

# INTERIM REPORT AS OF 30<sup>TH</sup> SEPTEMBER

# 2019

Ascopiave Group



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In-Company Control:

- Declaration by the appointed Manager - Certification of the Interim Financial Statements as of 30<sup>th</sup> September 2019 in accordance with art. 81-ter of Consob regulation no. 11971;

## GENERAL INFORMATION

### Directors, Officers and Company information

Board of Directors and Board of Auditors

Name	Office	Duration of office	From	To
Cecconato Nicola	Chairman of the Board of Directors and CEO*	2017-2019	28/04/2017	Approval of budget 2019
Coin Dimitri	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019
Martorelli Giorgio	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019
Lillo Antonella	Director	2017-2019	28/04/2017	Approval of budget 2019
Pietrobon Greta	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019
Quarello Enrico	Indipendet Director	2017-2019	28/04/2017	Approval of budget 2019

(\*)Powers and attributions of ordinary and extraordinary administration, within the limits of the law and of the Corporate memorandum of association and in observance of the reserves within the competence of the Shareholders' Meeting and the Board of Directors, according to the resolutions of the Board of Directors.

Name	Office	Duration of office	From	To
Schiro Antonio	President of the Board of Auditors	2017-2019	28/04/2017	Approval of budget 2019
Biancolin Luca	Statutory Auditor	2017-2019	28/04/2017	Approval of budget 2019
Marcolin Roberta	Statutory Auditor	2017-2019	28/04/2017	Approval of budget 2019

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Quarello Enrico	09/05/2017	Approval of budget 2019	Coin Dimitri	09/05/2017	Approval of budget 2019
Martorelli Giorgio	09/05/2017	Approval of budget 2019	Lillo Antonella	09/05/2017	Approval of budget 2019
Pietrobon Greta	09/05/2017	Approval of budget 2019	Quarello Enrico	09/05/2017	Approval of budget 2019

#### Independent Auditors

PriceWaterhouseCoopers S.p.A.

#### Registered office and Company data

Ascopiave S.p.A.  
Via Verizzo, 1030  
I-31053 Pieve di Soligo TV Italy  
Tel: +39 0438 980098  
Fax: +39 0438 82096  
Share Capital: Euro 234,411,575 fully paid in  
VAT ID 03916270261  
e-mail: info@ascopiave.it

#### Investor relations

Tel. +39 0438 980098  
fax +39 0438 964779  
e-mail: investor.relations@ascopiave.it

## Main economic and financial data of the Ascopiave Group

### Operating result

(Thousands of Euro)	Nine months			
	2019	% of revenues	2018	% of revenues
Revenues	90,017	100.0%	87,592	100.0%
Gross operative margin	30,460	33.8%	32,445	37.0%
Operating result	13,048	14.5%	16,778	19.2%
Net result from transfer/disposal of assets	30,109	33.4%	20,461	23.4%
Net result for the period	38,238	42.5%	31,278	35.7%

The gross operating margin (EBITDA) is the result before amortisation/depreciation, use of bad debt provisions, financial management and taxes.

### Balance sheet figures

(Thousands of Euro)	30.09.2019	31.12.2018
Net working capital	169,773	59,390
Fixed assets and other non current assets	481,824	557,118
Non-current liabilities (excluding loans)	(37,248)	(51,245)
<b>Net invested capital</b>	<b>614,349</b>	<b>565,263</b>
Net financial position	(193,028)	(117,394)
Total Net equity	(421,321)	(447,869)
<b>Total financing sources</b>	<b>(614,349)</b>	<b>(565,263)</b>

Please note that “Net working capital” means the sum of the inventories, trade receivables, tax receivables, other current assets, trade payable, tax payables (within 12 months), and other current liabilities.

### Cash flow data

(Thousands of Euro)	Nine months	
	2019	2018
<b>Net income of the Group</b>	<b>8,129</b>	<b>10,818</b>
Cash flows generated (used) by operating activities	82,928	87,823
Cash flows generated/(used) by investments	(10,989)	(9,045)
Cash flows generated (used) by financial activities	(55,789)	(36,711)
<b>Variations in cash</b>	<b>16,150</b>	<b>42,067</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>59,353</b>	<b>10,928</b>
<b>Cash and cash equivalents at the beginning of the period - Companies held for sales</b>	<b>7,297</b>	<b>4,673</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>82,800</b>	<b>62,400</b>

### FOREWORD

The Ascopiave Group closed the first nine months of 2019 with a net consolidated profit of Euro 38.2 million (Euro 31.3 million as of 30<sup>th</sup> September 2018), with an increase of Euro 6.7 million, +22.3% as compared to the same period in the previous year.

