the outstanding amount of the short-term *Bridge Loan* (253 million euro) and the lower amount payable to the parent company CDP (-35 million euro) in relation to the CSA guarantee agreement, partially offset by higher interest accruals. In this respect, please refer:

- to section “IV – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES” (paragraph “Liquidity and credit risk”) of the notes to the separate financial statements for a more detailed description of the risk profiles;
- to section “2. SIGNIFICANT EVENTS TAKING PLACE IN THE YEAR BY SECTOR/COMPANY” of the Consolidated Report on Operations for a description on the debt refinancing transaction resulting from the short-term bridge loan taken out in 2022.

Non-current financial debt (1,686 million euro), up compared to 2022, does not consider the purely accounting effects deriving from the measurement at fair value of the derivatives and refers almost entirely (i) to the *Term Loan* (937 million euro, equal to the nominal value of 938 million euro, less any costs associated with it, which are amortised along its duration), granted in May 2020 by a pool of banks (76%) and the parent company CDP (24%) and maturing in 2025 and (ii) to the bond debt (497 million euro), contracted in October 2022 for a nominal value of 500 million euro, maturing in 2027, as said underwritten by institutional investors, CDP and State Grid Europe Limited, less the costs associated with it, which are amortised over its duration, and (iii) to the new *Term Loan* (252 million euro, equivalent to the face value of 253 million euro, less any costs associated with it, which are amortised over its duration), granted in May 2023 by a pool of banks. The significant increase (254 million euro) compared to 2022 is attributable to the liability management strategy completed during 2023 with the aforementioned debt refinancing.

[81] With the possibility of extension for a further 6 months.

The main economic terms of the new loan agreements entered into in 2020 (totalling 938 million euro) and in 2023 (totalling 253 million euro) may be summarised as follows:

- total amount financed of:
  - 937,634,700 euro (of which 715,634,700 euro granted by a pool of banks and 222,000,000 euro granted by the parent company CDP);
  - 252,900,000 euro from a pool of banks;
- floating interest rate, equal to the 6-month Euribor increased by:
  - a spread of 105 bps relating to the *Term Loan* of 938 million euro;
  - a spread of 140 bps relating to the *Term Loan* of 253 million euro;
- implementation of a zero-based floors interest rate agreement (Euribor + spread) for both loans;
- interest periods of six months (in May and November);

Furthermore, in order to mitigate the variability of the 6-month Euribor rate and the related cash flows and their impact on net income for the period, for these loans the rate was converted from floating to fixed[82] by contracting two derivatives - at market conditions[83], to hedge the future cash flows associated with the Term Loans (i.e. Interest Rate Swaps with the parent company CDP hedging against the interest rate risk associated with the Term Loans, in other words minimising the changes in the cash outflows generated by the loans and associated with the floating rates).

The economic and financial characteristics of the hedging derivatives are entirely aligned with those of the hedged items, and in particular:

- the notional amount is equal to the nominal value of the respective debts;
- the maturities (May 2025 and May 2026) and the settlement dates of the differentials of the derivatives (on a half-yearly basis and in arrears[84]) are aligned with the two loan agreements;
- the underlying floating rate and the spread coincide:
  - 6-month Euribor + 105 bps relating to the 938 million euro derivative;
  - 6-month Euribor + 140 bps relating to the 253 million euro derivative.

The *mark to market* of IRS derivatives, not listed on an active market and calculated daily by the parent company CDP[85], as at 31 December 2023, results for CDP RETI:

- positive for 47 million euro for the IRS signed in May 2020 and disclosed in the financial statements under “Non-current financial assets”;
- negative for 4 million euro for the IRS signed in May 2023 and disclosed in the financial statements under “Other financial liabilities”.

Changes in the value of the effective component of the derivatives, on the other hand, have been classified under a specific equity reserve account (“Valuation reserve *Cash Flow Hedge*”), net of deferred tax impact, since the conditions for the application of *hedge accounting*[86] were met.

As at 31 December 2023, the Net Financial Debt/Equity ratio (leverage) stood at 0.45 and remained unchanged compared to 2022.

On the other hand, when compared to 2022, the Net Financial Debt/Dividends ratio (representing the profit or loss on the company’s core business) is slightly lower (from 3.07 to 2.91) due mainly to the higher dividends accruing.

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[82] 0.796% and 4.806% are, respectively, the annual fixed rates resulting from the hedging derivative entered into in May 2020 for the Term Loan of 938 million euro and the hedging derivative entered into in May 2023 for the Term Loan of 253 million euro.

[83] That is to say, with a fair value upon the signing of the contract of near zero or else of an insignificant amount in terms of negative fair value as a percentage of the nominal value of the transaction.

[84] The differentials are settled in arrears in May and in November of each year and calculated by comparing the following elements:
• the receive leg for CDP RETI: 6-month Euribor (fixed on the second business day prior to the beginning of the period) + a spread of 1.05% (IRS 938 million euro) and 1.40% (IRS 253 million euro);
• the pay leg for CDP RETI: a fixed rate of 0.796% (IRS 938 million euro) and 4.806% (IRS 253 million euro).

[85] On the basis of generally accepted valuation models and techniques, which refer to inputs (the Euribor interest rate curve for the entire period of reference of the contract) observable on the market.

[86] On 1 January 2018, CDP RETI adopted IFRS 9 as for the rules for classification, measurement and impairment. With regard to the rules on hedge accounting, the Company has exercised the option of maintaining the rules set out under IAS 39, applying the regulatory/accounting choices made by the Parent Company CDP.

Cash flows

(thousand of euros)

Items	31/12/2023	31/12/2022
Cash and cash equivalents at the start of the year	**166,305**	**92,089**
Cash flows from operating activities	475,532	567,823
Cash flows from investing/disinvesting activities	(30)	(30)
Cash flows from financing activities	(512,435)	(493,577)
Cash and cash equivalents at year end	**129,372**	**166,305**

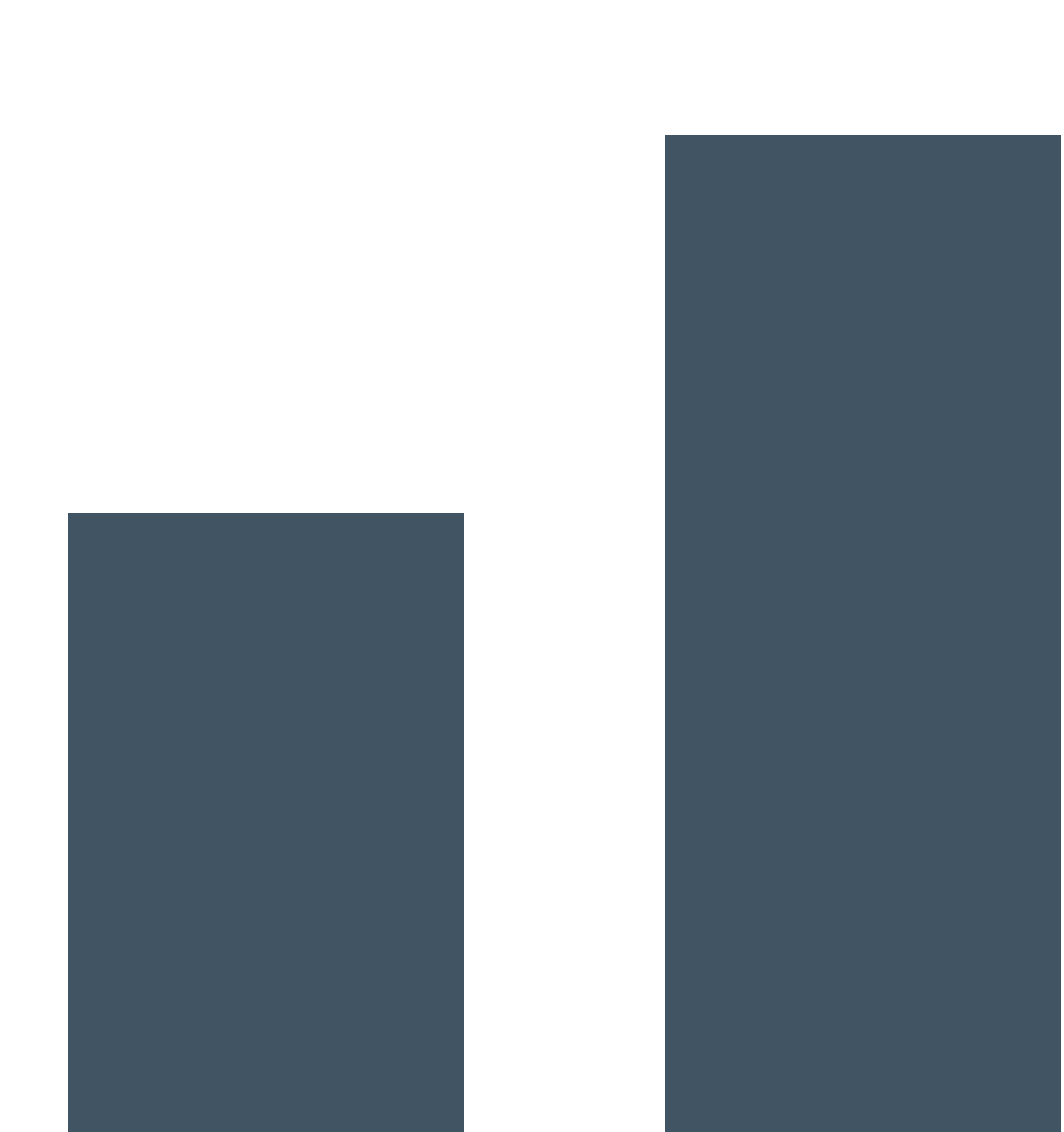
Cash flow from operating activities in fiscal year 2023 shows a positive cash generation of 476 million euro albeit lower by 92 million euro compared with the same period in 2022. The item mainly takes into account (i) dividends received during the year, (ii) the adjustment of margins paid/received from the parent company CDP in fulfilment of the guarantee agreement signed in 2020 (with a negative cash flow in 2023 for 37 million euro offset by a positive cash flow of 73 million euro in 2022) and (iii) cash flows related to interest income/expense on cash and cash equivalents and debts (which also accounts for the impacts of hedging derivatives) for all outstanding loans. The contraction from the corresponding cash flow in 2022 is mostly attributable to the cash absorption resulting from the settlement of cash collateral on hedging derivatives and the higher cash flows associated with borrowing costs resulting from the debt refinancing activities initiated in 2022 and completed in May 2023.

The *cash flow from investing/divesting activities* refers to the lease for the premises in Via Alessandria, 220 (Rome).

The *cash flow from financing activities*, which absorbed a total of 512 million euro, refers mainly to the payment of dividends to shareholders (512 million euro versus 492 million euro in 2022) and to a lesser extent to certain costs related to the refinancing of the May 2023 debt (*Term Loan* subscription maturing in 2026).

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

With regard to the "Report on corporate governance and ownership structure: main characteristics of the risk management and internal control systems for financial reporting, including on a consolidated basis, pursuant to Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Finance", it is possible to refer to the contents of paragraph 8 of the Report on Operations of the consolidated financial statements, also applicable to the separate financial statements of CDP RETI S.p.A.



4.
2023 SEPARATE FINANCIAL STATEMENTS

Separate financial statements at 31 December 2023

Notes to the separate financial statements

Proposal for allocation of the net income for the year

Annexes

Report of the Statutory Auditors

Report of the Independent Auditors

Certification of the separate financial statements

FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

The separate financial statements at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and consist of:

- Balance Sheet;
- Income Statement;
- Statement of comprehensive income;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Notes to the Separate Financial Statements

The Notes to the Separate Financial Statements are composed of:

- Introduction
- I - Basis of presentation and accounting policies
- II - Information on the Balance Sheet
- III - Information on the Income Statement
- IV - Information on risks and the related hedging policies
- V - Transactions with related parties
- VI - Non-recurring events and significant transactions
- VII - Operating segments

The section “Annexes”, which is an integral part of the financial statements, also includes the analytical list of equity investments owned by CDP RETI and the separate financial statements at 31 December 2022 of the parent company Cassa Depositi e Prestiti S.p.A.

With reference to the report to be made regarding the obligations introduced by Law no. 124 of 4 August 2017, concerning the transparency of public funds, we can state there is nothing that needs reporting.

CONTENTS

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

BALANCE SHEET - ASSETS

(euros)

Assets	Notes	31/12/2023	*of wich from related parties*	31/12/2022	*of wich from related parties*
Non-current assets					
Property, plant and equipment	1	73,857	73,857	101,450	101,450
Intangible assets	2	30,251		49,713	
Equity investments	3	5,023,064,811		5,023,064,811	
Non-current financial assets	4	47,103,238	47,103,238	77,594,961	77,594,961
Deferred tax assets	5	1,134,227		20,610	
Other non-current assets					
Total non-current assets		**5,071,406,384**	**47,177,096**	**5,100,831,545**	**77,696,411**
Current assets					
Current financial assets					
Income tax receivables	6			66,150	
Other current assets	7	123,522,781	123,492,876	118,768,056	118,730,421
Cash and cash equivalents	8	129,377,190	101,039,934	166,305,286	40,089,410
Total current assets		**252,899,971**	**224,532,809**	**285,139,492**	**158,819,831**
Total assets		**5,324,306,355**	**271,709,905**	**5,385,971,038**	**236,516,242**

BALANCE SHEET - LIABILITIES

(euros)

Liabilities and equity	Notes	31/12/2023	*of wich from related parties*	31/12/2022	*of wich from related parties*
Equity					
Share capital	9	161,514		161,514	
Reserves:	10	3,369,431,762		3,369,431,357	
Share premium reserve		1,315,158,486		*1,315,158,486*	
Income reserves		24,353,254		*24,352,849*	
Other reserves		2,029,920,022		*2,029,920,022*	
Valuation reserves	11	27,365,951		52,855,285	
Interim dividends	12	(343,042,815)		(331,878,967)	
Net income for the period (+/-)		512,538,081		500,512,909	
Total Equity		**3,566,454,493**		**3,591,082,099**	
Non-current liabilities					
Provisions					
Provision for employee benefits	13	9,643		4,955	
Loans	14	1,685,898,551	400,725,307	1,432,317,212	400,360,117
Other financial liabilities	15	3,782,098	3,782,098		
Deferred tax liabilities	16	14,061,764		23,582,638	
Other non-current liabilities					
Total non-current liabilities		**1,703,752,055**	**404,507,405**	**1,455,904,806**	**400,360,117**
Current liabilities					
Current portion of long-term loans	17	12,178,441	3,258,552	8,888,247	2,787,736
Trade payables	18	90,843	23,725	136,452	29,035
Income tax liabilities					
Current financial liabilities	19	41,067,447	41,067,447	329,172,661	202,528,145
Other current liabilities	20	763,076	687,434	786,774	717,693
- Tax payables		*23,018*		*21,329*	
- Payables to parent companies		*436,484*	*436,484*	*488,669*	*488,669*
- Payables due to pension and social security institutions		*15,532*		*7,392*	
- Other payables		*288,042*	*250,950*	*269,384*	*229,024*
Total current liabilities		**54,099,807**	**45,037,158**	**338,984,133**	**206,062,609**
Total liabilities and equity		**5,324,306,355**	**449,544,563**	**5,385,971,038**	**606,422,727**

INCOME STATEMENT

(euros) Income statement items	Notes	31/12/2023	*of wich from related parties*	31/12/2022	*of wich from related parties*
Revenues					
Revenues from sales and services					
Other revenues and income	21	16,775	16,775	15,278	15,278
Total revenues		**16,775**	**16,775**	**15,278**	**15,278**
Costs					
Services	22	(1,410,068)	(684,435)	(1,728,170)	(717,528)
Staff costs	23	(722,946)	(372,569)	(619,078)	(330,483)
Amortisation, depreciation and impairment on property, plant and equipment and intangible assets	24	(47,055)	(27,593)	(47,974)	(28,512)
Net impairment (recoveries) of trade receivables and other receivables					
Other operating costs	25	(69,881)	(479)	(60,633)	
Total costs		**(2,249,950)**	**(1,085,076)**	**(2,455,856)**	**(1,076,523)**
Profit (loss) on operations		**(2,233,175)**	**(1,068,301)**	**(2,440,578)**	**(1,061,245)**
Financial income (expenses)					
Financial income	26	595,369,372	595,358,687	526,789,866	526,783,429
- of which dividends from subsidiaries		*553,365,122*	*553,365,122*	523,114,371	523,114,371
Borrowing expenses	27	(85,183,944)	(24,638,535)	(26,593,988)	(10,142,181)
Total financial income (expenses)		**510,185,428**	**570,720,152**	**500,195,878**	**516,641,248**
Income before taxes		**507,952,253**	**569,651,851**	**497,755,300**	**515,580,003**
Income taxes, current and deferred taxes	28	4,585,828		2,757,609	
NET INCOME FOR THE YEAR		**512,538,081**	**569,651,851**	**500,512,909**	**515,580,003**

STATEMENT OF COMPREHENSIVE INCOME

(euros) Comprehensive income items	Notes	31/12/2023	31/12/2022
Income (loss) for the year		**512,538,081**	**500,512,909**
Other comprehensive income net of taxes not transferred to income statement			
Property, plant and equipment			
Defined benefit plans			
Other comprehensive income net of taxes transferred to income statement			
Financial assets at FVTOCI			
Cash flow hedges	11-16	(25,489,335)	49,125,547
Total other comprehensive income net of taxes		**(25,489,335)**	**49,125,547**
COMPREHENSIVE INCOME		**487,048,746**	**549,638,457**

* It is specified that the values are shown net of the tax effect where applicable

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euros)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 december 2022		**161,514**	**32,303**	**1,315,158,486**	**52,855,285**
Change in opening					
Total equity at 1 January 2023		**161,514**	**32,303**	**1,315,158,486**	**52,855,285**
Net income (loss) for the year					
Other comprehensive income:	10				
- cash flow hedges					(25,489,335)
- defined benefit plans					
- exchange rate differences					
- other					
Total other comprehensive income					**(25,489,335)**
Comprehensive income					**(25,489,335)**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2022	12				
- dividends					
- retained earnings	10				
Interim dividend 2023	12				
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					
Total other changes					
Total equity at 31 december 2023		**161,514**	**32,303**	**1,315,158,486**	**27,365,951**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euros)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 december 2021		**161,514**	**32,303**	**1,315,158,486**	**3,729,738**
Change in opening					
Total equity at 1 January 2022		**161,514**	**32,303**	**1,315,158,486**	**3,729,738**
Net income (loss) for the year					
Other comprehensive income:	10				
- cash flow hedges					49,125,547
- defined benefit plans					
- exchange rate differences					
- other					
Total other comprehensive income					**49,125,547**
Comprehensive income					**49,125,547**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2021	12				
- dividends					
- retained earnings	10				
Interim dividend 2022	12				
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					
Total other changes					
Total equity at 31 december 2022		**161,514**	**32,303**	**1,315,158,486**	**52,855,285**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Total equity
2,029,920,022	**24,320,547**	**500,512,909**	**(331,878,967)**	**3,591,082,099**
2,029,920,022	**24,320,547**	**500,512,909**	**(331,878,967)**	**3,591,082,099**
		512,538,081		512,538,081
				(25,489,335)
				(25,489,335)
		512,538,081		**487,048,746**
		(331,878,967)	331,878,967	
		(168,633,537)		(168,633,537)
	405	(405)		
			(343,042,815)	(343,042,815)
	405	**(500,512,909)**	**(11,163,848)**	**(511,676,352)**
2,029,920,022	**24,320,952**	**512,538,081**	**(343,042,815)**	**3,566,454,493**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Total equity
2,029,920,022	**24,320,407**	**471,193,008**	**(311,297,238)**	**3,533,218,239**
2,029,920,022	**24,320,407**	**471,193,008**	**(311,297,238)**	**3,533,218,239**
		500,512,909		500,512,909
				49,125,547
				49,125,547
		500,512,909		**549,638,457**
		(311,297,238)	311,297,238	
		(159,895,630)		(159,895,630)
	140	(140)		
			(331,878,967)	(331,878,967)
	140	**(471,193,008)**	**(20,581,729)**	**(491,774,597)**
2,029,920,022	**24,320,547**	**500,512,909**	**(331,878,967)**	**3,591,082,099**

STATEMENT OF CASH FLOWS

(euros)	Notes	31/12/2023	31/12/2022
Net income		**512,538,081**	**500,512,909**
Adjustments to net income to reflect cash flow from operating activities:			
Amortisation and depreciation	24	47,055	47,974
Recoveries (impairment) on property, plant and equipment and intangible assets			
Recoveries (impairment) on financial assets	25	(1,557)	1,851
Provisions for staff severance pay	21	4,687	3,957
Effect of accounting using the equity method			
Net losses (gains) on disposals, cancellations and eliminations of assets			
Dividends	24	(553,365,122)	(523,114,371)
Interest income	24	(42,004,249)	(3,675,494)
Interest expense	25	85,185,501	26,592,137
Income taxes	26	(4,585,828)	(2,757,609)
Changes in working capital:			
- Inventories			
- Trade receivables			
- Trade payables	16	(45,609)	55,331
- Provisions			
- Current financial assets			
- Other assets and liabilities		(34,833,909)	72,620,559
Cash flow from working capital		**(34,879,517)**	**72,675,891**
Change in provisions for employee benefits	12	850	484
Dividends received	24	550,414,784	517,635,172
Interest received	25	40,098,548	1,127,299
Interest paid	25	(80,759,729)	(24,365,679)
Income taxes paid net of tax credits reimbursed / income from participation in the tax consolidation mechanism	5	2,843,487	3,138,093
Cash flow from operating activities		**475,536,990**	**567,822,613**
- with related parties		*533,419,276*	*582,974,584*
Investing activities:			
- Property, plant and equipment	1	(30,034)	(29,931)
- Intangible assets			
- Companies in the scope of consolidation and business units			
- Equity investments			
- Change in payables and receivables relative to investing activities			
Cash flow from investing activities		**(30,034)**	**(29,931)**
Divestments:			
- Property, plant and equipment			
- Intangible assets			
- Equity investments			
- Change in payables and receivables relative to divestments			
Cash flow from divestments			
Net cash flow from investing activities		**(30,034)**	**(29,931)**
- with related parties		*(30,034)*	*(29,931)*
Assumption of non-current liabilities	13	(758,700)	496,422,900
Repayments of non-current liabilities			
Assumption of current liabilities	17		748,875,000
Repayments of current liabilities	17		(1,247,100,000)
Net equity capital injections			
Dividends distributed to shareholders	9-11	(511,676,352)	(491,774,597)
Net cash flow from financing activities		**(512,435,052)**	**(493,576,697)**
- with related parties		*(481,497,984)*	*(496,232,779)*
Net cash flow for the year	**7**	**(36,928,096)**	**74,215,985**
Cash and cash equivalents at start of year	**7**	**166,305,286**	**92,089,301**
Cash and cash equivalents at end of year		**129,377,190**	**166,305,286**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the financial statements

The financial statements of CDP RETI have been prepared in accordance with the IFRS and comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and these notes to the financial statements, as well as the Directors' report on operations.

The financial statements clearly present, and give a true and fair view of, the Company’s financial performance and results of operations for the year.

The financial statements correspond with the company's accounting records and fully reflect the transactions conducted during the financial year.

The financial statements are expressed in euros, as are the tables in the explanatory notes. In the income statement, revenues are indicated without a sign, while costs are shown in brackets. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

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

Auditing of the financial statements

The separate financial statements of CDP RETI are subject to statutory audit by the independent auditing firm Deloitte & Touche S.p.A., following award of the audit engagement for the 2020-2028 period by the Shareholders’ Meeting of 10 May 2019.

Management and coordination by CDP S.p.A.

CDP RETI is 59.10% owned by CDP. The Company is subject to management and coordination by CDP. Management and coordination is performed in such a way as to avoid infringing European regulations on state aid.

I - BASIS OF PREPARATION AND ACCOUNTING STANDARDS

I. GENERAL INFORMATION

Declaration of compliance with the International Financial Reporting Standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission and in force at 31 December 2023, taking into account the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

The international accounting standards include IFRS issued by the IASB, relevant IAS issued by the IASB and the interpretations issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) as well as those previously issued by the Standing Interpretations Committee (SIC).

General preparation principles

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

More specifically:

- the items on the balance sheet are classified by distinguishing assets and liabilities as "current / non-current"[87];
- the income statement has been prepared by classifying costs by their nature, insofar as this form of presentation is deemed the most appropriate for representing the actual situation of the Company, and is consistent with the consolidated practice of firms operating on international markets;
- the statement of comprehensive income includes Profit/(Loss) for the year inclusive of revenues and costs that are directly recognised in the Statement of changes in equity as required by IFRS;
- the statement of changes in equity includes profit/(loss) for the year, transactions with shareholders and other changes in equity;
- the Statement of cash flows is drafted by using the "indirect" method (as per IFRS 7 - Statement of cash flows), adjusting net income for the effects of non-cash transactions.

In addition, as required by the Consob resolution no. 15519 issued in July 2006, within the income statement, any operational income and expenses that by virtue of their size, nature or expected frequency do not occur regularly in the normal course of operations (i.e. exceptional items), if present, warrant separate presentation. In accordance with the same CONSOB resolution, related parties' transactions are shown separately in the financial statements.

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

Reference is made to the section "Transactions with related parties" for information about the net amounts of receivables and payables and transactions with related parties.

The financial statements have been prepared in accordance with the financial reporting standards issued by the IASB (including the SIC and IFRIC interpretations) and endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002, published in Official Journal L. 243 of 11 September 2002.

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

- Conceptual framework for financial reporting;
- Basis for Conclusions and Implementation Guidance;
- SIC/IFRIC interpretations;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC);
- Documents issued by ESMA and Consob concerning the application of specific IFRS rules;
- Documents issued by ESMA and Consob regarding the assessments and disclosures provided in relation to the impacts deriving from climate change issues and those related to the macroeconomic scenario[88].

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

The financial statements have been duly prepared on an accrual and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

In compliance with IAS 1 Revised, CDP RETI has conducted an assessment of the Company's ability to continue to operate as a going concern, considering all available information over the medium term.

Based on an analysis of this information, CDP RETI feels that it is appropriate to prepare its financial statements on a going concern basis. The current macroeconomic scenario is characterized by a combination of factors related to the worsening of geopolitical tensions (connected with the continuing war in Ukraine and accentuated by events in the Middle East, which continue to impact the global outlook), the tightening of monetary policy conditions, the general deterioration of the economic climate and uncertainties over future developments.

Please refer to the "Other issues" section of the explanatory notes regarding the consequences of the general deterioration in the macroeconomic scenario and the uncertainties about the possible evolution of the effects of this phenomenon.

[87] Assets and liabilities are classified as current when: (i) the entity expects to realise or consume the asset or liability, in its normal operating cycle or within the twelve months after the reporting period; (ii) the asset or liability is cash or a cash equivalent unless it is restricted from being exchanged or used for at least twelve months after the reporting period; (ii) they are held primarily for the purpose of trading.

[88] These references are:

- ESMA Public Statement of 25 October 2023 "European common enforcement priorities for 2023 financial reports";
- CONSOB communication "ESMA: Climate and macroeconomic context - priority issues in the 2023 reporting of listed companies".

No assets have been offset against liabilities, nor revenues against expenses, unless expressly required or allowed by an accounting standard or a related interpretation.

Use of estimates

The application of the International Financial Reporting Standards in preparing the financial statements requires the company to make accounting estimates for certain balance sheet items that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, and the disclosures on contingent assets and liabilities at the reporting date, as well as the amounts reported for revenues and costs for the reporting period. Management's estimates and judgments are based on past experience and other factors considered reasonable on a case-by-case basis; they are adopted when the carrying value of assets and liabilities is not readily inferable from other sources. The actual results may therefore differ from these estimates. Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on future earnings results.

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

The main areas in which management is required to make subjective assessments are:

- the recoverable amount of equity investments: objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed at every annual reporting date. An impairment test is performed when the aforementioned evidence exists, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses;
- the fair value of interest rate swap hedging derivatives (unlisted financial instruments) using specific valuation techniques;
- leases: in the absence of observable inputs, the Company calculates the present value of the payments due under a lease by estimating the incremental borrowing rate - at the commencement date of a lease - based on assumptions that reflect the duration and contractual terms and conditions of a lease;
- the value of current and deferred tax; Deferred tax assets are recognised to the extent that future taxable income is likely to be available against which they can be recovered. The assessment of the recoverability of deferred tax assets takes into account the estimate of future taxable income.

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

Events subsequent to the reporting date

During the period between the reporting date of these financial statements and the date of their approval by the Board of Directors (25 March 2024), no events occurred that would require an adjustment to the figures approved nor did any significant events occur that would have required additional information or additional reporting.

For more details, see the section “SIGNIFICANT EVENTS AFTER 31 DECEMBER 2023” of the Report on Operations in the Consolidated Financial Statements.

Other issues

New international financial reporting standards endorsed and in force from 2023, and new financial reporting standards and interpretations issued and endorsed by the European Union, but not yet in force (entry into force for financial years beginning from 1 January 2024)

With regard to the new International Financial Reporting Standards endorsed and in force from 2023, and the new standards and interpretations already issued and endorsed by the European Union, but not yet in force (effective from financial year beginning 1 January 2024), reference is made to the Notes of the Consolidated Financial Statements[89].

[89] Including disclosure relating to the project managed at CDP Group level by the Parent Company “Amendment to IAS 12: International Tax Reform - Pillar Two Model Rules”.

Issues related to climate change

CDP RETI S.p.A., as an investment vehicle, is only indirectly affected by the risk/effect profiles related to climate change. In particular, the main impacts on the Parent company are related to the fair value assessment of the controlling equity investments held in the portfolio.

At every annual reporting date, the existence of trigger events indicating that the carrying value of the equity investments might not be fully recoverable is assessed. An impairment test is performed when one or more of these events exist, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses.

Overall, due to its nature as a holding company, CDP RETI S.p.A.'s exposure to climate change risks is currently limited. In fact, to date, there has been no impact on the estimated recoverable amount (nor, reasonably speaking, any material impact is expected in the short term either) of the equity investments held in the portfolio arising from climate-related issues.

For information regarding the risks related to climate change, please refer to the detailed description in the specific section "IV – Information on risks and related hedging policies" of the explanatory notes to the separate financial statements.

CDP RETI S.p.A. does not hold any financial assets with ESG-linked features and, in overall terms, it is not significantly exposed to Credit risk.

The Company's exposure to Credit risk is mainly limited to the collection of dividends (approved by the subsidiaries) and to the trading of derivatives instruments (for which cash collateral is exchanged).

For information regarding the risks related to climate change, please refer to the detailed description in the specific section "IV – Information on risks and related hedging policies" of the explanatory Notes to the separate financial statements.

Issues related to the macroeconomic scenario

The current macroeconomic environment is characterised by a combination of factors related to the worsening of geopolitical tensions, connected with the continuing war in Ukraine and accentuated by events in the Middle East, which continue to impact on the global outlook, the tightening of monetary policy conditions, the general deterioration in the economic climate and uncertainties about future developments.

The combined effect of the consequences of rising inflation and interest rates, market slowdown, geopolitical risks and general uncertainty about future developments, has made it necessary to assess the impacts that this context may have on the Company's results and operations.

Although this is a historical moment characterised, among other things, by the instability of financial markets and by the deterioration of the international real economy, to assess the equity investment's recoverable amount, understood as the higher of the fair value net of cost of sales and its value in use (so-called value in use), in the event of one or more impairment indicators, the Company determines the relative fair value (calculated using the 30-day Volume-Weighted Average Price from the valuation date).

With regard to financial instruments, given the Company's current operations, there is no significant impact on the result for the year with regard to other financial assets (i.e., receivables related to derivative transactions), as well as in respect of the measurement of expected credit losses according to IFRS 9.

As in prior years, in May 2023, the Company entered into an Interest Rate Swap (IRS) transaction with CDP to hedge the interest rate risk on the new Term Loan at a floating rate (subscribed in May 2023). This transaction entails a cash collateral exchange for which, to date, no risk of insolvency of the counterparty (the parent company CDP S.p.A.) is predicted. As such, it is highly unlikely for the hedge accounting relationship to be discontinued and, based on the information currently available, no further hedging transactions are expected in 2024.

Additionally, with reference to the increase in energy and raw material costs due to high inflation, the Company, given its nature as a financial holding company and its current operations, has not been significantly affected by the current macroeconomic scenario in the Italian market.

Lastly, with regard to outstanding financial debt, after years of containment of borrowing costs, despite the substantial alignment of the nominal value of the financial debt (mainly attributable to the two Term Loans of 938 million euro and 253 million euro, maturing respectively in 2025 and 2026, and to the 500 million euro Bond maturing in 2027), the Company experienced an increase in net financial charges primarily driven by higher interest rates in comparison with prior years' rates (resulting from the debt refinancing that began in 2022 and ended in 2023) related to the Bond issued in October 2022 and to the Term Loan signed in May 2023. For a more detailed description, please refer to the section "Significant events taking place in the year by sector/activity" in the Notes to the Consolidated Financial Statements,

Notwithstanding the above and despite the ongoing monitoring of the events by Management, it is not possible to rule out with absolute certainty, that the macroeconomic context may have a negative impact on CDP RETI S.p.A., which at present, given the information available, cannot be reliably estimated. In any case, the Company does not currently believe that the uncertainties are such as not to allow it to be considered capable of continuing to operate as a going concern.

For further details, please refer to the specific sections in the Notes to the Financial Statements.

II. THE MAIN FINANCIAL STATEMENT ITEMS

The accounting principles adopted in the preparation of the separate financial statements of CDP RETI S.p.A. are consistent with the previous year, integrated with the approved amendments and in force from the 2023 financial year, as illustrated in section "I.1.2. General preparation principles" of the consolidated financial statements. With reference to the main financial statement items, reference should be made to the Consolidated Explanatory Notes, with the exception of the accounting principles relating to the treatment of equity investments in subsidiaries which is described below.

In any case, the accounting treatment of the main items in the separate financial statements of CDP RETI S.p.A. is shown below.

Equity investments

The equity investments held at 31 December 2023 are listed individually in Annex 1 "Analytical list of equity investments", which is an integral part of these Notes to the financial statements.

Initial recognition of equity investments in subsidiaries, associates and joint ventures is at cost at the settlement date, including costs or income directly attributable to the transaction.

At every reporting date, objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies of the parent company CDP, differs where these involve equity investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

The following are considered possible indicators of impairment:

- the recognition of losses[90] or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the equity investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies) in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40%;
- a market price below the carrying value for a period of 24 months;
- a value of the net assets in the consolidated financial statements higher than the market price;
- a rating downgrade of at least four notches from the time when the investment was made, if assessed as relevant, alongside other available information[91].

The recoverable amount of the unit is the higher between fair value less costs of disposal and the value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment. If the recoverable amount is lower than the carrying value and if there is persistent or significant impairment, the difference is recognised through profit or loss as an impairment loss. If the reasons that led to the recognition of the impairments cease to exist, the impairment losses are reversed, while recognising the effect of this adjustment in the income statement under "Income (expenses) from equity investments".

[90] The recognition of losses may not be considered relevant if it is in line with the budget and/or business plan objectives of the equity investment (e.g. investments recently made); on the contrary, losses attributable to cases provided for by the Italian Civil Code (e.g. Articles 2446, 2447) are always considered relevant.

[91] The downgrade of the equity investment's credit rating is not, in itself, evidence of impairment, although it may be an indication to that effect; therefore, such a trigger is considered relevant only when combined with at least another impairment trigger.