The consolidated net assets as of 30<sup>th</sup> September 2019 amounted to Euro 421.3 million, (Euro 447.9 million as of 31<sup>st</sup> December 2018) and the net capital invested to Euro 614.3 million (Euro 565.4 million as of 31<sup>st</sup> December 2018).

During the first nine months of 2019, the Group accomplished investments for Euro 21.7 million (Euro 16.6 million as of 30<sup>th</sup> September 2018), mainly in the installation of electronic metres and the development, maintenance and modernisation of the networks and plant of gas distribution.

At the end of 2018, the Group launched a process aimed at enhancing its activities in the gas sales sector and consolidating its presence in the gas distribution sector and on 17<sup>th</sup> June 2019 approved a business partnership with Hera S.p.A. by signing a binding Term Sheet for the development of a primary business in northern-eastern Italy. The Term Sheet was finalised in a framework agreement on 31<sup>st</sup> July 2019. In compliance with the international accounting standard IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the economic results, the assets and liabilities, of the natural gas and electricity sales sector are shown separately in a single line of the income statement and balance sheet respectively. The economic data shown for comparison purposes were reclassified in accordance with the standard. Consequently, this Report mainly illustrates the results of the businesses on a going concern basis by describing the operating results, balance sheet and cash flows of the assets held for sale in dedicated paragraphs.

On 1<sup>st</sup> July 2019, Unigas Distribuzione Gas S.r.l. was merged through acquisition into Ascopiave S.p.A.. Subsequent to this operation, the company Unigas S.r.l. is no longer consolidated using the equity method, but on a line-by-line basis. On the same date, Ascopiave S.p.A. transferred the merged unit to Edigas Distribuzione Gas S.p.A..

#### Activities

Ascopiave mainly operates in the sectors of distribution and sale of natural gas, as well as in other sectors related to the core business, such as the sale of electricity, heat management and co-generation.

The Group currently holds concessions and direct assignments for the supply of the service in 228 municipalities, (230 municipalities as of 31<sup>st</sup> December 2018) and has a distribution network extending for over 10,426 Km <sup>1</sup>, (over 9,809 Km as of 31<sup>st</sup> December 2018), providing a service to a catchment area bigger than 1 million inhabitants.

The activity of natural gas sale to end customers is carried out through subsidiaries of the parent company Ascopiave S.p.A., controlled exclusively or jointly with other shareholders.

In the gas sale segment, Ascopiave is one of the main National operators with over 607 million cu.m <sup>1</sup> of gas sold in the first nine months of 2019 (621 million cu.m as of 30<sup>th</sup> September 2018).

#### Strategic objectives

The Ascopiave Group aims to pursue a strategy focused on the creation of value for its stakeholders, by maintaining the level of excellence in the quality of the services offered, respecting the environment and social groups, to increase the value of the field in which it operates.

The Group intends to consolidate its leadership position in the gas sector on a regional level and is looking to reach a prominent position also at the national level, taking advantage of the liberalisation process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operating processes.

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<sup>1</sup> The data specified as regards the length of the distribution network and the volumes of gas sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

### Operating performance

The volumes of gas distributed through networks managed by the Group were 756.0 million cu.m<sup>1</sup>, with an increase of 1.0% as compared to the same period in 2018.

The distribution network as of 30<sup>th</sup> September 2019 had an extension of 10,426 Km<sup>1</sup>, an increase of 630 km compared to the same period in the previous year, mainly due to the consolidation on a line-by-line basis of Unigas Distribuzione Gas S.r.l..

The volumes of gas sold<sup>2</sup> in the first nine months of 2019 are equal to 607.5 million cu.m, marking a decrease of 2.1% as compared to the same period in the previous year.

The volumes of electricity sold<sup>2</sup> were 401.2 GWh<sup>1</sup>, with an increase of 18.1% as compared to the same period in the previous year.

The customers portfolio<sup>2</sup> managed at the reporting date included 750.5 thousand customers, marking an increase of 0.7% as compared to the same period in the previous year.

### Operating results and cash flows

The consolidated revenues in the first nine months of 2019 amounted to Euro 90.0 million, compared to Euro 87.6 million recorded in the same period in the previous year. The increase in the turnover is mainly due to the recognition of revenues recorded by the distribution business unit due to the extension of the consolidation scope, as well as higher revenues from distribution services (Euro +0.1 million), and lower contributions for white certificates (Euro -1.9 million).