The investor's interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

The dividends are recognised when the investor has the right to receive payment for it (resolution to distribute dividends passed by the shareholders' meeting of the investee or the board of directors, if an advance on the dividend is received). The dividends resolved by the subsidiaries are recognised in the income statement when they are resolved and recognised as financial income regardless of the nature of the distributed reserves (equity or profit reserves and, in this latter case, even when these profits derive from the distribution of profit reserves that were established before the acquisition of the equity investment). In any event, considering that the distribution of those reserves represents an event implying a reduction in the value of the equity investment, the Company verifies the recoverability of the carrying value of the equity investment and, if appropriate, recognises an impairment.

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the financial asset is sold, substantially transferring all risks and rewards connected with it.

Cash and cash equivalents

Cash and cash equivalents include on-demand or near term deposits, as well as short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at fair value.

Financial liabilities measured at amortised cost

This category includes loans granted to the company by the parent company or by banking institutions and, specifically, the Term Loan subscribed in May 2020, maturing in May 2025 and the Term Loan subscribed in May 2023, maturing in May 2026, as well as the Bond issuance which took place in October 2022 and is listed on the Irish Stock Exchange regulated market (Euronext Dublin Regulated Market). Financial liabilities hedged by derivatives aimed at hedging the risk of changes in cash flows (cash flow hedge derivatives) continue to be measured at amortised cost, in accordance with the procedures set out in IAS 39 for hedge accounting. Financial liabilities other than derivative instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities are derecognised when settled or when the contractual obligation has been satisfied, cancelled or has expired. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, that replacement or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying amounts is recognised through profit or loss.

Hedging derivatives and hedge accounting

As permitted by IFRS 9, the Company has chosen to continue to apply the hedge accounting provisions of IAS 39 instead of the provisions of IFRS 9.

The derivatives entered into by the Company are for the purpose of hedging the exposure to interest rate risk. More specifically, in May 2020 and May 2023, the Company entered into two derivatives with the parent company CDP S.p.A. to hedge against the risk of changes in the cash flow of the hedged instruments (cash flow hedge).

Derivatives, including embedded derivatives, are assets and liabilities recognised at fair value. A derivative is a financial instrument or other contract:

- whose value changes in relation to variations in a parameter defined as the "underlying", such as an interest rate, security or commodity price, foreign exchange rate, index of prices or rates, credit rating or other variable;
- that requires an initial net investment of zero, or less than what would be required for contracts with a similar response to changes in market conditions;
- that is settled at a future date.

In accordance with the provisions of IAS 39, in order to classify a transaction as a fair value hedge or a cash flow hedge, formal documentation is prepared at the inception of the hedge that describes the risk management strategies and objectives and identifies the hedging instrument, the instrument hedged, the nature of the hedged risk and how it will be assessed to determine whether the hedging relationship meets the hedge effectiveness requirements.[92]. When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

[92] Changes in value of derivative instruments for which a hedging relationship has not been designated since initial recognition, are recognised directly in the income statement.

- Fair value hedge – If a derivative financial instrument is designated as a hedge against the risk of changes in the *fair value* of a hedged asset or liability (e.g. hedging the fair value movement of fixed-rate assets/liabilities), the gain or loss arising from the subsequent changes in the fair value of the hedging instrument is recognised through profit or loss. Accordingly, the gain or loss arising from the fair value adjustment of the hedged item, for the part attributable to the hedged risk, impact on its carrying value and as such, it is recognised through profit or loss.
- Cash flow hedge – If a derivative financial instrument is designated as a cash flow hedge against the movement in exposure of an asset or liability recorded on the balance sheet or of a highly probable expected transaction, the effective portion of the gains or losses arising from the fair value adjustment of the derivative instrument is recognised in a specific equity reserve (Valuation reserves – CFH reserve) The accumulated profit or loss is derecognised from the equity reserve and accounted for in the separate income statement in the same periods in which the effects of the hedged transaction are recognised through profit or loss. The gain or loss derived from the ineffective hedge is recorded in the separate income statement as soon as it arises. If the hedged transaction is no longer considered likely, unrealised gains or losses accounted for in the equity reserve are recognised immediately in the separate income statement.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis and include interest accrued on related financial liabilities using the effective interest rate method.

Income taxes (current and deferred taxes)

Income taxes include all taxes calculated on the Company's taxable income using all elements and information available at the balance sheet date, taking into account the laws and regulations in force and also considering and including in the valuations all elements that may cause uncertainties in the determination of the amounts payable to the Treasury, as required by IFRIC 23.

Current income taxes are calculated, according to a prudent interpretation of current tax regulations in force, on the basis of the estimated taxable income. Income taxes are recognised in the income statement, with the exception of those relating to items directly charged or credited to an equity reserve; in such cases the related tax effect is recognised directly in the respective equity reserves.

With regard to corporate income tax (IRES), CDP RETI, as a consolidated entity, has exercised the option of participating in the national fiscal consolidation together with its parent company CDP S.p.A. Under the group taxation rules, subsidiaries with taxable income are required to pay the tax due to the parent company CDP S.p.A. This taxable income is adjusted to take into account the recovery – based on the group's capacity – of negative components that would have been non-deductible without the consolidation (e.g. interest expense) and the ACE benefit.

Deferred income tax assets and liabilities are calculated on the temporary differences between the values of the assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes based on the rates and regulations, applicable in the years when the temporary difference will reverse, approved at the end of the reporting financial year. Deferred tax assets are recognised when their recovery is considered likely and their recoverability is verified at least annually. When the results of operations are recognised directly in equity, the current taxes and the deferred tax assets and liabilities are also recognised in equity.

Tax assets and liabilities are offset, separately for current taxes and deferred taxes, when there is a statutory right to do so.

II - INFORMATION ON THE BALANCE SHEET

I. ASSETS

Non-current assets

1. Property, plant and equipment

Below is a breakdown and changes in property, plant and equipment, which as at 31 December 2023 had a net value of 74 thousand euro attributable to the right of use of leased assets (RoU).[93]. More specifically, the item includes the right of use asset value, following the stipulation - in the last quarter of 2020 - of the lease contract regarding parts of the property located in Via Alessandria, 220 (Rome). For more details on the lease agreement in place as at 31 December 2023, please refer to section “X.1 Lessee”.

During the year, on 09 February 2023, as a result of a reorganisation of CDP Group, the Lessor’s ownership of the above mentioned property changed from CDP IMMOBILIARE S.r.L. to Fondo FIV Comparto Plus, although the contractual characteristics of the lease agreement remained unchanged.

The property is used for office and management purposes.

See section “X – Disclosure of leases” for additional information on the accounting method and note 14 “Loans” for the impact on liabilities connected to leased assets.

Property, plant and equipment: breakdown

(euros)	31/12/2023			31/12/2022		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Owned						
Assets under development and advances						
Right of use acquired under leases ex IFRS 16						
Buildings	167,783	(93,925)	73,857	167,783	(66,333)	101,450
Plant and equipment						
Other plant and equipments						
Other assets						
Assets under development and advances						
Total	**167,783**	**(93,925)**	**73,857**	**167,783**	**(66,333)**	**101,450**

[93] Right of Use i.e. the right (on the part of the Lessee) to use an asset for a specified period of time in return for a consideration paid to the Lessor. To this end, we remind you that adoption of the new IFRS 16 (Leases) from 1 January 2019 requires lease contracts to be recorded by recognising a financial liability in the balance sheet, equal to the present value of future lease payments, upon recognition under assets of the right of use of the leased asset.

Property, plant and equipment: changes for the year

(euros) Items/Figures	Buildings	Plant and equipments	Other plant and equipments	Other assets	Assets under development and advances	Total
Gross opening balance	167,783					167,783
of which Right of use IFRS 16	167,783					167,783
Provision for amortisation, depreciation and impairment - opening balance	(66,333)					(66,333)
of which Right of use ex IFRS 16	(66,333)					(66,333)
Net opening balance	**101,450**					**101,450**
of which Right of use IFRS 16	**101,450**					**101,450**
Gross amount: change for the period	**101,450**					101,450
Investments						
of which Right of use IFRS 16						
Provision for amortisation, depreciation and impairment: change for the period						
Depreciation for the period	(27,593)					(27,593)
of which Right of use IFRS 16	*(27,593)*					*(27,593)*
Other changes						
of which Right of use IFRS 16						
Provision for amortisation, depreciation and impairment - closing balance	**(93,925)**					**(93,925)**
of which Right of use IFRS 16	***(93,925)***					***(93,925)***
Net closing balance	**73,857**					**73,857**
of which Right of use IFRS 16	***73,857***					***73,857***

2. Intangible assets

The following table illustrates the breakdown and changes in intangible assets as at 31 December 2023, entirely relating to "*Concessions, licenses, trademarks and similar rights*". The gross value, amounting to approximately 93 thousand euro, includes costs incurred to purchase owned software applications and user licences and costs related to the design and implementation phase. At the end of 2023, accumulated amortisation of 63 thousand euro, calculated annually on a straight-line basis over the remaining useful economic life (of no more than five years), impacted the net residual value (equal to 30 thousand euro as at the end of 2023).

Intangible assets: breakdown

(euros)	31/12/2023			31/12/2022		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Goodwill						
Service concession agreements						
Industrial patent and intellectual property rights						
Concessions, licenses, trademarks and similar rights	92,966	(62,715)	30,251	92,966	(43,253)	49,713
Other intangible assets						
Assets under development and advances						
Total	**92,966**	**(62,715)**	**30,251**	**92,966**	**(43,253)**	**49,713**

Intangible assets: changes for the year

(euros) Items/Figures	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and advances	Total
Gross opening balance		92,966			92,966
Provision for amortisation, depreciation and impairment - opening balance		(43,253)			(43,253)
Net opening balance		**49,713**			**49,713**
Gross amount: change for the period					
Investments					
Transfers					
Disposals					
(Writedowns)/Writebacks					
Other changes					
Reclassifications					
Provision for amortisation, depreciation and impairment - change for the period					
Depreciation for the period		(19,462)			(19,462)
Disposals					
(Writedowns)/Writebacks					
Other changes					
Reclassifications					
Gross closing balance		**92,966**			**99,652**
Provision for amortisation, depreciation and impairment - closing balance		**(62,715)**			**(62,715)**
Net closing balance		**30,251**			**30,251**

3. Equity investments

The net amount of this item refers to the value of the controlling equity investments that CDP RETI holds in Snam S.p.A., Terna S.p.A., and Italgas S.p.A.

Impairment test on equity investments

At each reporting date, CDP RETI S.p.A. assesses the presence of the impairment indicators required by IAS 36 and supplementary indicators, where applicable, also considering the guidance provided by national and international supervisory authorities on financial reporting profiles related to risks, uncertainties, estimates estimates, assumptions and valuations, as well as the difficulties connected with the current reference context characterised by a combination of factors linked to heightened geopolitical tensions, connected with the continuation of the war in Ukraine and accentuated by events in the Middle East, which continue to weigh on the global outlook, the tightening of monetary policy conditions, the general deterioration of the economic climate and uncertainties on future developments.

In particular, in light of what has been described above, it should be noted that for the purposes of the estimates, data relative to quotations and market parameters have been used, which are subject to fluctuations, even significant ones, due to the persistent turbulence and volatility of the markets, connected to the tensions of the international geo-political situation and the uncertainty of the macroeconomic scenario (e.g. the evolution of the inflationary scenario and consequent monetary policy strategies of the central banks). In the current reference context, therefore, constant monitoring of the evolution of these elements continues to be necessary. Moreover, in carrying out its impairment testing activities, CDP RETI also considers the guidance provided by industry authorities on financial reporting profiles related to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact that climate risks may have on the entities under analysis.

When impairment indicators are identified (provided for in IAS 36 and the supplementary indicators), the recoverable amount is verified, considering the higher of fair value (net of disposal costs) and value in use. The fair value of the existing equity portfolio is determined on the quoted price[94]. The value in use estimate (understood as the present value of the future cash flows that the equity investment is expected to generate) is determined based on valuation practices deemed to be in line with the best practices identified on a case-by-case basis. The recoverable amount of the equity investments recorded in the balance sheet was estimated - in the presence of impairment indicators - by calculating the fair value. Specifically, as at 31 December 2023, impairment triggers were activated on the investment held in Snam S.p.A.

Snam

The recoverable amount of the investment in Snam was determined in the fair value setting minus costs to sell. The fair value of the investment was calculated on the basis of volume-weighted stock market prices recorded in December 2023 ("VWAP" method). The impairment test carried out showed that the fair value was higher than the carrying amount of the investment in CDP RETI's separate financial statements, and consequently the carrying value of the investment was confirmed. It should be noted that in order to align the fair value – thus determined – with the carrying amount of the investment (break-even assumption), a reduction in the VWAP of approximately 37% would be necessary.

There were no changes in the value of equity investments in the period and the breakdown of the item is as follows:

Equity investments: breakdown

(euros)

Names	31/12/2023	31/12/2022
Italgas SpA	621,032,150	621,032,150
Snam S.p.A.	3,086,832,661	3,086,832,661
Terna SpA	1,315,200,000	1,315,200,000
Total	**5,023,064,811**	**5,023,064,811**

Equity investments in subsidiaries, joint operations and companies subject to significant influence: information on investments

Names	Registered office	% holding at 31/12/2023
1. Italgas S.p.A.	Milan	25.99%
2. Snam S.p.A.	San Donato Milanese (MI)	31.35%
3. Terna S.p.A.	Rome	29.85%

Please note that on 9 March 2023, in implementation of the incentive plan called "2018-2020 Co-Investment Plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018 - and of the decision of the Board of Directors of Italgas to allocate a total of 499,502 new ordinary shares of the Company free of charge to the beneficiaries of the Plan itself (the so-called third cycle of the Plan) and to launch the execution of the third tranche of the capital increase approved by the aforementioned Shareholders' Meeting, CDP RETI's equity investment in Italgas decreased from 26.01% to 25.99%.

Equity investments in subsidiaries, joint operations and companies subject to significant influence: accounting information

(millions of euro)

Names	Total assets (1)	Total revenues (1)	Net income (loss) (1)	Equity (1)	Carrying amount	Type of transaction
Italgas SpA	11,140	2,639	467	2,601	621	Control
Snam SpA	33,525	4,288	1,145	7,680	3,087	Control
Terna SpA	23,446	3,187	883	6,343	1,315	Control

(1) Data from the 2023 Annual Report - Consolidated Financial Statements

The table below shows the changes in equity investments:

[94] More specifically, on the basis of the weighted average price for the traded volumes recorded in the month preceding the reference date of the valuation.

Equity investments: changes for the year

(euros) Items/Figures	31/12/2023	31/12/2022
A. Opening balance	**5,023,064,811**	**5,023,064,811**
B. Increases		
B.1 Purchases		
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Writedowns		
C.3 Other decreases		
D. Closing balance	**5,023,064,811**	**5,023,064,811**
E. Total revaluations		
F. Total impairments		

The share certificates (dematerialised) of equity investments in Italian subsidiaries held by CDP RETI S.p.A. are kept at the premises of the parent company CDP S.p.A. based on a securities custody and administration deposit contract signed by the parties.

4. Non-current financial assets

"Non-current financial assets" derive from the fair value measurement (level 2) of the cash flow hedge derivative contract entered into by the company to hedge the interest-rate risk connected to the overall 2020 Term Loan Facility. At the end of 2023, the mark to market value of the IRS used to hedge the 2020 Term Loan Facility, showed a positive amount of 47,103 thousand euro, significantly lower than last year (77,595 thousand euro) due to interest rates volatility.

The characteristics of IRS derivatives are described in the Report on Operations of CDP RETI S.p.A., within the Net financial debt and cash flows section.

(euros)	31/12/2023				31/12/2022			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	47,103,238		47,103,238		77,594,961		77,594,961	
Total	**47,103,238**		**47,103,238**		**77,594,961**		**77,594,961**	

5. Deferred tax assets

Below is a breakdown and changes in "Deferred tax assets" recognised in the financial statements as at 31 December 2023 for a total amount of 1,134 thousand euro (21 thousand euro as at 31 December 2022).

Deferred tax assets: breakdown

(euros) Items/Figures	31/12/2023	31/12/2022
Deferred tax assets recognized in PL	542	20,115
Deferred tax assets recognized in equity	1,133,685	495
Total	**1,134,227**	**20,610**

Deferred tax assets with impact on the income statement are calculated on temporary differences between accounting and tax values that will become deductible in years following that in which they are recognised.

Deferred tax assets recognised in equity increased significantly compared to the previous year (+ 1,133 thousand euro) due to the deferred tax assets recognised on the valuation of the Cash Flow Hedge (CFH) derivative taken out to hedge the Term Loan signed in May 2023. For more details on the Cash Flow Hedging derivative, please refer to paragraph "15. Other financial liabilities" in the Notes to the Separate Financial Statements.

The following tables indicate the change in deferred tax assets during the financial year:

Change in deferred tax assets (recognised in the income statement)

(euros)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**20,115**	**19,369**
2. Increases	**216**	**19,644**
2.1 Deferred tax assets recognised during the year	216	19,644
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	216	19,644
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**19,790**	**18,899**
3.1 Deferred tax assets derecognised during the year	19,790	18,899
a) reversals	19,790	18,899
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**542**	**20,115**

Change in deferred tax assets (recognised in equity)

(euros)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**495**	**705**
2. Increases	**1,133,685**	**495**
2.1 Deferred tax assets recognised during the year	1,133,685	495
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	1,133,685	495
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**495**	**705**
3.1 Deferred tax assets derecognised during the year	495	705
a) reversals	495	705
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**1,133,685**	**495**

6. Income tax receivables

The “Income tax receivable” balance, which includes assets related to current taxation, was nil as at 31 December 2023. This was fully offset against the previous year tax balance (66 thousand euro) as at 31 December 2022. Specifically, this has been utilised as follow:

- for the IRAP tax receivable, amounting to 36 thousand euro at the end of 2022, to pay for withholding taxes and VAT payable arising from January and February 2023 transactions;
- for the residual VAT credit (resulting from the net balance between VAT advance and VAT payable for the month of December 2022), equal to 30 thousand euro at the end of 2022, to pay for VAT arising from May and June 2023 transactions.

In the current year, the VAT advance, paid in December 2023, was classified as a tax payable (paragraph “20. Other liabilities” in the Notes to the Financial Statements), to partially offset the December VAT paid in January 2024. For further details, please refer to the paragraph mentioned above.

Income tax receivables: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
IRAP receivables		36,023
VAT Advance		30,127
Total		**66,150**

7. Other current assets

The following table shows the breakdown of “Other current assets”, which as at 31 December 2023 amounted to 123,523 thousand euro (118,768 thousand euro as at 31 December 2022):

Other current assets: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Receivables from CDP for tax consolidation	4,621,605	2,822,613
Receivables from CDP for tax consolidation: withholdings	2,778	1,674
Receivables from Snam for interim dividend	118,856,472	115,906,134
Other current assets	41,926	37,636
Total	**123,522,781**	**118,768,056**

As at 31 December 2023, the Company recognised the receivable from Snam S.p.A. relating to the 2023 interim dividend approved by the Board of Directors on 8 November 2023 in the amount of 0.1128 euro per share as “Other current assets”. CDP RETI received the advance on 24 January 2024.

Current assets also include the net amount due from the parent company CDP as a result of the tax consolidation mechanism, including:

- receivables arising from the surplus of interest expenses transferred to the tax consolidation (5.2 million euro), partially offset by the tax consolidation charge (0.6 million euro), the latter being equal to the sum of the tax charge borne by the Company against its gross taxable income (6.1 million euro) and the income deriving from the ACE benefit (5.5 million euro);
- receivable WHT which is transferable to the tax consolidation for 2,778 euro.

The other current assets mainly refer, instead, to the deferral of costs arising during the financial year but related to the following financial year.

8. Cash and cash equivalents

CDP RETI’s “Cash and cash equivalents”, amounted to 129 million euro, down by 37 million euro compared with the same period last year. The decrease is due to cash flow generated by operating activities (475 million euro), which was lower than the cash flow absorbed by financing activities (512 million euro). For a more detailed cash flows analysis, please refer to the Cash Flow Statement and the Report on Operations in the separate financial statements.

Under IFRS 9, cash and cash equivalents are tested for impairment, the result of which has led to an immaterial and negligible value.

The table below summarises the cash and cash equivalents as at 31 December 2023, represented by the interest-bearing unrestricted deposit held by the parent company CDP and bank current accounts. The balances in the table below include accrued interest not yet credited.

Cash and cash equivalents: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Deposit with CDP	101,039,934	40,088,818
Banks	28,337,256	126,216,467
Total	**129,377,190**	**166,305,286**

II. LIABILITIES

Equity

9. Share capital

Share capital: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Share capital	161,514	161,514
Total	**161,514**	**161,514**

At 31 December 2023, the share capital consisted of 161,514 shares without par value (likewise at 31 December 2022), fully paid in.

During the year there were no changes to the ownership structure, which is therefore unchanged from the following situation resulting from the introduction, at the shareholders' meeting of 24 November 2014, of three separate categories of shares giving holders different rights concerning corporate governance:

Share capital: categories of shares

Member / Number of shares / %	Share category A	Share category B	Share category C	%
CDP	95,458			59%
State Grid		56,530		35%
Cassa Forense			4,253	3%
Foundations and Savings Banks			5,273	3%
Total	**95,458**	**56,530**	**9,526**	**100%**

10. Reserves

At the end of the year the company reported the following “Reserves”:

Reserves: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Income reserves	24,353,254	24,352,849
Legal reserve	*32,303*	*32,303*
Retained earnings (losses carried forward)	*24,320,951*	*24,320,546*
Share premium reserve	1,315,158,486	1,315,158,486
Reserve for shareholder payments for investments	2,029,920,022	2,029,920,022
Total	**3,369,431,762**	**3,369,431,357**

The item “Reserve for shareholder payments for investments” includes the residual value of the payment made by CDP to fund the purchase of the equity investment in Snam.

At 31 December 2023, the company did not hold treasury shares directly or indirectly through its subsidiaries or intermediaries.

Information required by Article 2427, point 7-bis, of the Italian Civil Code on the individual details of equity items is given, specifying their origin, possible use and possible distribution.

Statement pursuant to Article 2427 of the Italian Civil Code

(euros) Items/Figures	Balance at 31/12/2023	Possible uses (*)	Amount available
Share capital	161,514		
Reserves			
- Legal reserve	32,303	B	32,303
- Retained earnings	24,320,952	A, B, C	24,320,952
- Share premium reserve (**)	1,315,158,486	A, B, C	1,315,158,486
- Shareholder payments for investments	2,029,920,022	A, B, C	2,029,920,022
Valuation reserves			
- CFH reserve	27,365,951		
Advances on dividends	(343,042,815)		
Total	**3,053,916,412**		**3,369,431,763**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders
(**) Share premium reserve is fully available for distribution since Legal reserve reached a fifth of Share capital

11. Valuation reserves

The movement in “Valuation reserves” is driven by the valuation of the cash flow hedge derivatives on the two loans outstanding as at 31 December 2023, stipulated by the company in May 2020 and May 2023, respectively, net of deferred taxes. The balance, which is recognised in the statement of comprehensive income, decreased significantly by 25,489 thousand euro, mainly due to the decrease of 30 million euro (before tax impact) in the mark-to-market of the IRS derivative entered into to hedge the 2020 Term Loan due to interest rate volatility. For more details, please refer to sections “4. Non-current financial assets” and “15. Other financial liabilities “ in the “Notes to the Financial Statements”.

Valuation reserves: breakdown

(euros) Items/Figures	31/12/2023	31/12/2022
Valuation reserves CFH Swap	27,365,951	52,855,285
Total	**27,365,951**	**52,855,285**

12. Interim dividends

Having satisfied the requirements of Article 2433-bis of the Italian Civil Code, on 21 November 2023 the company resolved to distribute an interim dividend for 2023, in the amount of 2,123.92 euro per share, for a total of 343,042,814.88 euro payable on 30 November 2023.

Interim dividends: breakdown

(euros) Items/Figures	31/12/2023	31/12/2022
Interim dividend	(343,042,815)	(331,878,967)
Total	**(343,042,815)**	**(331,878,967)**

Non-current liabilities

13. Provisions for employee benefits

At 31 December 2023, the company’s non-current liabilities in provisions for employee benefits amounted to 9,643 euro relative to the provision for staff severance pay made in accordance with current regulations for employees.

The balance of the provision increased compared to the previous financial year as a result of the amounts set aside in the period.

For more details on the composition of the workforce, please refer to section “3. Organisational structure” in the “Group’s Report on Operations”.

Staff severance pay: annual changes

(euros) Items/Figures	31/12/2023	31/12/2022
A. Opening balance	**4,955**	**998**
B. Increases	**4,688**	**3,957**
B.1 Allocation in the year	4,688	3,957
B.2 Other increases		
C. Decreases		
C.1 Payments made		
C.2 Other decreases		
D. Closing balance	**9,643**	**4,955**

14. Loans

The total medium/long-term "Loans" as at 31 December 2023, including both the current and non-current portion, amounted to 1,698 million euro (1,441 million euro as at 31 December 2022). Please refer to Note 17. "Current portion of loans payable" for a detailed analysis of the outstanding debt balance as at 31 December 2023.

The loans breakdown, by structure, is shown in the following table.

Loans: breakdown

(euros)	31/12/2023		31/12/2022	
Items/Figures	Non current	Current	Non current	Current
Bond	497,039,257	5,377,391	496,419,241	5,377,391
Lease liability	51,191	27,932	79,123	27,022
Term loan facility 2020	936,536,501	5,468,520	935,818,848	3,483,834
Term loan facility 2023	252,271,602	1,304,598		
Total	**1,685,898,551**	**12,178,441**	**1,432,317,212**	**8,888,247**

As at 31 December 2023, the non-current portion of loans amounting to 1,686 million euro included:

- 937 million euro for the total Term Loan Facility signed in May 2020;
- the non-current lease liability portion associated with the lease agreement of parts of the building in Via Alessandria 220, which decreased compared to 31 December 2022 due to the depreciation of the annual portion of the lease agreement expiring in 2026 and for which, the renewal option, is not expected to be exercised. For more financial and non-financial details, please refer to the paragraph "X-Leasing Information";
- the non-current portion of the unsubordinated and unsecured fixed-rate bond for a nominal value of 500 million euro issued by CDP RETI in October 2022;
- the non-current portion of the Term Loan Facility signed on 25 May 2023 for 253 million euro, whose cash flow was entirely used to repay the residual debt arising from the two short-term financing agreements (Bridge Loan) signed in May 2022 (and maturing in May 2023) for 50% by CDP S.p.A. and for the remaining 50% by a pool of banks. For more details on the debt refinancing transaction resulting from the short-term bridging loan, see section "2. Significant events taking place in the year by sector/company" in the "Group's Report on Operations".

The breakdown of non-current loans into loans agreed or subscribed by the parent company CDP or by a pool of banks or by other institutional investors is provided in the table below:

Non-current loans: breakdown by type of creditor

(euros)	31/12/2023			31/12/2022		
Items/Figures	CDP	Pool of Banks	Others	CDP	Pool of Banks	Others
Bond	149,111,777	318,105,125	29,822,355	148,925,772	317,708,314	29,785,154
Lease liability			51,191			79,123
Term loan facility 2020	221,739,984	714,796,517		221,570,068	714,248,780	
Term loan facility 2023		252,271,602				
Total	**370,851,761**	**1,285,173,244**	**29,873,546**	**370,495,840**	**1,031,957,094**	**29,864,277**

For more information on the maturity analysis of loans, please refer to Liquidity and Credit Risk in Section "IV - Information on Risks and Related Hedging Policies' of the Notes to the Separate Financial Statements.

15. Other financial liabilities

The item includes the cash flow hedge derivative contract mark to market value at the end of 2023 (classified as level 2) entered by the company in May 2023 for the purpose of hedging the interest rate risk of the Term Loan also subscribed to in May 2023 in the refinancing transaction described in section “2. Significant events taking place in the year by sector/company” in the “Group’s Report on Operations”.

The characteristics of derivative contracts are described in the Report on Operations of CDP RETI S.p.A., in the section on Net financial debt and cash flows.

16. Deferred tax liabilities

Deferred tax liabilities of 14,062 thousand euro (23,583 thousand euro as at 31 December 2022) are broken down as follows:

Deferred tax liabilities: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Deferred tax liabilities recognized in equity	12,635,486	22,191,765
Deferred tax liabilities recognized in PL	1,426,278	1,390,874
Total	**14,061,764**	**23,582,638**

Deferred tax liabilities with an impact on equity resulted from the recognition of the Interest Rate Swap (IRS) derivative contract entered into to hedge two loans subscribed in 2020 and in May 2023, respectively. For more details on the refinancing operation that took place in May 2023, please refer to paragraph “14. Loans” and in section “2. Significant events taking place in the year by sector/company” in the “Group’s Report on Operations”.

Compared with the same period, as a result of the Mark to Market of the CFH derivative hedging the Term Loan signed in 2020, the total amount showed a balance of 14,062 thousand euro, down by 9,521 thousand euro.

Deferred tax liabilities recognised in the income statement originate from the recognition of tax on the 2023 interim dividend approved by Snam in November 2023 and paid on 24 January 2024.

The table below shows the changes in deferred tax liabilities.

Deferred tax liabilities recognised in Equity: changes

(euros)

Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**22,191,765**	**1,549,934**
2. Increases	**12,635,486**	**22,191,765**
2.1 Deferred tax liabilities recognised during the year	12,635,486	22,191,765
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	12,635,486	22,191,765
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**22,191,765**	**1,549,934**
3.1 Deferred tax liabilities derecognised during the year	22,191,765	1,549,934
a) reversals	22,191,765	1,549,934
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**12,635,486**	**22,191,765**

Deferred tax liabilities recognised in the Income Statement: changes

(euros) Items/Figures	31/12/2023	31/12/2022
1. Opening balance	**1,390,874**	**1,325,123**
2. Increases	**1,426,278**	**1,390,874**
2.1 Deferred tax liabilities recognised during the year	1,426,278	1,390,874
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	1,426,278	1,390,874
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**1,390,874**	**1,325,123**
3.1 Deferred tax liabilities derecognised during the year	1,390,874	1,325,123
a) reversals	1,390,874	1,325,123
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**1,426,278**	**1,390,874**

Current liabilities

17. Current loans

This item includes the current portion of the loans described above, i.e., almost the entire amount of interest and the coupons maturing and expiring within the following financial year, as well as, for the remaining part, the lease liabilities due within the following year. The table below shows the breakdown of the item at 31 December 2023:

Current loans: breakdown by type of creditor

(euros)	31/12/2023			31/12/2022		
Items/Figures	CDP	Pool of Banks	Others	CDP	Pool of Banks	Others
Bond	1,613,217	3,441,531	322,643	1,613,217	3,441,530	322,643
Lease liability			27,932			27,022
Term loan facility 2020	1,294,760	4,173,760		824,853	2,658,980	
Term loan facility 2023		1,304,598				
Total	**2,907,977**	**8,919,889**	**350,575**	**2,438,071**	**6,100,511**	**349,665**

The balance of the item, totalling 12,178 thousand euro, increased compared to the previous year (+3.3 million) due to both the higher financial charges on the 2020 Term Loan resulting from interest rates volatility, and to the recognition of the current portion of the 2023 Term Loan. For more details on the refinancing operation that took place in May 2023, please refer to paragraph “14. Loans” and in section “2. Significant events taking place in the year by sector/company” in the “Group’s Report on Operations”.

18. Trade payables

“Trade payables” as at 31 December 2023 refer to payables to suppliers related to normal company operations and are broken down as follows:

Trade payables: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Trade payables	25,479	58,541
Trade payables for invoices to receive	65,364	77,911
Total	**90,843**	**136,452**

19. Current financial liabilities

“Current financial liabilities” recognised in the financial statements as at 31 December 2023 amounted to 41,067 thousand euro and refer to the amount payable to the parent company CDP for the margin received from it under the guarantee agreement (Credit Support Agreement) entered into in connection with cash flow hedge derivatives (so-called cash flow hedge). With respect to 2022 the item also includes the margin on the new hedging derivative entered into at the same time as the aforementioned refinancing transaction. The balance, which decreased sharply compared to the previous year, is primarily made up by the repayment of the residual value of the short-term loan (the so-called Bridge Loan) entered into in May 2022 and repaid at maturity through a new €253 million loan, the characteristics of which are described in section “2. Significant events taking place in the year by sector/company” in the “Group’s Report on Operations”. The further reduction is attributable to the return of cash collateral to the parent company CDP as a result of the mark to market volatility of the hedging derivatives mentioned above.

Furthermore, it is noted that as at 31 December 2023 CDP RETI had no credit facilities available. For information on financial covenants, see the paragraph “Default risk and debt covenants” in section “IV - INFORMATION ON RISKS AND RELATED HEDGING POLICIES”.

(euros)

Items/Figures	31/12/2023	31/12/2022
Loans to CDP for CSA	41,067,447	75,883,629
Bridge loan		253,289,032
Total	**41,067,447**	**329,172,661**

20. Other current liabilities

"Other current liabilities" refer to short-term payables that will be paid within the financial year following the reporting date. The item primarily includes payables due to the Parent Company CDP S.p.A. and CDP Equity S.p.A. in connection with existing supply contracts (so-called *service agreements*) and employees seconded to CDP RETI, payables due to the Board of Statutory Auditors and Supervisory Body, payables for the remuneration of members of the Board of Directors to be paid to CDP and SGEL and tax payables.

Other current liabilities: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Tax payables	23,018	21,329
Payables to parent companies	436,484	488,669
Payables due to pension and social security institutions	15,532	7,392
Other payables	288,042	269,384
Total	**763,076**	**786,774**

The table below shows the breakdown of tax payables, consisting of the tax withheld by the Company on behalf of its employees and independent contractors, which is paid to the revenue authorities the month after being withheld.

Tax payables: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Irpef withholdings on employees	16,619	12,469
Irpef withholdings on professionals	747	8,861
Other tax payables	5,652	
Total	**23,018**	**21,329**

The table below provides a breakdown of payables to the parent company, which are mostly related to the service agreements with CDP in order to provide the Company with all the skills and services that are key for the correct performance of its business, recognised by the Company in the financial statements at 31 December 2023:

Payables to parent companies: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Administrative services	305,717	374,285
Seconded personnel	90,457	74,074
Payables to directors to pay to CDP	40,000	40,000
Other payables	310	310
Total	**436,484**	**488,669**

Payables to pension and social security institutions as at 31 December 2023 amounted to 16 thousand euro, in line with the previous year, and refer to payables to INPS recognised in December 2023 with reference to the fixed and variable remuneration of employees, as shown in the table below.

Payables to social security institutions: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Payables to INPS	14,489	7,117
Payables to INAIL	1,043	275
Total	**15,532**	**7,392**

Other payables amounting to 288 thousand euro (269 thousand euro as at 31 December 2022) are broken down as follows:

Other payables: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Due to company bodies	103,520	102,508
Payables to directors to pay to SGEL	40,000	40,000
Seconded personnel of CDP Equity	104,676	84,612
Payables to employees	37,077	40,344
Payables to pension fund	2,769	1,919
Total	**288,042**	**269,384**

Disclosures on the fair value measurement of financial instruments

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

(euros)	31/12/2023			31/12/2022		
Items/Figures	L1	L2	L3	L1	L2	L3
Non-current financial assets		47,103,238			77,594,961	
Current financial assets						
Cash and cash equivalents			129,377,190			166,305,286
Total		**47,103,238**	**129,377,190**		**77,594,961**	**166,305,286**
Non-current financial liabilities						
- Other financial liabilities		3,782,098				
Current financial liabilities						
- Current financial liabilities						
Total		**3,782,098**				

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(euros)	31/12/2023				31/12/2022			
Items/Figures	CA	L1	L2	L3	CA	L1	L2	L3
Non-current assets								
Current assets								
- Current financial assets								
Total								
Non-current liabilities								
- Loans	*1,685,898,551*	*537,435,000*	1,197,486,682	*51,191*	*1,432,317,212*			*1,432,317,212*
Current liabilities								
- Current portion of loans	*12,178,441*	*5,377,391*	*6,773,118*	*27,932*	*8,888,247*	*5,404,413*		*3,483,834*
- Current financial liabilities	*41,067,447*			*41,067,447*	*329,172,661*			*329,172,661*
Total	**1,739,144,439**	**542,812,391**	**1,204,259,800**	**41,146,569**	**1,770,378,119**	**5,404,413**		**1,764,973,707**

Other information

Guarantees issued and commitments

The Company did not issue any guarantees or make commitments recognised in the memorandum accounts.