The Operating Result of the Group equals Euro 13.0 million, marking a decrease compared to Euro 16.8 million in the first nine months of 2018. The decrease recorded is mainly explained by the reduction in the margin of energy efficiency certificates (Euro -4.0 million), by an increase in amortisation and depreciation (Euro -1.7 million) and partly offset by lower staff costs (Euro +1.3 million).

The result achieved by the companies held for sale at the end of the first nine months of the year showed an improvement of Euro 9.6 as compared to the same period in the previous year, mainly attributable to non-recurrent items.

The Net Result, equalling Euro 38.2 million, marks an increase of Euro 6.9 million compared to the first nine months of 2018.

The Group's Net Financial Position as of 30<sup>th</sup> September 2019 amounted to Euro 193.0 million, a worsening of Euro 75.5 million as compared to Euro 117.5 million as at 31<sup>st</sup> December 2018.

The increase in financial indebtedness is determined by the cash flow of the period (Euro +55.6 million, given by the sum of the net result and amortisation and depreciation) and by the management of current assets, which has generated financial resources for Euro 36.6 million. The investment activity has absorbed financial resources for Euro 32.9 million. Equity management (distribution of dividends and dividends received from companies consolidated using the equity method) has absorbed resources for Euro 134.9 million (Euro 56.4 million related to the reclassification of assets and liabilities held for sale).

The ratio between Net financial position and Net equity as of 30<sup>th</sup> September 2019 amounted to 0.46 (0.26 as of 31<sup>st</sup> December 2018).

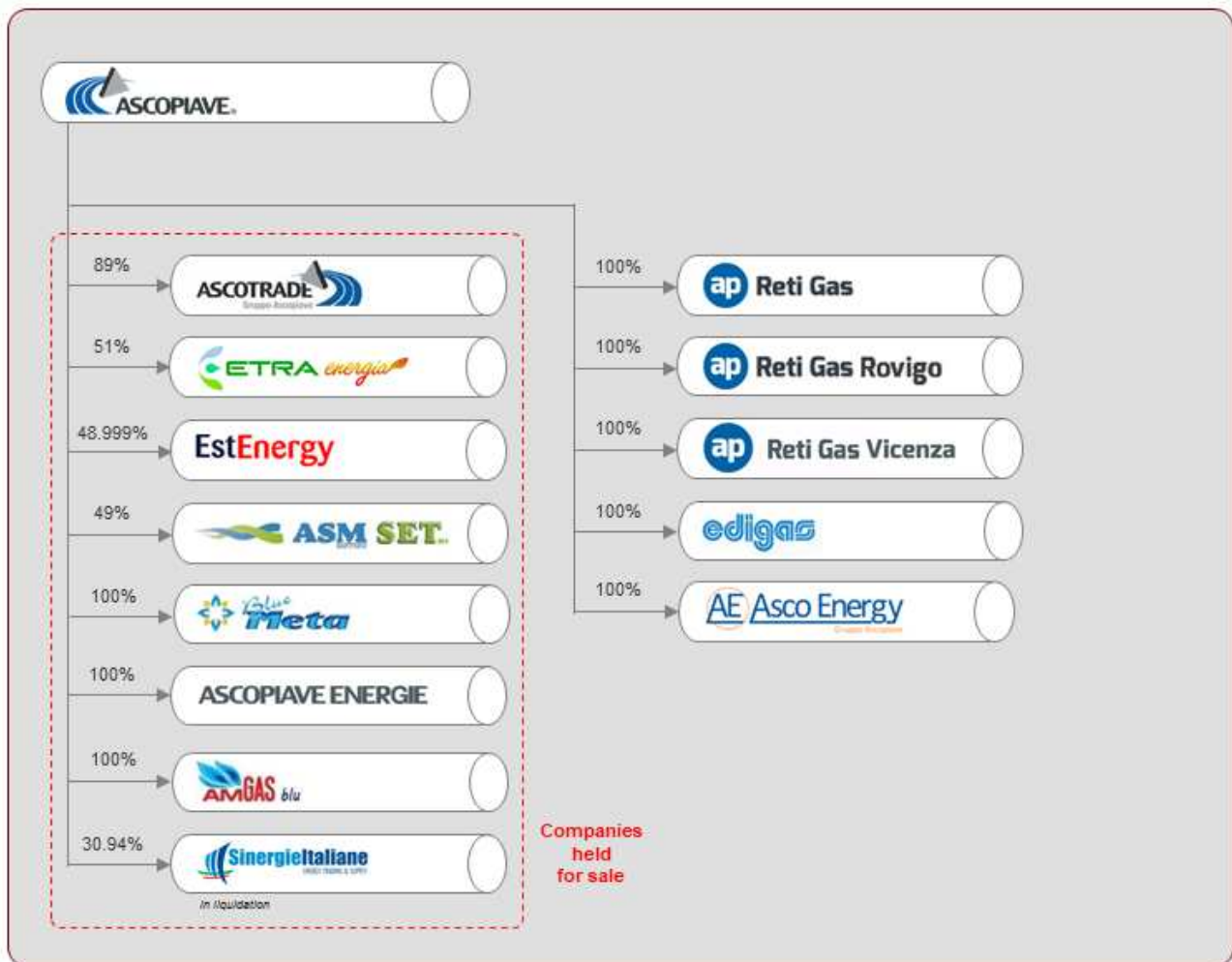
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<sup>2</sup> Data relating to Group companies held for sale.