Assets pledged as collateral for own debts and commitments

No collateral or guarantees were pledged either directly or indirectly in the interest of third parties.

Owned securities deposited with third parties

The 1,053,692,127 shares of Snam S.p.A., the 599,999,999 shares of Terna S.p.A., and the 210,738,424 shares of Italgas S.p.A. owned by CDP RETI are held with the parent company CDP.

III - INFORMATION ON THE INCOME STATEMENT

REVENUES

21. Other revenues and income

This item, with a balance of 17 thousand euro (15 thousand euro as at 31 December 2022), refers to the charge-back to State Grid International Development of the costs incurred by CDP RETI for the audit performed (by the independent auditors Deloitte) on behalf of State Grid on the reporting package as at 31 December 2022.

Other revenues and income: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Other income	16,775	15,278
Total	**16,775**	**15,278**

OPERATING COSTS

22. Services

Costs for services incurred in 2023, which amounted to 1,410 thousand euro (1,728 thousand euro in 2022), mainly relate to service contracts with CDP S.p.A. and costs for professional services received during the year (e.g., translation, legal, notary and audit services). The decrease in this financial line item is mainly attributable to the fact that in 2023, costs related to the issuance of the 2022 bond (including consultancy services rendered by the various professionals who participated in the Company's refinancing transaction) were fully recognised in the income statement in 2022 and not amortised in future periods.

Services: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Professional and financial services	637,953	918,599
Outsourcing CDP	624,781	695,053
General and administrative services	113,104	92,323
Utilities and other expenses	34,230	22,195
Total	**1,410,068**	**1,728,170**

The 2023 fees for the independent auditors Deloitte & Touche S.p.a., as provided by Article 149 - duodecies, paragraph 2, of Consob Resolution no. 11971 of 14 May 1999, as amended, are summarised below:

Independent auditors' fees:

(euros)

Type of service/Values	Service Provider	Fees for the year
Auditing	Deloitte & Touche S.p.A.	74,342
Certification		32,739
Other services		
Total		**107,081**

23. Staff costs

Staff costs, which amounted to 723 thousand euro as at 31 December 2023 (619 thousand euro as at 31 December 2022), are broken down in the table below:

Staff costs: breakdown

(euros) Items/Figures	31/12/2023	31/12/2022
Employees	362,808	296,612
Other personnel in service		
Board of Directors and Board of Auditors	165,005	163,777
Retired personnel		
Recovery of expenses for employees seconded to other companies		
Reimbursement of expenses for third-party employees seconded to the Company	195,133	158,690
Total	**722,946**	**619,078**

For further information on the organisational structure, reference is made to paragraph “3.1. The organisational structure” in the Report on Operations of the Group.

Average number of employees

The average number of employees broken down by job category is illustrated in the following table:

Average number of employees

Items/Figures	31/12/2023	31/12/2022
Senior Managers		
Middle Managers	2	2
Office staff	1	
Manual workers		
Total	**3**	**2**

24. Amortisation, depreciation and impairment of property, plant and equipment and intangible assets

The balance of the item depreciation/amortisation and impairments was 47 thousand euro, substantially in line with the previous year, and is broken down in the table below:

Amortisation, depreciation and impairment of property, plant and equipment and intangible assets: breakdown

(euros)	31/12/2023				31/12/2022			
Items/Figures	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)
Property, plant and equipment	**27,593**			**27,593**	**28,512**			**28,512**
- Owned								
- Right of use acquired under leases IFRS 16	*27,593*			*27,593*	*28,512*			*28,512*
Intangible assets	**19,462**			**19,462**	**19,462**			**19,462**
- Owned	*19,462*			*19,462*	*19,462*			*19,462*
- Right of use acquired under leases IFRS 16								
Total	**47,055**			**47,055**	**47,974**			**47,974**

The balance of the depreciation/amortisation item is made up of 28 thousand euro relating to the depreciation charge pursuant to IFRS 16 of the leased property located in Via Alessandria, while 19 thousand euro is the 2023 amortisation charge for the purchase of the license to use a software application.

25. Other operating costs

Other operating costs incurred by the company in 2023 amounted to 69 thousand euro (60 thousand euro in 2022) and are broken down as follows:

Other operating costs: breakdown

(euros)

Items/Values	31/12/2023	31/12/2022
AGCM Contribution	5,972	6,308
Taxes	1,144	610
Other operating costs	62,765	53,715
Total	**69,881**	**60,633**

The item "Other operating expenses" includes legal costs charged to the company during 2023 and related to the refinancing of the debt concluded in May 2023 through the subscription of a Term Loan with a pool of banks. The balance is in line with last year and remained relatively unchanged

26. Financial income

As at 31 December 2023, "Financial income" amounted to 595,369 thousand euro (526,790 thousand euro as at 31 December 2022) and is broken down as follows:

Financial income: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Interest income on deposit contract with CDP	8,585,070	571,634
Interest income on current bank account	10,685	6,437
Interest income on CFH	33,408,495	3,097,424
Dividends	553,365,122	523,114,371
Total	**595,369,372**	**526,789,866**

The increase in this financial line item (approximately up by 69 million euro compared to the previous year) is attributable to the higher amounts of:

- dividends received from subsidiaries (+30 million euro);
- interest income for the period related to IRS hedging derivatives (+ 30 million euro);
- interest income on the irregular deposit as a result of a higher remuneration from the cash deposited with the parent company CDP (+8 million euro).

The breakdown of dividends to be distributed by the investee companies, as approved during the financial year, is shown in the following table:

Dividends: breakdown

(euros)

Items/Figures	31/12/2023	31/12/2022
Italgas S.p.A. dividend	66,804,080	62,167,835
Snam S.p.A. dividend	292,821,042	281,546,536
Terna S.p.A. dividend	193,740,000	179,400,000
Total	**553,365,122**	**523,114,371**

All dividends were collected in the period, except for the 2023 interim dividend approved by Snam S.p.A. in November 2023, amounting to 118,856 thousand euro, which was collected in January 2024.

27. Financial expenses

"Financial expenses" relate mainly to interest expense for the period, as detailed in the table below.

Financial expenses: breakdown

(euros) Items/Figures	31/12/2023	31/12/2022
Interest on Bond	29,995,016	11,337,355
Interest on Term Facility 2020	41,040,164	10,347,682
Interest on Bridge loan 2022	3,774,355	3,666,963
Interest on Term Facility 2023	8,140,629	
Other interest expense	2,235,337	1,240,138
Impairment losses on financial assets	(1,557)	1,851
Total	**85,183,944**	**26,593,988**

The increase in this item compared to 2022 is mainly attributable to the effects of refinancing and rising interest rates in the Eurozone, especially in the first part of 2023. The negative impact on financial expenses is however mitigated by the hedging policy used by the company (so-called cash flow hedge) which led to a higher financial income. For further details, please refer to section “26. Financial income”.

Other interest expense amounting to 2,235 thousand euro was primarily recognised in respect of interest expenses accrued on cash received from the parent company CDP in fulfilment of the guarantee agreement (CSA) in the amount of 2,232 thousand euro.

The calculation of impairment losses on financial assets takes into account their rating, recovery rate and probability of default and is broken down as follows:

Impairment losses on financial assets

(euros) Items/Figures	31/12/2023	31/12/2022
Adjustments to financial assets:		
- recognised under cash and cash equivalents	1,557	(1,851)
- recognised under other current financial assets		
Total	**1,557**	**(1,851)**

INCOME TAXES, CURRENT AND DEFERRED TAXES

28. Income taxes, current and deferred taxes

Taxes for the year 2023 recognised through profit or loss are detailed below:

Income taxes: breakdown

(euros) Items/Figures	31/12/2023	31/12/2022
1. Current taxes (-)	4,621,605	2,822,613
- of which income from participation in the tax consolidation mechanism	*4,621,605*	*2,822,613*
2. Change in current taxes from previous years (+/-)	19,200	
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	(19,574)	747
5. Change in deferred tax liabilities (+/-)	(35,404)	(65,750)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**4,585,828**	**2,757,609**

Current taxes mainly reflect “income from joining the tax consolidation”, resulting from the following effects:

- surplus of non-deductible interest expense on an individual basis and transferable to tax consolidation[95], which, as a result of the debt restructuring, gave rise to a significant increase with a related positive tax impact of 5.2 million euro;
- tax consolidation charge (-0.6 million euro), resulting from the net impact between the tax charge calculated on taxable income for the year of 6.1 million euro, partially offset by the estimated income from the ACE benefit for 2023, amounting to 5.5 million euro.

[95] CDP RETI, as a result of joining the national tax consolidation relating to the CDP group since 2013, which allows the determination of IRES on a consolidated basis for companies that have exercised the option for group taxation, has the possibility of transferring to consolidated the unused ACE surplus on an individual basis (i.e. by deducting one's taxable income), consequently obtaining a remuneration based on the tax rate in force ratione temporis (24% starting from 2017). In addition, again following adhesion to the tax consolidation, CDP RETI can transfer any excess non-deductible interest expense on an individual basis if and to the extent that other subjects (adhering to the tax consolidation) present for the same tax period a surplus of ROL transferable to the group. In exchange for the transfer of this interest expense, CDP RETI obtains a remuneration due to the lower IRES at group level set at 50% of the tax rate in force. The contract relating to the tax consolidation was tacitly renewed for the three-year period 2022-2024.

As a balancing entry for this 4.6 million euro income, the Company recognised a receivable for the same amount from the parent company CDP.

The “change in deferred tax liabilities” refers to the recognition of deferred tax liabilities on the 2023 dividend approved by Snam in November 2023 and yet to be collected at the end of the year.

The reconciliation between the theoretical and actual tax liability is shown below:

Reconciliation between theoretical and actual tax liability: IRES

(euros)

Items/Figures	31/12/2023	Tax rate
Income (loss) before taxes	**509,342,211**	
IRES theoretical tax liability (rate 24%)	**(122,242,131)**	**-24.00%**
Increases in taxes	**(11,759,679)**	**0.00%**
- non-deductible temporary differences	(1,391,090)	0.00%
- non-deductible permanent differences on interest expenses	(10,363,500)	-2.00%
- non-deductible permanent differences	(5,089)	0.00%
Decreases in taxes	**138,623,415**	**0.00%**
- dividends 95% exempt	126,167,248	25.00%
- ACE benefit	5,509,034	1.00%
- excess financial expenses	5,181,750	1.00%
- other	1,765,383	0.00%
IRES Actual tax liability	**4,621,605**	**1.00%**

Reconciliation between theoretical and actual tax liability: IRAP

(euros)

Items/Figures	31/12/2023	Tax rate
Difference between revenues and production costs	**(1,890,654)**	
IRAP Theoretical tax liability (5.57% rate)	**105,309**	**-5.57%**
Increases in taxes	(2,546,036)	n.s.
Decreases in taxes	2,410,803	n.s.
IRAP Actual tax liability		**n.s.**

Taxes for the year 2023 recognised in equity which are primarily attributable to the deferred taxation recognised on the CFH Reserve are detailed below:

Taxes relating to components of the Statement of comprehensive income

(euros)

Items/Figures	31/12/2023	31/12/2022
Change in fair value of cash flow hedge derivatives	(36,178,804)	69,767,588
Tax impact (+/-)	10,689,469	(20,642,041)
Other components of the Comprehensive Income Statement	**(25,489,335)**	**49,125,547**

IV – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Concerning risk exposure and the related uncertainties, it should be highlighted that, as a holder of significant equity investments, CDP RETI is exposed to the risks typically associated with investee companies. Such risks are monitored through a rigorous risk measurement and control process, which is carried out in first instance by the Directors as part of their assessment of the recoverability of the investments made. Their assessment is then reflected in the carrying amount shown in the financial statements for the related equity investments. Moreover, risk profiles are measured constantly on the basis of market price volatility of the related shares.

The Company is also supported by the parent company CDP, pursuant to the service agreements entered into. In particular, risk management is coordinated at group-level in synergy with the competent structures of CDP.

The main risks identified and the processes for managing them in order to minimise potential adverse impact on the financial and economic performance of CDP RETI S.p.A. are listed below.

Market risk

In conducting its business, CDP RETI is exposed to the market risk and, in particular, to the interest rate risk, which is the risk that the fair value or the cash flows of financial instruments may fluctuate due to changes in market interest rates or may lead to unexpected changes in net financial charges in relation to the portion of debt with floating rate. The Company, in carrying out its business, is not, on the other hand, exposed to the risk of exchange rate fluctuations.

The Company's policy in the management of interest rate risk is achieved essentially through the definition of an optimal financial structure with the dual objective of stabilisation of expenses and containment of the cost of funding. Specifically, the Company aims to contain borrowing costs and their volatility by entering into Over The Counter derivative financial contracts (so-called vanilla *interest rate swaps* - “floating to fixed” with the parent CDP to change the risk profile of the original exposure to interest rate risk of the *Term Loan*) with reference maturity and notional principal[96] aligned with those of the underlying financial liability. Additionally, with regard to the two IRS hedging derivatives entered into to convert the 2020 and 2023 *Term Loan* rate from floating to fixed, in accordance with hedge accounting principles as per international accounting standards, the fair value (mark to market) of these instruments is booked in a specific and restricted reserve account (“*CFH Swap valuation reserve*”) within Equity.

The table below shows the breakdown of financial debt for loans in place by fixed-rate and floating-rate type, as at 31 December 2023 and as at 31 December 2022:

(euros)	31/12/2023		31/12/2022	
Items/Figures	Total	%	Total	%
Fixed interest	502,495,771	29.6%	501,902,777	29.6%
Variable interest	1,195,581,221	70.4%	1,192,591,714	70.4%
Total	**1,698,076,992**	**100.0%**	**1,694,494,491**	**100.0%**

Starting from the month of May 2020, the Company has one Interest Rate Swap contract relating to the overall Term Loan (nominal value 937.6 million euro), which is used to convert floating-rate loans into fixed-rate loans. Furthermore, as of May 2023, the Company has an additional *Interest Rate Swap* derivative relating to the 2023 *Term Loan* (nominal value of 252.9 million euro) signed by the Company in May 2023.[97]. The total notional value of the outstanding derivatives is 1,190.5 million euro (same as the *Term Loans* total value), and a *mark to market* of:

- positive, as at 31 December 2023, for 47,103 thousand euro (77,595 thousand euro as at 31 December 2022) for the IRS signed in May 2020;
- negative, as at 31 December 2023, for 3,782 thousand euro for the IRS signed in May 2023.

Reference is made to the “Net Financial Debt and Cash Flows” section of the CDP RETI S.p.A. Report on Operations for a detailed description of the item.

Risk related to climate change

Given its nature as a holding company, in overall terms, the exposure of CDP RETI S.p.A. to the risks related to climate change is currently limited. The company's objective of reducing its environmental impact is guided by the strategic

[96] Amount on the basis of which cash flow is exchanged.
[97] As already disclosed in the section “Significant events taking place in the year by sector/company”, in May the company finalised the transaction of debt refinancing, resulting from two short-term bridging loan agreements for a total original amount of 750 million euro (of which 497.1 million euro repaid in October 2022), through the subscription of a *Term Loan* (for a total amount of 252.9 million euro) signed with a *pool* of banks.

guidelines set out at CDP Group level. The CDP Group has long placed sustainable development at the centre of its long-term strategy by setting environmental, social and governance goals and integrating them with the other objectives of the Business Plan.

With regard to the main asset item (equity investments in Snam, Terna and Italgas account for more than 90% of assets), issues related to climate change have so far not impacted the estimation of recoverable amount (equal to the greater of Fair Value and Value in Use[98]) (nor are they reasonably expected to do so) also in consideration of the fact that the stock prices of the controlling interests held in the portfolio are well above the book value. With reference to the main liability item (loans), which is representative of the existing financing sources (*Term Loan* and *Bond*), please note that the contractual financial cash flows are in no way dependent on the achievement of climate-related objectives.

With regard to transition risk as well, the risk profiles that may be significant for CDP RETI, as an investment vehicle, are essentially of an indirect nature, i.e., risks that may affect the value of the controlling equity investments held in its portfolio. In this regard, note that all the subsidiaries are accelerating investments related to energy transition projects in order to meet the emission targets set by the European Union. These investments, which are expected to grow over the coming years, may affect the financial indebtedness levels of the subsidiaries. On the other hand, they will improve the quality and ultimately the value of their networks, with a positive impact on their company profile. For more information on the risks related to climate change, please see the more detailed information in the specific section "I.1.5. Other issues" of the Notes to the consolidated financial statements.

Risk related to the financial performance and the profit or loss of Snam, Terna and Italgas

Given its nature as a financial holding company, the performance and cash liquidity of the Company are influenced not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the Snam Group, the Terna Group and the Italgas Group. Consequently, any material change in the two parameters above could have negative effects on the financial performance and profit or loss of CDP RETI.

Through its subsidiaries, CDP RETI is active in the gas transport, regasification and storage and energy transition sector (Snam), in the electricity dispatching and transmission sector (Terna) and in the gas distribution sector (Italgas). Therefore, CDP RETI is exposed to the risks typical of those markets and sectors in which its investees operate. Furthermore, in line with its mission, CDP RETI has an undiversified equity investment portfolio, though concentrated in terms of country (ITALY) and regulatory authority (ARERA).

The dividend policies of the investee companies, which are based on the provisions of the respective strategic plans, are outlined below.

Terna (2024-2028 Plan presented on 19/03/2024): over the Plan period, the new dividend policy foresees a dividend per share (DPS) 4% minimum annual growth, taking 2023 as the reference year. For 2024, dividend per share (DPS) will be equal to the higher of 4% growth versus 2023, and 75% payout ratio. Any greater distribution in 2024 will not impact dividends from 2025 onwards;

Snam (2023-2027 Plan presented on 25/01/2024): increased the dividend policy to 3% minimum annual growth until 2027, starting from the 2024 dividend, (up compared to the previous policy of 2.5% minimum). Snam expects a total dividend of 0.2820 euro per share to be distributed in 2024 relating to the 2023 financial year, of which 40% as an interim dividend already distributed on 24 January 2024. The remaining 60% (to be proposed to the Shareholders' Meeting that will approve the 2023 financial statements) will be paid on 26 June 2024;

Italgas (2023-2029 plan presented on 15/06/2023): the dividend policy has been extended to 2026. The new policy, confirmed in the Strategic Plan of the Italgas group for the period 2023-2029, envisages a dividend equal to the higher of (i) the amount resulting from the 2022 DPS (0.317 euro) plus 4% per year, and (ii) the DPS equivalent to 65% of the net income adjusted per share.

Risk related to restrictions on the transfer of financial resources from Snam, Terna and Italgas

As previously mentioned, the financial position and operating results of CDP RETI are dependent on the flow of funds received, in the form of dividends, from Snam, Terna and Italgas. This availability depends not only on the ability of Snam, Terna and Italgas to generate sufficient cash flow, but also on the ability of the three groups to overcome any legal and contractual restrictions on the distribution of dividends. By way of an example, such restrictions might include: i) regulatory restrictions on increasing tariffs, ii) requests for significant investments on the infrastructure managed by the three groups,

[98] Intended as the present value of the future cash flows that the equity investment is expected to generate.

iii) the requirement to comply with the covenants of loan agreements. Another restriction, generally speaking, could be the extent of future taxation.

These restrictions, and the resulting fall in inflows, could have significant negative effects on the parent company's ability to make the required payments on the bond and the existing loan agreements.

Liquidity and credit risk

In relation to its own business activity, the parent company is exposed to the liquidity risk, which is the risk that, due to the inability to raise new funds or liquidate assets on the market, it is not able to fulfil its own payment commitments or can only fulfil them at unfavourable economic conditions also due to situations of tension or systemic crisis (e.g. crisis in sovereign debt), resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk. Notwithstanding the Company's goal to implement a financial structure that guarantees an adequate level of liquidity and an optimal profile in terms of debt maturity and composition, the effects of external factors cannot be excluded, including, for example, the effects of a negative market or a considerable tightening of bank credit access conditions. In such a scenario, the Company might find it difficult to make the required payments on the bond and on the existing loan agreements.

Access to the capital market and other forms of financing, and the associated costs, is also dependent on the Company's credit rating. A downgrade by the rating agencies could limit the Company's access to the capital market and increase the cost of funding. This would negatively affect the Company's financial position and performance. During 2023, CDP RETI maintained its "investment grade" long-term credit rating. In this regard, it should be noted that on 21 November 2023, following the action taken in relation to the rating of the Italian Republic, the rating agency Moody's confirmed the Company's long-term rating at Baa3 and revised the outlook from Negative to Stable. Moreover, on 6 February 2024 Moody's confirmed the rating at Baa3 with a Stable outlook. On 14 December 2023, the rating agency Fitch confirmed the Company's long-term rating at BBB, keeping the outlook at Stabile unchanged.

Ratings and outlooks are in line with those of the parent company, Cassa Depositi e Prestiti S.p.A.

The Company's current policy is to maintain available liquidity invested in demand or very short-term bank deposits or other readily liquid instruments, with investments allocated over a reasonable number of counterparties. The management of the CDP RETI liquidity risk is also aimed at maintaining cash and cash equivalents sufficient to meet expected commitments over a given time horizon (especially in light of the financial covenants under the existing loan agreements), as well as maintaining prudent liquidity reserves, sufficient to cope with any unexpected commitments. Where possible, debt management also provides for a diversified structure of funding sources (*Term Loan* and *Bond*) and a balanced maturity profile (2025 and 2026 for the *Term Loans* and 2027 for the *Bond*). The company's cash flows, financing needs and liquidity requirements are generally monitored and managed in coordination with the parent company CDP S.p.A., with the aim of ensuring effective and efficient management of financial resources. Impairment of financial assets classified as cash and cash equivalents is based on the recognition of a 12-month expected credit losses on loans or over the entire remaining life in the event of a substantial deterioration in credit risk. The expected credit loss is calculated using the *default probability* (probability that the default event will occur) and the percentage of credit that will not be recovered in the event of default (*loss given default*).

In view of its current business, CDP RETI is not significantly exposed to credit risk, i.e. the possibility of a deterioration in creditworthiness of counterparties that might lead to adverse effects on the expected value of the credit position and/or an increase in collection times. For the Company, the exposure to credit risk is mainly a question of the collection of dividends, approved by the subsidiaries, and the trading of derivatives (for which there is an exchange of cash collateral), bank deposits and irregular deposits with the parent CDP.

CDP RETI's entire debt is in the form of bullet loans, which means that there is no risk of having to resort to refinancing transactions, at least until May 2025, when the overall *Term Loan* of 937.6 million euro taken out in May 2020 expires.

The table below shows the undiscounted contractual cash flows (with regard to loans as at 31 December 2023) of the gross financial debt at the nominal repayment amounts, and the related interest flows. Interest flows are calculated in accordance with the following terms and interest rates:

- as regards the bond[99], the annual coupon is equal to 5.875% (payment in October);
- as regards the *Term Loan* totalling 938 million euro, the floating interest rate (payment in May and November) is indexed to the 6-month Euribor (value as at 31 December 2023) and increased by the contractually-agreed margin. The contractual flows were calculated using the estimated forward rates at the balance sheet date;

[99] On 25 October 2022, CDP RETI issued a new unsubordinated and unsecured fixed-rate bond, with a nominal value of 500 million euro and with a duration of 5 years, on the capital market for institutional investors. It was listed on the regulated market of the Irish stock exchange (*Euronext Dublin Regulated Market*).

- as regards the *Term Loan* totalling 253 million euro, the floating interest rate (payment in May and November 2023) is indexed to the 6-month Euribor (value as at 31 December 2023) and increased by the contractually agreed margin. Contractual flows were calculated using estimated forward rates at the balance sheet date.

Financial liabilities - Analysis by due date of the contractually agreed payments.

(thousands of euro) Items/Figures		2024	2025	2026	2027
Bond	Principal				(500,000)
	Interests	(29,375)	(29,375)	(29,375)	(29,375)
Loans (*)	Principal		(937,635)	(252,900)	
	Interests	(56,899)	(24,297)	(4,298)	

(*) Financial flows from hedging derivatives are not included

The cash flows related to the *Term Loan* do not take into account receipts and payments linked to the derivative hedging instruments, which are analysed in the table hereunder.

(thousands of euro) Items/Figures		2024	2025	2026	2027
Cash Flow Hedge	Payments	(19,618)	(15,596)	(5,976)	
	Collections	56,899	24,297	4,298	
	Net	**37,281**	**8,701**	**(1,678)**	

Default risk and debt covenants

Default risk and debt covenants relate to the possibility that loan agreements or bond rules to which CDP RETI is a party may contain provisions that entitle the counterparty to call in such loans immediately upon the occurrence of certain events, thereby generating a liquidity risk.

CDP RETI's loans include covenants that are common in international practice. Such covenants refer to:

- the bank debt, contracted in May 2020 for a nominal value of 715.6 million euro, as part of the Term Loan established with a pool of banks;
- the debt with the parent CDP, entered into in May 2020 for a nominal amount of 222 million euro, always as part of the Term Loan;
- the Company's bond debt, entered into in October 2022 for a nominal amount of 500 million euro, falling due in 2027;
- the bank debt, contracted in May 2023 for a nominal value of 252.9 million euro, as part of the Term Loan established with a pool of banks.

The main covenants associated with the bond issue finalised in October 2022 can be summarised as follows:

- "negative pledge" clauses, under which the issuing entity is subject to limitations on the creation or maintenance of restrictions on all or part of its assets or on its revenues in order to guarantee current or future borrowing, except for specifically permitted circumstances;
- "change of control" clauses, under which bondholders have the option of requiring the issuing entity to redeem their securities in the event that Cassa Depositi e Prestiti no longer has control over the company;
- "event of default" clauses, under which, on the occurrence of certain predetermined events (such as, for example, failure to pay, failure to fulfil contractual obligations, etc.), an event of default occurs and the loan in question becomes immediately due; in addition, under the "cross default" clauses, if an "event of default" occurs on any financial borrowing (above certain amounts) issued by the issuer, an event of default also occurs on the loan in question, which becomes immediately due.

On the other hand, the main covenants in the loan agreements signed by CDP RETI in May 2020 and in 2023 with the parent company CDP and a pool of banks are summarised below:

- "pari passu" clauses, under which the Company, for the entire duration of the loans, will ensure that the payment obligations rank pari passu with those of all other unsubordinated unsecured creditors, subject to any privileges assigned by law;
- disclosure obligations, on both a periodic and an occasional basis, upon the occurrence of certain predetermined events;
- mandatory cancellation or early repayment of the loan in the case of, inter alia: (i) unlawfulness, (ii) change of control or (iii) sale, by the Company, of an equity investment in a significant subsidiary if this exceeds the threshold defined with CDP and the Bank Lenders (10%);
- observance of the following financial covenants to avoid an event of default:
    - - *Loan to Value*: ratio, expressed as a percentage, between (i) Financial Debt (net of Cash and cash equivalents) and (ii) the market value (in the 180 days prior to the measurement date) of Snam, Terna and Italgas shares held by CDP Reti. This ratio must not exceed 50%;
    - - *Dividend Interest Coverage Ratio* (DICR): ratio, with reference to the 12 months prior to the measurement date, between (i) the cash deriving from dividends received and (ii) interest paid on the Financial Debt. This ratio must not be less than 1.25;
    - - *Total Debt Service Amount* (TDSA): at all times, CDP RETI must have cash or cash equivalents in an amount not less than interest, fees, commissions and other costs related to the Financial Debt to be paid in the following six months.

During the year, the Company complied with the capital and economic-financial requirements deriving from loan agreements.

CDP RETI mitigates the foregoing risks by monitoring any aspects that might have negative effects on its financial position and performance, also with a view to ensuring compliance with the covenants envisaged in the existing loans. With regard to the subsidiaries Terna, Snam and Italgas, CDP RETI closely monitors their market value, with particular attention to all aspects that might have an impact on their dividend distribution policies.

With regard to liquidity, discussions are held periodically with the parent CDP to assess the need to apply for credit lines. There are no liquidity difficulties to be reported as at 31 December 2023; CDP RETI collected around 550 million euro in dividends from its subsidiaries in the period and the balance of its cash and cash equivalents was approximately 129 million euro as at 31 December 2023.

V – TRANSACTIONS WITH RELATED PARTIES

The related parties have been identified on the basis of the provisions of international accounting standards and the CONSOB provisions issued on the matter. Transactions undertaken by CDP RETI S.p.A. with related parties mainly refer to transactions with the subsidiary CDP S.p.A. as detailed in the table below.

Information on the remuneration of key management personnel[100]

Remuneration of key management personnel

(euros) Items/Figures	Board of Directors	Board of Auditors	Key management personnel
a) short-term benefits	100,000	80,000	279,829
b) post-employment benefits			
c) other long-term benefits			
d) severance benefits			
e) share-based payments			
Total	**100,000**	**80,000**	**279,829**

Short-term remuneration is paid during the reporting year, or in any case within six months after the end of the financial year.

[100] Key management personnel are those individuals who have the power and responsibility, directly or indirectly, for planning, directing and controlling the company's activities, including directors (executive or not) of the company.

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(euros)

Name	Position	Period in office	Expiry of office (1)	Compensation and bonuses	
Directors in office as at 31 December 2023					
Giovanni Gorno Tempini	Chairman	01/01/2023-31/12/2023	2023	20,000	
Dario Scannapieco	Chief Executive Officer	01/01/2023-31/12/2023	2023	20,000	(2)
Coletti Sabrina	Director	01/01/2023-31/12/2023	2023	20,000	(2)
Yanli Liu	Director	01/01/2023-31/12/2023	2023	20,000	(3)
Qinjing Shen	Director	01/01/2023-31/12/2023	2023	20,000	(3)
Statutory Auditors in office as at 31 December 2023					
Florinda Aliperta	Chairman	01/01/2023-31/12/2023	2023	30,000	(4)
Paola Dinale	Auditor	01/01/2023-31/12/2023	2023	25,000	(4)
Paolo Sebastiani	Auditor	01/01/2023-31/12/2023	2023	25,000	(4)

(1) Appointed by Shareholders' Meeting of 20 January 2021 and in office up to the date of the Shareholders' Meeting called for the approval of the financial statement for the year ended 31 December 2023
(2) Compensation paid to Cassa depositi e prestiti S.p.A.
(3) Compensation is paid to State Grid International Development Limited
(4) The amounts refer to remuneration approved by the Shareholder's Meeting/Board of Directors and accrued by members of the Board of Statutory Auditors and the Supervisory Body

Information on transactions with related parties

The company is subject to management and coordination by CDP, the majority shareholder.

During the 2023 financial year, it should be noted that, with the exception of the signing of an interest rate swap hedging derivative contract with the parent company CDP, for which reference should be made to the specific section on “Significant events taking place in the year by sector/company”, no atypical or unusual transactions with related parties were conducted that could have a material impact on the Company's financial position or results of operations. All transactions with related parties were carried out on an arm's length basis (i.e. at the conditions that would be applied between two independent parties) and form part of the ordinary operations of CDP RETI.

The following tables summarise the balances relating to transactions with related parties and the impact of these amounts on the corresponding figures in the separate income statement, statement of financial position and statement of cash flows of CDP RETI S.p.A.

Transactions with the parent company

(euros) Items/Figures	31/12/2023	31/12/2022
Assets	**152,767,555**	**120,508,658**
- Deposit balance	101,039,934	40,089,410
- Receivable for tax consolidation (withholding tax)	2,778	1,674
- Receivable for tax consolidation	4,621,605	2,822,613
- Receivable for CSA financial transactions		
- CFH derivative agreement	47,103,238	77,594,961
Liabilities	**(419,045,767)**	**(575,950,725)**
- Payables for seconded personnel	(90,457)	(74,074)
- Payables for directors' compensation to pay to CDP	(40,000)	(40,000)
- Payables for outsourced services	(305,717)	(374,285)
- Other payables	(310)	(310)
- CFH derivative agreement	(3,782,098)	
- Loans to CDP for CSA	(41,067,447)	(75,883,629)
'- Bridge Loan		(126,644,516)
- Loans:		
included in current liabilities	*(2,907,977)*	*(2,438,071)*
included in non-current liabilities	*(370,851,761)*	*(370,495,840)*
Revenues	**41,993,565**	**3,669,058**
- Interest income on deposit contract	8,585,070	472,587
- Interest income on CSA financial transactions		99,047
- Interest income on CFH	33,408,495	3,097,424
Costs	**(23,565,290)**	**(10,600,979)**
- Interest expense on loan	(20,603,316)	(8,579,210)
- Interest expense on CFH		(1,008,155)
- Interest expense on CSA	(2,231,607)	(229,601)
- Impairment of financial assets	(900)	(409)
- Outsourced services rendered to CDP RETI	(598,948)	(669,219)
- Costs for personnel seconded to CDP RETI	(90,459)	(74,074)
- Costs for directors' compensation to pay	(40,000)	(40,000)
- Other personnel costs		
- Other costs	(61)	(310)
- Commissions for loan structuring		
Cash flows	**(317,282,121)**	**(288,290,236)**
Cash flow from operating activities	(14,871,177)	65,606,503
Net cash flow from investing activities		
Net cash flow from financing activities	(302,410,944)	(353,896,739)

During 2023, transactions with CDP, which are summarised in the table above, mainly related to the following:

- the irregular deposit agreement with the parent company CDP;
- CFH derivative contracts for which the related asset/liability was measured at fair value as at 31 December 2023;
- the receivables arising from the participation of CDP RETI in the tax consolidation mechanism;
- the loan financing payable amount, the Bond loan (with respect to the amounts subscribed by CDP) and the respective portions of interest accrued as at 31 December 2023;
- the payable amount arising from the CSA financial transactions related to derivative contracts;
- outsourcing services provided by CDP to CDP RETI;
- the remuneration of directors paid to the Parent Company;
- the contracts of the CDP employees partially seconded to CDP Reti;
- the agreement for the custody and administration of securities.