## The structure of the Ascopiave Group

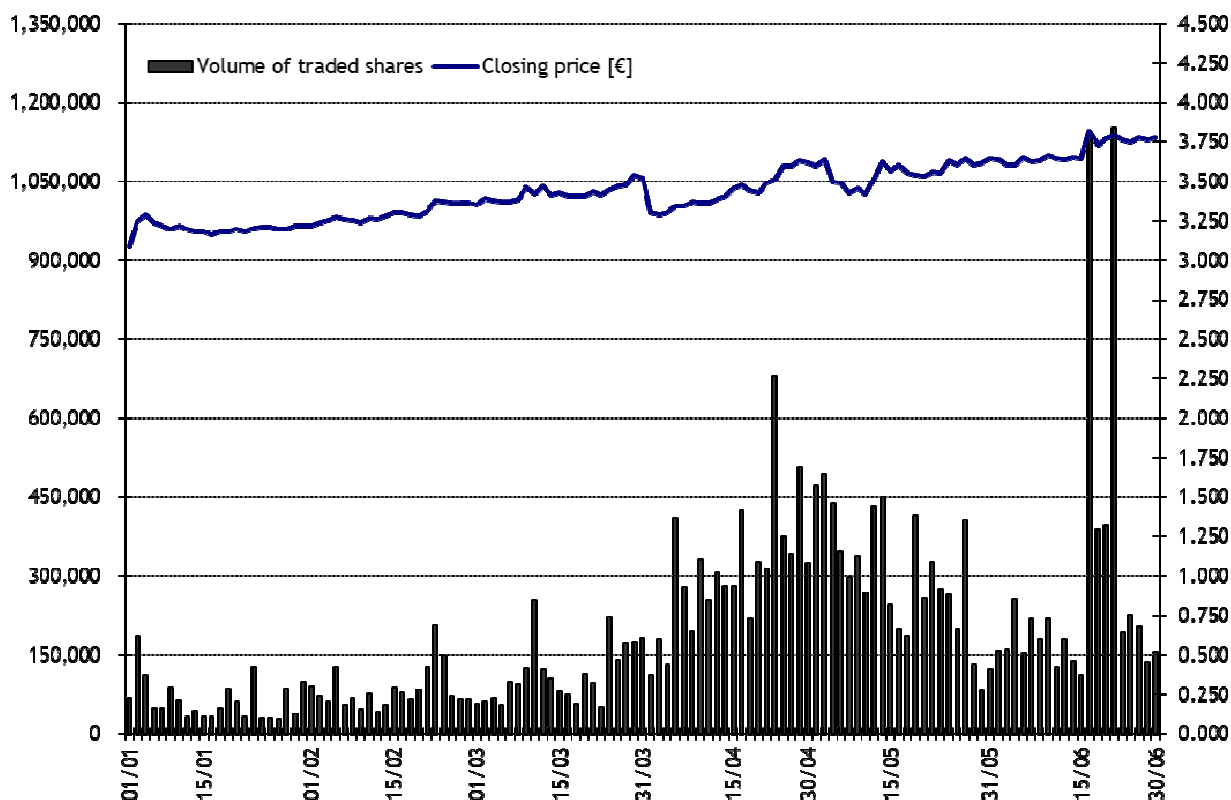
The table below shows the company structure of the Ascopiave Group as of 30<sup>th</sup> September 2019.



## Ascopiave S.p.A. share trend on the Stock Exchange

As of 30<sup>th</sup> September 2019, the Ascopiave share registered a quotation of Euro 3.780 per share, with an increase of 22.1 percentage points as compared to the listing at the beginning of 2019 (Euro 3.095 per share, referred to the quotation of 2<sup>nd</sup> January 2019).