Transactions with other related entities

(euros) Items/Figures	31/12/2023	31/12/2022
Assets	**118,942,350**	**116,007,584**
- Property, plant and equipment - RoU IFRS 16	73,857	101,450
- Receivables from Snam for interim dividend	118,856,472	115,906,134
- 'IFRS 16 Prepaid expenses	12,020	
Liabilities	**(30,433,340)**	**(30,300,459)**
- Lease liability	(79,123)	(106,145)
- Trade payables	(13,050)	
- Payables for pension fund	(2,754)	(1,904)
- Loans:		
included in current liabilities	(322,643)	(322,643)
included in non-current liabilities	(29,822,355)	(29,785,154)
- Payables for member of supervisory body	(38,064)	(38,253)
- Payables for directors' compensation to pay to SGEL	(40,000)	(40,000)
- Payables for outsourced services	(10,675)	(10,675)
- Payables for seconded personnel	(104,676)	(84,612)
Revenues	**553,381,897**	**523,129,649**
- Dividends from subsidiaries	553,365,122	523,114,371
- Other income from cost recharge to SGEL		
- Other income from cost recharge to SGID	16,775	15,278
Costs	**(2,072,865)**	**(594,427)**
- Outsourced services rendered to CDP RETI	(25,834)	(25,834)
- Ifrs 16 costs	(30,604)	(53,088)
- Interest expense on loan	(1,799,701)	(322,424)
- Costs for member of supervisory body	(38,064)	(38,253)
- Costs for directors' compensation to pay to SGEL	(40,000)	(40,000)
- Payables for outsourced services rendered by CDP RETI	(104,676)	(84,612)
- Costs of office lease fees	(21,529)	(22,195)
- Costs related to pension fund	(12,457)	(8,021)
Cash flows	**369,173,380**	**375,002,110**
Cash flow from operating activities	548,290,454	517,368,080
Net cash flow from investing activities	(30,034)	(29,931)
Net cash flow from financing activities	(179,087,040)	(142,336,039)

Related parties transactions mainly refer to:

- receivables of the 2023 interim dividend from Snam approved on 8 November 2023 and collected on 24 January 2024;
- payables to the shareholder SGEL for the bond loan and the respective share of interest accrued as at 31 December 2023;
- payables for IFRS 16 leases and for the various lease costs;
- payables for other services entered into with other Group companies (CDP Equity S.p.A);
- payables to the pension fund;
- payables to the Supervisory Body;
- dividends received from subsidiaries;
- income from recharges to State Grid International Development of costs incurred by CDP RETI in relation to the activities carried out by Deloitte on behalf of State Grid on the reporting package as at 31 December 2022;
- the directors' remuneration paid to SGEL.

The net cash flow from operating activities increased compared to 2022 and is primarily attributable to dividends received from subsidiaries based on dividend policies.

The cash flow from investing/disinvesting activities refers to the lease for the premises in Via Alessandria, 220 (Rome).

The cash flow from financing activities, which absorbed cash totalling 179 million euro, is attributable to the payment of dividends to the shareholder SGEL.

Financial highlights of the company performing management and coordination

In compliance with Article 2497-bis, paragraph 4, of the Italian Civil Code, the financial highlights from last year's financial statements of the parent company Cassa Depositi e Prestiti S.p.A are shown in Annex 2.

VI – NON-RECURRING EVENTS AND SIGNIFICANT TRANSACTIONS

Pursuant to Consob communication no. DEM/6064293 of 28 July 2006, it should be noted that during the year there were no significant events and transactions of a non-recurring nature, or transactions and events that do not occur frequently in the usual course of business.

VII – OPERATING SEGMENTS

In accordance with “IFRS 8 - Operating Segments”, for companies that publish the Group consolidated financial statements and the separate financial statements of the parent company in a single document, the operating segments are disclosed only with reference to the consolidated financial statements. Therefore, reference is made to the same paragraph in the Notes of CDP RETI Group’s consolidated financial statements.

X – DISCLOSURE OF LEASES

X.1 LESSEE

Qualitative disclosures

CDP RETI S.p.A. calculates the duration of the lease, which falls within the scope of IFRS 16, considering the “non-cancellable” period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, among which, in particular, is the possible presence of:

- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

This includes the lease contract regarding portions of the property situated at Via Alessandria 220 in Rome, used for office and management purposes. The contract provides for a lease period of 6 years, renewable automatically for a further 6 years, and the possibility of early termination with 12 months’ notice, without option to purchase the property once the lease period expires.

During the 2022 financial year, as part of a broader reorganisation of the logistics hubs, the company’s Board of Directors was called upon to agree on the future relocation of its headquarters. Consequently, the lease plan was therefore redefined, following the possible non-exercise of the option to renew the contract, with the consequent redetermination of the duration of the lease.

In accordance with the accounting standard which provides that “*the underlying asset can be of low value only if:*

- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets”.

CDP RETI S.p.A. applies the exemption for lease contracts when the value of the asset on the purchase date is lower than 5,000 euro.

CDP RETI S.p.A. considers a lease to be “short-term” when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recognised through profit or loss on a straight-line basis for the corresponding duration.

Quantitative disclosures

Classification by time bands of the payments to be made and reconciliation with the lease liabilities recognised

(thousands of euro) Time bands	Total 31/12/2023 Lease payables
Up to 1 year	30,000
Between 1 and 2 years	30,000
Between 2 and 3 years	22,500
Between 3 and 4 years	
Between 4 and 5 years	
Over 5 years	
Total lease payments to be made	**82,500**
Reconciliation with lease liabilities	**(3,377)**
Unearned finance income (+)	(3,377)
Unguaranteed residual value (+)	
Lease liabilities	**79,123**

X.2 LESSOR

At 31 December 2023, this item did not appear in the financial statements of CDP Reti S.p.A.

PROPOSAL FOR ALLOCATION OF THE NET INCOME FOR THE YEAR

The Board of Directors proposes, for the financial year 2023, to distribute a total dividend of 512,537,221.62 euro, of which 343,042,814.88 euro was declared as an interim dividend on 21 November 2023.

The Board of Directors therefore proposes to allocate the 2023 net income of CDP RETI S.p.A., equal to 512,538,080.68 euro, as follows:

- 343,042,814.88 euro to cover the advance on the dividend paid by 30 November 2023;
- 169,494,406.74 euro to pay the balance of the dividend to be distributed, equal to 1,049.41 euro for each of the 161,514 shares;
- 859.06 euro as retained earnings.

The Shareholders' Meeting is convened, in ordinary session, to resolve on the approval of the separate financial statements of CDP RETI S.p.A. as at 31 December 2023 and to resolve on the proposed allocation of the 2023 net income.

ANNEXES

ANNEX 1

Analytical list of equity investments

ANNEX 2

Separate financial statements at 31 December 2022 of Cassa Depositi e Prestiti S.p.A.

ANNEX 1

Analytical list of equity investments

(euros)

A. Listed entities	Names	Registered office	% holding	Carryng amount	Type
	Italgas S.p.A.	Milano	25.99%	621,032,150	Control
	Snam SpA	San Donato Milanese (MI)	31.35%	3,086,832,661	Control
	Terna S.p.A.	Roma	29.85%	1,315,200,000	Control

ANNEX 2

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

BALANCE SHEET

(euro)

Assets		31/12/2022	31/12/2021
10.	Cash and cash equivalents	2,630,401,853	263,478,003
20.	Financial assets measured at fair value through profit or loss	3,918,651,643	3,708,759,781
	a) Financial assets held for trading	354,937,131	232,358,795
	b) Financial assets designated at fair value		
	c) Other financial assets mandatorily measured at fair value	3,563,714,512	3,476,400,986
30.	Financial assets measured at fair value through other comprehensive income	10,914,119,245	14,244,059,928
40.	Financial assets measured at amortised cost	346,085,421,500	358,102,654,371
	a) Loans to banks	20,834,490,264	37,801,217,320
	b) Loans to customers	325,250,931,236	320,301,437,051
50.	Hedging derivatives	4,343,993,853	276,053,250
60.	Fair value change of financial assets in hedged portfolios (+/-)	(2,986,650,463)	1,267,985,029
70.	Equity investments	33,721,181,345	28,981,649,274
80.	Property, plant and equipment	359,527,218	371,494,657
90.	Intangible assets	71,953,646	59,327,896
	- of which goodwill		
100.	Tax assets	1,148,326,922	653,835,762
	a) current tax assets	398,243,811	115,772,602
	b) deferred tax assets	750,083,111	538,063,160
110.	Non-current assets and disposal groups held for sale		4,251,174,320
120.	Other assets	483,385,478	778,954,611
	Total assets	**400,690,312,240**	**412,959,426,882**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

(euro)

Liabilities and equity

		31/12/2022	31/12/2021
10.	Financial liabilities measured at amortised cost	371,336,095,285	382,558,801,228
	a) due to banks	36,815,282,530	34,913,216,675
	b) due to customers	317,370,012,071	325,974,035,731
	c) securities issued	17,150,800,684	21,671,548,822
20.	Financial liabilities held for trading	400,346,683	251,005,952
40.	Hedging derivatives	1,091,387,959	3,073,677,795
	Adjustment of financial liabilities in hedged portfolios (+/-)		2,067,089
60.	Tax liabilities	297,099,385	177,059,232
	a) current tax liabilties	1,451,098	1,450,814
	b) deferred tax liabilties	295,648,287	175,608,418
80.	Other liabilities	1,018,147,110	994,215,254
90.	Staff severance pay	1,451,566	1,045,053
100.	Provisions for risks and charges	796,709,865	592,480,846
	a) guarantees issued and commitments	662,182,695	450,819,483
	c) other provisions	134,527,170	141,661,363
110.	Valuation reserves	(451,011,157)	315,148,441
140.	Reserves	17,602,162,543	16,519,104,447
150.	Share premium reserve	2,378,517,244	2,378,517,244
160.	Share capital	4,051,143,264	4,051,143,264
170.	Treasury shares (-)	(322,220,116)	(322,220,116)
180.	Net income (loss) for the year (+/-)	2,490,482,609	2,367,381,153
	Total liabilities and equity	**400,690,312,240**	**412,959,426,882**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

INCOME STATEMENT

(euro)

Items		2022	2021
10.	Interest income and similar income	7,738,935,228	7,598,560,597
	of which: interest income calculated using the effective interest rate method	*8,085,744,428*	*7,885,064,371*
20.	Interest expense and similar expense	(5,155,950,767)	(4,757,470,080)
30.	**Net interest income**	**2,582,984,461**	**2,841,090,517**
40.	Commission income	400,653,666	378,781,927
50.	Commission expense	(1,163,893,992)	(1,335,465,205)
60.	**Net commission income (expense)**	**(763,240,326)**	**(956,683,278)**
70.	Dividends and similar revenues	1,602,100,779	1,233,649,159
80.	Profits (losses) on trading activities	(74,962,284)	(23,440,561)
90.	Fair value adjustments in hedge accounting	102,267,580	160,905
100.	Gains (losses) on disposal or repurchase of:	66,499,579	481,842,195
	a) financial assets measured at amortised cost	31,886,788	355,072,776
	b) financial assets measured at fair value through other comprehensive income	34,612,791	126,769,419
	c) financial liabilities		
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	33,908,074	161,820,908
	a) financial assets and liabilities designated at fair value		
	b) other financial asstes mandatorily measured at fair value	33,908,074	161,820,908
120.	**Gross income**	**3,549,557,863**	**3,738,439,845**
130.	Net adjustments/recoveries for credit risk relating to:	14,547,897	(33,540,895)
	a) financial assets measured at amortised cost	13,237,830	(34,958,153)
	b) financial assets at fair value through other comprehensive income	1,310,067	1,417,258
140.	Gains/losses from changes in contrats without derecognition	(39,092)	(377,214)
150.	**Financial income (expense), net**	**3,564,066,668**	**3,704,521,736**
160.	Administrative expenses	(244,631,565)	(209,456,888)
	a) staff costs	(161,895,326)	(141,103,991)
	b) other administrative expenses	(82,736,239)	(68,352,897)
170.	Net accruals to the provisions for risks and charges	52,590,858	16,044,305
	a) guarantees issued and commitments	52,346,658	16,106,525
	b) other net accruals	244,200	(62,220)
180.	Net adjustments to/recoveries on property, plant and equipment	(16,233,713)	(15,644,780)
190.	Net adjustments to/recoveries on intangible assets	(17,797,728)	(12,861,862)
200.	Other operating income (costs)	(115,769,946)	19,140,539
210.	**Operating costs**	**(341,842,094)**	**(202,778,686)**
220.	Gains (losses) on equity investments	(101,392,404)	(348,652,244)
250.	Gains (losses) on disposal of investments	(6,912)	(135,938)
260.	**Income (loss) before tax from continuing operations**	**3,120,825,258**	**3,152,954,868**
270.	Income tax for the year on continuing operations	(630,342,649)	(785,573,715)
280.	**Income (loss) after tax on continuing operations**	**2,490,482,609**	**2,367,381,153**
290.	Income (loss) after tax on discontinued operations		
300.	**Net income (loss) for the year**	**2,490,482,609**	**2,367,381,153**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items		2022	2021
10.	**Net Income (loss) for the year**	**2,490,482,609**	**2,367,381,153**
	Other comprehensive income net of tax not transferred to income statement	**(308,723,668)**	**87,637,169**
20.	Equity securities designated at fair value through other comprehensive income	(308,723,668)	87,637,169
	Other comprehensive income net of tax transferred to income statement	**(457,435,930)**	**(425,661,939)**
120.	Cash flow hedges	188,007,690	(270,029,299)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(645,443,620)	(155,632,640)
170.	**Total other comprehensive income net of tax**	**(766,159,598)**	**(338,024,770)**
180.	**Comprehensive Income (Items 10+170)**	**1,724,323,011**	**2,029,356,383**

REPORT OF THE STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO SHAREHOLDERS' MEETING, IN ACCORDANCE WITH ARTICLE No. 153 OF THE LEGISLATIVE DECREE No. 58/1998 (CONSOLIDATED FINANCE ACT), AND ARTICLE No. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

Through this report, drawn up in accordance with article 2429, paragraph 2, of the Italian Civil Code (hereinafter C.C.), the Board of Statutory Auditors of the company named CDP RETI S.P.A., hereby reports to the Ordinary Shareholders' Meeting – summoned for the approval of Financial Statements related to the accounting period closed on December 31st, 2023 – on the outcome of the above-mentioned accounting period, and on the activity carried out by the Board of Statutory Auditors in fulfilling its duties, by paying attention to behavior rules of the Board of Statutory Auditors recommended by National Board of Chartered Accountants and Accountancy Experts, as well as recommendations released by CONSOB (Italian Stock-Exchange Authority), and information included in the Self-Regulatory Code.

Furthermore, we hereby remind you that, during the accounting period related to the year 2023, the office of Legal Auditor – according to article 13 of the Legislative Decree No. 39 dated January 27th, 2010 – was carried out by the Auditing Company named "Deloitte & Touche S.P.A." (Deloitte), according to the assignment received from Ordinary Shareholders' Meeting held on May 10th, 2019, for the years as from 2020 until 2028.

Therefore, this report summarizes activity concerning provisions included in article 2429, paragraph 2, of the C.C.; more precisely:

- on the outcome of the accounting period;
- on the activity carried out in fulfilling duties, as envisaged by provisions of law;

- on observations and propositions related to Financial Statements, with particular reference to the possible use by the administrative body of the derogation pursuant to art. 2423, paragraph 4, of the C.C.;
- on any possible reports submitted by shareholders to this Board, in accordance with article 2408 of the C.C.

1. Meetings of the Board of Statutory Auditors

Over the accounting period related to the year 2023, the Board of Statutory Auditors met eight times.

The activities carried out by the Board of Statutory Auditors concerned, from the temporal point of view, the whole accounting period. During that period, meetings pursuant to article 2404 of the C.C. have regularly been held; about such meetings, regular minutes have been drawn up.

Furthermore, the Board of Statutory Auditors attended Shareholders' Meetings and meetings of the Board of Directors held during the accounting period.

2. Supervision activity concerning the respect of provisions of law, of the Memorandum of Association, and of the principles of correct management

The Board of Statutory Auditors supervised, pursuant to article 2403 of the C.C., on respect of provisions of law and of the Memorandum of Association, on respect of the principles of correct management, and on the adequacy of the organizational, administrative and accounting system, adopted by the company so as to carry out its own activity. Such a supervision activity has been carried out by the Board of Statutory Auditors, attending meetings of the Board of Directors, and through meetings and exchanging information with persons in charge of the company departments.

The Board of Statutory Auditors has received – pursuant to the frequency set out by provisions of law, and article 19, paragraph 11, of the Corporate ByLaws – pieces of information concerning management general trend and its foreseeable evolution, as well as on the more relevant transactions (for dimensions and features), carried out by the company and its subsidiaries.

According to the foregoing, neither irregularities nor meaningful critical events have arisen.

The Board of Statutory Auditors participated in the Shareholders' Meeting and the meetings of the Board of Directors, in relation to which, on the basis of the information available, it did not detect any violations of the law and the Articles of Association, nor any operations that were manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets.

Moreover, no reports concerning any irregularities and/or infringements – drawn up pursuant to article 2408 of the C.C. – have been received by the Board of Statutory Auditors.

It hasn't been necessary for the Board of Statutory Auditors to undertake any specific actions due to omissions by the Board of Directors pursuant to article 2406 of the C.C.

No reports pursuant to article 2409, paragraph 7, of the C.C. have been received by the Board of Statutory Auditors.

The Board of Statutory Auditors has not submitted any notice to the Board of Directors, pursuant to Article 15 of the Law Decree No. 118/2021.

3. Supervision activity concerning the adequacy of the organizational system, and internal auditing and risk management

The Board of Statutory Auditors has supervised the adequacy of the company's organizational system and the way it actually works, through meetings and the exchange of information with persons in charge of the main supervised activities.

Furthermore, the Board of Statutory Auditors has supervised the efficiency of the internal auditing system and risk management, in order to assess their effectiveness. The Board of Statutory Auditors also operates as Supervisory Body.

Through meetings held with corporate departments and through documents collected, necessary information has been drawn with reference to the correct application of the "Organizational, Management, and Control Model", pursuant to Legislative Decree no. 231/2001. The Supervisory Body, in its six-month reports for the year 2022, has also reported that – pursuant to inspections carried out – no critical elements.

4. Supervision activity carried out on the administrative and accountancy system, and the financial information process

The Board of Statutory Auditors monitored the process concerning financial information and also supervised on the adequacy of the company's administrative and accountancy system and its reliability in timely and correctly describing management events, also through meetings held with the Executive in charge of drawing-up of corporate accounting documents, as well as through analysis of other types of corporate documents, and analysis of the outcome concerning activity carried out by the Auditing Company.