Market capitalisation as of 30<sup>th</sup> September 2019 was equal to Euro 909.37 million <sup>3</sup> (Euro 725.08 million as of 29<sup>th</sup> December 2018).



During the first nine months of 2019, the quotation of the share showed an increase in performance (+25.2%), higher than the increase in the FTSE Italia All Share index (+15.0%) and the FTSE Italia Star index (+15.0%). On the other hand, the increase was lower than the industry index FTSE Italia Servizi di Pubblica Utilità (+31.6%).

In the following table we report the main shares and stock-exchange data as of 30<sup>th</sup> September 2019:

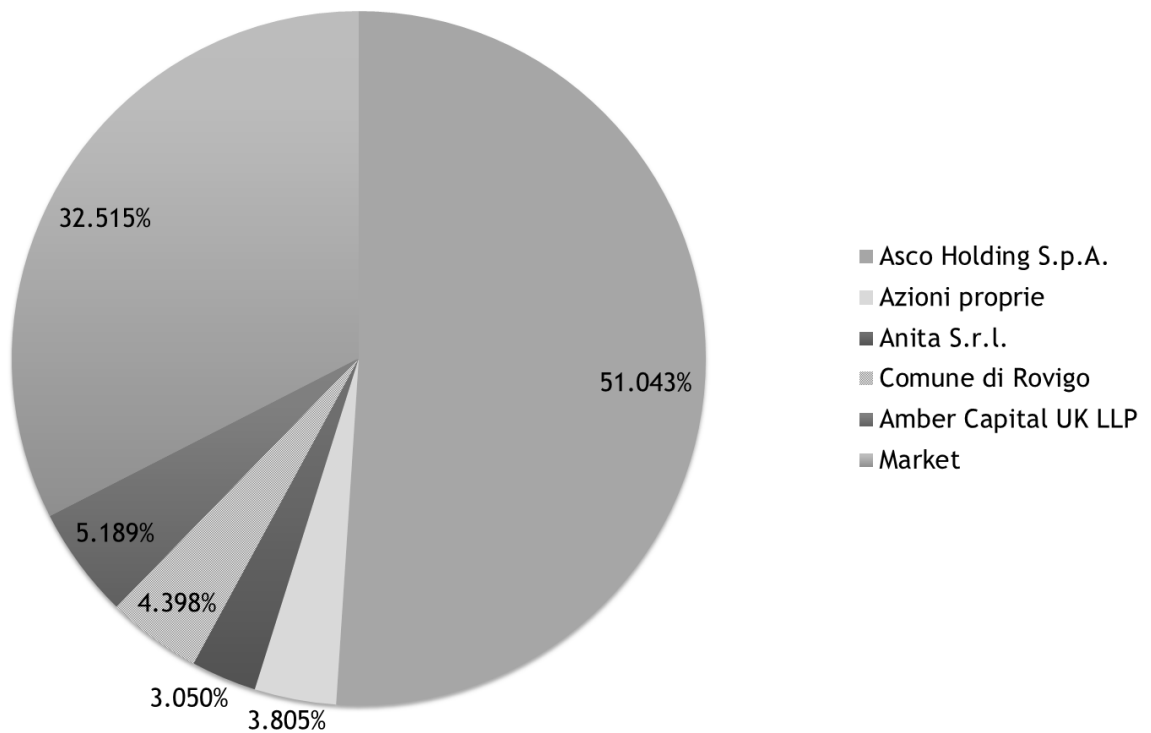
<sup>3</sup> The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30<sup>th</sup> September 2019 equalled Euro 18.5 billion. Official data from Borsa Italiana's website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

Share and stock-exchange data	30.09.2019	30.09.2018
Earning per share (Euro)	0.17	0.13
Net equity per share (Euro)	1.80	1.86
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.875	2.990
Maximum annual price (Euro)	4.250	3.690
Minimum annual price (Euro)	3.095	2.875
Stock-exchange capitalization (Million of Euro)	909.37	703.63
No. of shares in circulation	225,491,921	222,683,966
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	8,919,654	11,727,609

## Control of the Company

As of 30<sup>th</sup> September 2019, Asco Holding S.p.A. directly controls the majority of Ascopiave S.p.A. share capital as shown in the diagram below.

The share composition of Ascopiave S.p.A., according to the number of shares held by the shareholders of the total shares forming the share capital, is as follows:



Internal processing on information received by Ascopiave S.p.A. pursuant to art. 120, Consolidated Financial Law.

## Corporate Governance and Code of Ethics

During the first nine months of 2019, Ascopiave S.p.A. continued enhancing the corporate governance in progress for the past years, strengthening the risk management system and introducing further improvements to the tools in order to defend investors' benefits.

### Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Company's Board of Directors. Specifically, the audit activities included in the above-mentioned activity plan, based on a process for prioritising the main risks, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

### Appointed Manager

The Appointed Manager, helped by the Internal Audit services, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the key procedures for preparing financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

### Organisation, management, and control model pursuant to Italian Legislative Decree 231/2001

Ascopiave S.p.A. and all its subsidiaries have adopted an Organisation, management and control model; they have also embraced the Code of Ethics of the Parent company Ascopiave.

The Company, assisted by the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted.

The Company has also continued promoting, disseminating and raising awareness of the Code of Ethics as concerns all its stakeholders, especially with business and institutional parties.

The 231 Model and the Code of Ethics are available in the corporate governance section at [www.gruppoascopiave.it](http://www.gruppoascopiave.it).

## Transactions with related and affiliate parties

The Group has the following transactions with related parties with the following types of operating costs:

- ✓ Purchase of IT services from the associate ASCO TLC S.p.A.;
- ✓ Credit transactions in favour of ASM Set S.r.l., jointly controlled company;
- ✓ Administrative services from ASM Set S.r.l., jointly controlled company;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l., in liquidation.

The Group has the following transactions with related parties with the following types of operating revenues:

- ✓ Lease of owned real properties to the associate ASCO TLC S.p.A.;
- ✓ Lease of owned real properties to the affiliate Sinergie Italiane S.r.l. in liquidation;
- ✓ Debit transactions from ASM Set S.r.l., jointly controlled company;
- ✓ Administrative and staff services from Ascopiave S.p.A. to ASM Set S.r.l., and Sinergie Italiane S.r.l. in liquidation;
- ✓ Sale of electricity to ASM Set S.r.l., jointly controlled company;
- ✓ Administrative and staff services from Ascopiave S.p.A. to the Parent company Asco Holding S.p.A..

Relationships deriving from tax consolidation with Asco Holding S.p.A.: Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and Asco Energy S.p.A. had joined the consolidation of tax relations held by the Parent company Asco Holding S.p.A.. The tax consolidation ceased due to the failure to fulfil some necessary requirements during the year. Consequently, the current assets and liabilities recorded refer only to previous positions, while the debit balances accrued vis-à-vis the tax authorities are recorded under tax receivables and payables.

We would like to point out that these relations are characterised by the highest transparency and are performed on an arm's length basis. As regards each relationship, please see the Explanatory Notes.

The table below shows the economic and financial extent of the transactions described above:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	0	784	0	0	0		0	0	52	0
<b>Total parent company</b>	<b>0</b>	<b>784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>0</b>
<i>Affiliated companies</i>										
Asco TLC S.p.A.	47	0	136	0	0	536	143	0	245	40
<b>Total affiliated companies</b>	<b>47</b>	<b>0</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>536</b>	<b>143</b>	<b>0</b>	<b>245</b>	<b>40</b>
<i>Subsidiary companies</i>										
Estenergy S.p.A.	7	0	6	7	0	0	0	0	0	0
ASM Set S.r.l.	752	0	7	880	0	114	1	3,467	2,927	3
Unigas Distribuzione S.r.l.	0	0	0	0	0	5,540	0	50	140	0
Sinergie Italiane S.r.l. in liquidazione	0	7,510	3,165	0	38,504	0	0	0	36	0
<b>Total subsidiary companies</b>	<b>759</b>	<b>7,510</b>	<b>3,179</b>	<b>873</b>	<b>38,504</b>	<b>5,654</b>	<b>1</b>	<b>3,517</b>	<b>3,105</b>	<b>3</b>
<b>Total</b>	<b>806</b>	<b>8,293</b>	<b>3,315</b>	<b>873</b>	<b>38,504</b>	<b>6,190</b>	<b>145</b>	<b>3,517</b>	<b>3,401</b>	<b>43</b>

## Significant events during the first nine months of 2019

### Approval of the project of merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A.

On 28<sup>th</sup> January 2019, the Boards of Directors of Ascopiave and Unigas approved a business combination to be implemented by means of the merger through acquisition of Unigas into Ascopiave, immediately followed by the concentration in Edigas Esercizio Distribuzione Gas S.p.A. of Unigas's operating activities in the network segment.

Through the Combination Project, Ascopiave and Unigas pursue the objective of entrusting the activities they perform in the gas distribution sector in some areas of Lombardy to a single operator, thus further improving their positioning on the market and the quality standards of the service provided in the relevant territories.