Furthermore, the Board of Statutory Auditors supervised on respect of provisions of law concerning drawing-up of Financial Statements and the Management Commentary, by collecting pieces of information from the Auditing Company. In particular, the additional report drawn up by the Auditing Company under Article 11 of the EU Regulation No. 537/2014, does not arise any critical points in the internal auditing system regarding the financial information process.

According to inspections carried out, no critical points arose, which could undermine the adequacy of judgment and the appropriate application of the administrative and accountancy procedures.

5. Financial Statements

The Board of Statutory Auditors analyzed the project concerning the Financial Statements of the company named CDP RETI S.P.A. closed on December 31st, 2023, approved by said company's Board of Directors during the meeting held on March 28th, 2024.

Since the office of Legal Auditor is not included in the Board of Statutory Auditors' purposes, the Board itself supervised the general setting of Financial Statements, on its compliance with current provisions of law with regard to its drawing-up methods; on this point, there are no particular aspects to talk about. Furthermore, the Board of Statutory Auditors checked on respect of provisions of law concerning the drawing-up of the Management Commentary; in this case, too, there are no particular aspects to talk about. Directors, in their Financial Report, described the various items which led to the computation of the economic result, as well as the events that gave rise to said items.

Moreover, the Board of Statutory Auditors analyzed the Report of the

Auditing Company, drawn up in accordance with articles 14 and 16 of the Legislative Decree No. 39/2010, in which said Company released a judgment with neither remarks nor emphasis of disclosure, with regard to Financial Statements.

On this issue, the Board of Statutory Auditors reports as follows:

- Financial Statements of the company named CDP RETI S.P.A., closed on December 31st, 2023, have been drawn up in accordance with "IFRS" international accounting standards (which include International Accounting Standards – IAS), released by the International Accounting Standard Board (IASB), in force on December 31st, 2022, and approved by European Commission.
- The correct description of the management events in the accounting records, and their indication in Financial Statements – pursuant to IFRS standards – has been supervised by Deloitte & Touche S.P.A., which is responsible for the Legal Auditing of accounts.
- Financial Statements closed on December 31st, 2023 highlight a net profit corresponding to € 512,538,081.00 and an Equity corresponding to € 3,566,454,493.00, including said profit.

In accordance with article 154-bis of the Legislative Decree No. 58/1998, both the Managing Director and the Executive in charge of drawing-up of CDP RETI's corporate accounting documents have stated – through a specific report attached to the Financial Statements' project related to year 2022 – as follows: (i) adequacy and appropriate application of the administrative and accountancy procedures, in order to draw-up said Financial Statements; (ii) compliance of the Financial Statements' contents with the applicable international accounting standards approved by European Union, pursuant to EU Regulation No. 1606/2002; (iii) matching of the Financial Statements to accounting books and accounting records, and their appropriateness in truly and correctly describing assets, liabilities, equity, incomes, expenses, and financial issues; (iv) that the Management Commentary – attached to Financial Statements – includes a detailed analysis of the management trend and the management performance, together with a description of the main threats and risks the company is going to go through.

Schemes used in drawing-up Financial Statements, conform with provisions indicated in IAS No. 1 "Presentation of the Financial Statements".

Financial Statements comply with provisions of law with regard to the structure, drawing-up, and presentation of pieces of information to the Shareholders' Meeting.

Management Commentary has been drawn up in accordance with provisions of law.

As far as we know, The Board of Directors, in drawing-up Financial Statements, didn't derogate provisions of law pursuant to article 2423, paragraphs 4 and 5, of the C.C.

In compliance with provisions stated in "IAS No. 1 – revised", CDP RETI effected an assessment of the company's ability to keep on operating as a going concern, by paying attention to available information related to a medium-term scenario. In particular, by referring to said information, the Company deems it appropriate to carry out the assessments of the Financial Statements on the assumption of business continuity, despite the current economic context characterized by a certain uncertainty regarding future scenarios following the direct or indirect impact that the current geopolitical context. Adequate information has also been given on this in section "5. The foreseeable evolution of operations - prospects for 2023" of the Report on operations of the Group and in the section "I.1.5 Other aspects" of the consolidated explanatory notes and "I – GENERAL PART" (paragraph "Other Aspects") of the explanatory notes to the separate financial statements with particular regard to (i) the geopolitical tensions, connected to the continuation of the war in Ukraine and accentuated by events in the Middle East, which continue to weigh on global prospects, (ii) the tightening of monetary policy conditions, and (iii) the general deterioration of the economic climate and uncertainties about future developments.

Financial Statements correspond to events and information as checked out by the Board of Statutory Auditors in fulfilling its duties.

The Board of Statutory Auditors acknowledges that the directors in the Management Report, with regard to the prospects for 2024, have highlighted how, although the Company is not able, to date, to determine with absolute reliability the impacts linked to the evolution of the current context – characterized mainly by geopolitical tensions and the deterioration of the macroeconomic scenario - on the targets for 2024 and subsequent years, based on the information currently available, no significant impacts are expected on the Company's strategy and objectives, as well as on the ability to distribute dividends to Shareholders, nor in terms of Net Financial Position and cash-flow or, more generally, on liquidity risk. There are currently no situations (nor are they reasonably foreseeable) where there is an imbalance of indebtedness compared to shareholders equity, nor is there a financial situation of the Company such as to require support from the Shareholders. Despite taking into consideration the above, it is not possible to exclude with absolute certainty that the possible continuation of the aforementioned context could produce negative effects on CDP RETI, which at present cannot be estimated with the available elements. Any further future impacts on the Group's economic/financial performance and on the financial situation, as well as on business development plans, will be assessed in the light of the evolution and duration of the current context. Even with reference to climate-related issues, no significant impacts on the Parent Company are currently expected.

6. Supervision activity carried out in accordance with article 19 of the Legislative Decree No. 39/2010

Pursuant to its office of the Internal and Accounting Auditing Committee, in accordance with article 19 of the Legislative Decree No. 39/2010, the Board of Statutory Auditors monitored the activity concerning legal auditing of the accounts.

On this issue, the Board of Statutory Auditors has met over and over again with representatives of the Auditing Company – also with regard to article 2409-septies of the C.C. – in order to exchange information concerning activity carried out by said Auditing Company. During the periodical exchange of information between the Board of Statutory Auditors and the Auditing Company’s representatives, no relevant events to report of arisen. In particular:

- The Board of Statutory Auditors met with the Auditing Company on the occasion of the preparation of the half-yearly report as of 30 June 2023. On September 26th, 2023, the Auditing Company released its own report on accountancy auditing, with regard to the abridged form of the six-month Financial Statements of the CDP RETI Group, closed on June 30th, 2023, by highlighting neither remarks nor emphasis of disclosure, with regard to such Financial Statements;

- on April 18 2024, the Auditing Company released, pursuant to article 14 of the Legislative Decree No. 39/2010, and to Article 10 of the EU Regulation No. 537/2014, the Auditing Report related to Financial Statements closed on December 31st, 2023, by highlighting neither remarks nor emphasis of disclosure, with regard to such Financial Statements;
- on April 18 2024, the Auditing Company also delivered to the Board of Statutory Auditors the additional report pursuant to article 11 of the EU Regulation No. 537/2014, which is *i)* coherent with the positive judgement released in the Auditing Report on Financial Statements closed on December 31st 2023; *ii)* doesn't include any recommendations on possible meaningful gaps in the internal auditing system and/or the accountancy system; *iii)* doesn't include any elements which need to be highlighted in this report. The additional report will be forwarded by the Board of Statutory Auditors to the administrative body, along with its own possible observations, in compliance with provisions included in article 19, paragraph 1, letter a) of the Legislative Decree No. 39/2010.

Moreover, the Board of Statutory Auditors has checked out and monitored independence of the Auditing Company, in particular with reference to the adequacy in providing for non-auditing services, in compliance with provisions stated in article 4 and 5 of the EU Regulation No. 537/2014.

On this issue, we hereby point out that – in attachment to the aforesaid additional report – Deloitte & Touche S.P.A. submitted to the Board of Statutory Auditors a statement concerning independence – as requested by article 6 of the EU Regulation No. 537/2014 – from which neither situations susceptible to undermine independence, nor conflicts of interest arise.

Furthermore, the Board of Statutory Auditors acknowledged about the transparency report drawn-up by Deloitte & Touche S.P.A., in accordance with article 18 of the Legislative Decree No. 39/2010.

7. More relevant transactions, transactions carried out with related parties and unusual transactions

Within the context of information flows – pursuant to article 19, paragraph

11, of the Corporate ByLaws – the Board of Statutory Auditors has periodically received – pursuant to a requested regular basis – information related to more relevant transactions (for dimensions and features), carried out by the company and its subsidiaries; such transactions are exhaustively described in explanatory notes to Financial Statements concerning “Transactions carried out with related parties” (to which we explicitly refer to identify the kind of transactions and the related economic, asset and financial impacts).

On this issue, the Board of Statutory Auditors reckons as detailed enough, information delivered by the Board of Directors. In particular, The Board of Statutory Auditors, except for the signing of an Interest Rate Swap hedging derivative contract with the parent company CDP and for which reference should be made to the specific section of “Significant events that occurred during the year by sector/company”, no transactions were carried out with related parties of an atypical or unusual nature which, due to the significance or relevance, nature of the counterparties, object and/or consideration could - theoretically - give rise to doubts regarding the correctness/completeness of the information in the financial statements, to the conflict of interests, to safeguard company assets and protect minority shareholders.

All transactions carried out with related parties, in fact, are carried out at market conditions (i.e. at the conditions that would have been applied between two independent parties) and fall within the ordinary operations of CDP RETI.

8. More relevant events, and meaningful facts

With regard to the main relevant events which affected the company, highlighting that said events belong to specific information included in the document named “Annual Financial Report for the year 2023”, with the reference to those aspects falling within the responsibilities of the Board of Statutory Auditors, we hereby report the following relevant facts that occurred during 2023, in particular:

- in May 2023, the refinancing operation of CDP RETI’s debt deriving from the short-term bridge loan signed in May 2022 (the “Bridge Loan") was completed, through the assumption of a new loan for a total amount equal to for euro 252.9 million and with a duration of 3 years, entirely intended for the repayment of the residual amount of Bridge Loan (the “Refinancing”). In order to ensure greater stability and predictability to the CDP RETI Income Statement, in line with what was done for the 2020 term Loan, the interest rate of the New Term Loan was converted, through an IRS operation, into a fixed rate equal to at 4,806%. Since CDP RETI does not have derivative operations with the market, this IRS was signed with the parent company CDP which, in turn, signed a mirror derivative contract (so-called back to back swap) with counterparties with which it has an ongoing derivatives transaction;

- dividends totaling 550.4 million were received from subsidiaries (517.6 million in 2022); in the reference period, 289,9 million were collected from Snam (2022 interim dividend equal to 116 million and 2022 final dividend equal to 174 million), 193.7 million from Terna (2022 balance dividend equal to 125 million and 2023 interim dividend equal to 69 million) and 66.8 million from Italgas (2022 dividend);
- dividends totaling 511.7 million were paid, gross of withholding tax (491.8 million in 2022). More specifically, in May 2023 the balance of the profit for the 2022 financial year was distributed (equal to 169 million before tax, of which 100 million in favor of CDP and 59 million of State Grid Europe Limited) and in November 2023 the Board of Directors has resolved the distribution of an interim dividend for the 2023 financial year equal to 343 million before withholding tax, of which 2023 million in favor of CDP and 120 million of State Grid Europe Limited;
- the Shareholders' Meeting held on 13 April 2023 approved some of the proposed amendments to CDP RETI's By-laws aimed, among other things, at implementing consolidated practices related to attending meetings of corporate bodies via audio and/or video conference.

Regarding relationships with subsidiary companies:

- on 9 March 2023, in implementation of the incentive plan called "2018-2020 Co-Investment Plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018 - and the decision of the Board of Directors of Italgas to freely assign a total of 499,502 new ordinary shares of the company to the beneficiaries of the Plan (the so- called third cycle of the Plan) and launch the execution of the third tranche of the capital increase approved by the aforementioned Shareholders' Meeting, CDP RETI's equity investment in Italgas went from 26.01% to 25.99%;
- on 21 March 2023, CDP RETI and Snam signed an agreement amending the

shareholders' agreement concerning the shares held by them in Italgas. By virtue of this amending agreement, changes were made to certain forecasts concerning the circulation of Italgas shares owned by Snam. In essence, these changes are related to the possibility for Snam to transfer even only a portion of its equity investment in Italgas, provided that such partial transfer takes place at the time of redemption of one or more convertible bonds (exchangeable bonds, convertible into Italgas shares). Specifically, in this case Snam could transfer shares with voting rights representing no more than 6.75% of the entire capital of Italgas to third parties without altering its governance rights pursuant to the shareholders' agreement, including by means of one or more transfers. Unlike what is generically envisaged in the shareholders' agreement with respect to the transfers of the shares held by Snam in Italgas to third parties, in this case (i) CDP RETI will not be entitled to exercise any pre-emption right, (ii) no approval (including non-discretionary approval) or consent of CDP RETI will be required to make the transfers and (iii) the transferees of the Italgas shares will not be required to sign the shareholders' agreement;

- on 13 April 2023, CDP RETI's Shareholders' Meeting, pursuant to the By-laws, authorised the resolutions taken on the same date by the Board of Directors regarding the designation and appointment of candidates for the office of director and statutory auditor of Terna (with the term ending at the shareholders' meeting convened to approve the financial statements at 31 December 2022), for the three-year period 2023-2025, in preparation for the Shareholders' Meeting scheduled for 9 May 2023.

9. Advisory activity carried out by the Board of Statutory Auditors

In carrying out advisory activity in accordance with current provisions of law, Corporate ByLaws, and other internal governance instructions, the Board of Statutory Auditors – during the year 2023 – released its own opinion with reference to the assignment of tasks other than auditing to the appointed auditor.

10. Events occurred after the approval date of the project concerning Financial Statements.

Concerning the main events that occurred after the closing date of the accounting period, we hereby point out:

- collection occurred on January 24th, 2024, of the advance payment referred to SNAM dividend for the year 2023, corresponding to about €119 mn;

11. Conclusions

Within the context of the supervision activity carried out by the Board of Statutory Auditors, neither infringements nor irregularities have arisen.

With specific regard to the Financial Statements' project related to the accounting period closed on December 31st, 2023, drawn up by the Board of Directors, including Management Commentary, and submitted to Shareholders' Meeting approval, the Board of Statutory Auditors, by paying attention to specific tasks carried out by the Auditing Company, concerning accountancy supervision and inspection on Financial Statements' reliability, and after having acknowledged the contents of the reports released by said Auditing Company together with statements jointly released by the Managing Director and the Executive in charge, has no observations to deliver to Shareholders' Meeting. Therefore, the Board of Statutory Auditors unanimously reckons that there are no impediments to the approval of Financial Statements closed on December 31st, 2023 by the Shareholders' Meeting; furthermore, it is in agreement with the Board of Directors' proposition concerning the allocation of profit for the year.

Rome, dated April 18, 2024

Board of Statutory Auditors

Mrs. Florinda Aliperta

Mrs. Paola Dinale

Mr. Paolo Sebastiani

ALIPERTA FLORINDA
18.04.2024 11:12:28 GMT+00:00

DINALE PAOLA
18.04.2024 10:04:53
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Firmato digitalmente da:
SEBASTIANI PAOLO
Firmato il 18/04/2024 13:08
Seriale Certificato: 2273082
Valido dal 09/03/2023 al 09/03/2026
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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
CDP RETI S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of CDP RETI S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

There are no key audit matters to communicate in this report.

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CDP RETI S.p.A. has appointed us on May 10, 2019, as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CDP RETI S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure of CDP RETI S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98 with the financial statements of CDP RETI S.p.A. as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure are consistent with the financial statements of CDP RETI S.p.A. as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 18, 2024

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

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE NO. 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Alessandro Uggias, in his capacity as Financial Reporting Manager of CDP RETI S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements during 2023.
2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2023 was based on a process developed by CDP RETI S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.
3. In addition, it is hereby certified that:
   - 3.1 the separate financial statements at 31 December 2023:
     - have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002;
     - correspond to the information in the books and other accounting records;
     - give a true and fair view of the performance and financial position of the issuer.
   - 3.2 The Report on Operations contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 18 April 2024

The Chief Executive Officer	Financial Reporting Manager
Dario Scannapieco	Alessandro Uggias

5.
RESOLUTION OF THE SHAREHOLDER'S MEETING

RESOLUTION OF THE SHAREHOLDERS' MEETING

The Ordinary Shareholders' Meeting of CDP RETI, held on 13 May 2024 and chaired by Giovanni Gorno Tempini, approved the separate financial statements for 2023. In particular, the shareholders' meeting resolved:

"(...) to approve the following allocation of profit for the period, amounting to 512,538,080.68 euro:

- 343,042,814.88 euro, to cover the 2023 interim dividend, paid by 30 November 2023;
- 169,494,406.74 euro, to pay the balance of the 2023 dividend, equal to 1,049.41 euro, before tax, for each of the 161,514 shares, to be paid no later than 31 May 2024;
- 859.06, as retained earnings."

Summary table of the allocation of net income for the year

Below is the summary table of the allocation of net income for the year:

(euro)	
Net Income	512,538,080.68
Total Dividend	512,537,221.62
Advance on the dividend	*343,042,814.88*
Balance of the dividend	*169,494,406.74*
Retained earnings	859.06
Dividend per share	3,173.33
Advance on the dividend	*2,123.92*
Balance of the dividend	*1,049.41*

CDP RETI S.p.A.

Registered office
Via Goito 4
00185 Roma

Share capital euro 161.514,00 fully paid-in
Rome Chamber of Commerce REA 1349016
Fiscal Code, Company Registrar and VAT no.12084871008

The company is managed and coordinated by Cassa depositi e prestiti società per azioni, Via Goito n. 4, 00185 Rome – Share capital euro 4.051.143.264,00 fully paid-in – Rome Chamber of Commerce REA 1053767, Fiscal code and Company Registrar 80199230584 – VAT no. 07756511007