The terms and conditions of the Merger are governed by a framework agreement signed between Ascopiave, Unigas and, limited to the assumption of certain commitments, Anita S.r.l., as the reference partner of Unigas. The Merger plan has been submitted for validation to the respective Shareholders' Meetings as well as Anita's Shareholders' Meeting.

The auditing firm Reconta Ernst & Young S.p.A. has been appointed by the Court of Venice as an expert for the purpose of expressing an opinion on the adequacy of the share exchange ratio, pursuant to art. 2501-sexies, Italian Civil Code. This opinion has been made available in accordance with the applicable legislation.

Ascopiave's Shareholders' Meeting, in extraordinary session, approved the project of the merger through acquisition of Unigas into Ascopiave S.p.A. (the "Merger") and, thereby, the Merger.

On 24<sup>th</sup> April 2019, Ascopiave announced that the Shareholders' Meeting of Unigas convened on 23<sup>rd</sup> April approved the project of the merger by incorporation of Unigas into Ascopiave. Therefore, the decision-making process related to the aforementioned merger is completed.

On 25<sup>th</sup> June 2019, subsequent to the approval of the operation by the Shareholders' Meetings of both companies, the deed of merger through acquisition of Unigas into Ascopiave was signed.

The share exchange ratio of 3.7788 Ascopiave shares with a nominal value of Euro 1.00 to each Unigas share with a nominal value of Euro 1.00 was confirmed, since the conditions for making an adjustment pursuant to the merger project were not met. The merger took effect on 1<sup>st</sup> July 2019.

Also on 25<sup>th</sup> June 2019, as part of the merger and with effect from the effective date of the latter, Ascopiave transferred to Edigas, a wholly owned subsidiary, the operating activities of Unigas in the networks sector.

In the first week of July 2019, Ascopiave S.p.A. transferred 7,149,505 treasury shares to Anita S.r.l..

### The Merger

The Merger was implemented through (i) cancellation of the shares representing 100% of Unigas's share capital on the date of execution of the Merger deed and (ii) transfer to Anita, in exchange for its stake in Unigas, of treasury shares of Ascopiave, without the need to proceed with an increase in the share capital of Ascopiave due to the swap.

Pursuant to art. 2501-*quater*, second paragraph, Italian Civil Code, for both companies the applicable balance sheet for the Merger is contained in the interim financial statements at 30<sup>th</sup> September 2018.

The share exchange ratio determined by the Boards of Directors of Ascopiave and Unigas, supported by their respective financial advisors, is 3.7788 treasury shares of Ascopiave to each Unigas share whose nominal value is Euro 1.00.

On the basis of the aforesaid exchange ratio, therefore, 7,149,505 Ascopiave treasury shares, equal to 3.05% of Ascopiave's share capital after the Merger, were transferred to Anita. As better described in the Merger plan, the aforesaid share exchange ratio could have been adjusted solely due to the effect of any payment, prior to the effective date of the Merger (i) of an ordinary dividend by Ascopiave and/or Unigas and/or (ii) an extraordinary dividend possibly resolved by Ascopiave's Shareholders' Meeting, as notified to the market on 8<sup>th</sup> June 2018, in order to allow the majority shareholder Asco Holding S.p.A. to pay the liquidation value to its shareholders who exercised their right of withdrawal, as they did not participate in the acceptance of the resolution for the approval of certain amendments to the articles of association adopted on 23<sup>rd</sup> July 2018.

"The Operation - said Nicola Ceconato, Ascopiave's Chairman - is a step forward in the consolidation process of the Ascopiave Group in the Natural Gas Distribution sector, consistent with the strategy to strengthen the Group's assets in the field of regulated activities. The consolidation of the activities currently managed by Unigas will enable us to improve the efficiency levels and the services provided in the relevant territories, by capitalising on the industrial expertise of the companies involved".

**Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29<sup>th</sup> January 2019**  
On 29<sup>th</sup> January 2019, the Regulatory Authority for Energy, Networks and the Environment published Resolution 32/2019/R/GAS implementing decision no. 4825/2016 of the Council of State for the cancellation of resolution ARG/GAS 89/10.

By Resolution 89/10, the Authority redetermined the value of the raw material component of the natural gas selling tariff by introducing the de-multiplication coefficient “K” which reduced the procurement costs recognised. On 2<sup>nd</sup> November 2017, with Resolution 737/2017/R/gas, published subsequent to decision no. 4825/2016 of the Council of State, the Authority determined *nunc pro tunc* the value of the raw material gas for the period October 2010 - September 2012 by updating the K value and bringing it to a higher amount. Such change consequently increases the raw material component recognised in the selling tariff applied to the quantities of natural gas used by the end customers under the “greater protection” scheme for the two-year period in question.

On 29<sup>th</sup> January 2019, by resolution 32/2019/R/GAS, the Authority illustrated how the sales companies are entitled to adopt the mechanism for recognising the amounts deriving from the redetermination of the coefficient described above. Specifically, companies could submit an application to Cassa per i Servizi Energetici Ambientali (CSEA) by the month of May 2019, accompanied by the documentation needed to recognise and obtain the amounts due. The applications filed, and the accompanying documentation submitted, were examined and verified for eligibility until 31<sup>st</sup> July 2019, when the CSEA announced the recognition amount to the sales companies of the Group, equal to Euro 8,178 thousand. The CSEA opened an account to which, commencing 1<sup>st</sup> April 2019, a specific distribution tariff component that will be charged to all customers whose annual consumption is less than 200,000 Scm will be credited. The amounts recognised will be paid in three sessions, the first in April 2020, the second in December 2020 and the third in December 2021.

#### **Ordinary and extraordinary Shareholders’ Meeting, held on 23<sup>rd</sup> April 2019**

The Shareholders’ Meeting of Ascopiave S.p.A. (“Ascopiave” or the “Company”) convened in ordinary and extraordinary session on 23<sup>rd</sup> April 2019, chaired by Mr Nicola Ceconato.

The Shareholders’ Meeting, in ordinary session, approved the financial statements and acknowledged the Group’s consolidated financial statements as of 31<sup>st</sup> December 2018 and resolved to distribute an ordinary dividend of Euro 0.125 per share.

The Shareholders’ Meeting, in ordinary session, approved the Remuneration Policy, corresponding to Section I of the Remuneration Report compiled in accordance with art. 123-*ter* of the Unified Finance Law and 84-*quater* of Consob regulation dated 14<sup>th</sup> May 1999, no. 11971.

The Shareholders’ Meeting of Ascopiave S.p.A., in ordinary session, approved a new Purchase and sale plan of treasury shares to replace the authorisation to purchase and sell treasury shares issued by the Shareholders’ Meeting held on 26<sup>th</sup> April 2018, which is therefore to be deemed revoked as regards the non-executed part.

Upon the request of the Shareholder Asco Holding S.p.A., in ordinary session, the Shareholders’ Meeting resolved to distribute an extraordinary dividend of Euro 0.2133 for each of the 222,178,966 outstanding shares, totalling Euro 47,390,773.40, to be withdrawn from the “Share premium reserve”. Such extraordinary dividend was paid on 8<sup>th</sup> May 2019, with ex-dividend date on 6<sup>th</sup> May 2019 and record date on 7<sup>th</sup> May 2019.

Ascopiave’s Shareholders’ Meeting, in extraordinary session, approved the project of the merger through acquisition of Unigas Distribuzione S.r.l. (“Unigas”) into Ascopiave S.p.A. (the “Merger”) and, thereby, the Merger.

The Extraordinary Shareholders’ Meeting also approved the amendment of art. 6 of Ascopiave’s articles of association, adding paragraphs 6.6 to 6.18, in order to introduce the increased voting rights mechanism, pursuant to art. 127-*quinqies* of the Unified Finance Law.

Specifically, the increased voting rights mechanism will grant 2 voting rights for each Ascopiave share that has belonged to the same shareholder for a continuous period of at least 24 months from the registration in a special list, which will be established and stored by the Company at the registered office.

#### **Press release by Asco Holding S.p.A.**

On 8<sup>th</sup> April 2019, with reference to the announcement dated 6<sup>th</sup> March 2019, Asco Holding S.p.A. (“Asco Holding” or the “Company”) announced that, as regards the withdrawal procedure of the shareholders who did not participate in the approval of the Shareholders’ Meeting resolution dated 23<sup>rd</sup> July 2018 concerning certain amendments to the



articles of association, the period to exercise the right of pre-emption, whose offer was filed with the Company Register of Treviso and Belluno on 7<sup>th</sup> March 2019, for 28,279,062 shares for which the right of withdrawal was validly exercised and whose liquidation value determined by the Board was challenged, ended on 5<sup>th</sup> April 2019.

No shareholder of Asco Holding exercised the first option to buy. Should the Company receive communications of exercise of the first option sent within the deadline stated in the pre-emption offer notice, it will promptly notify it.

There were 41,945,221 withdrawal shares, equal to 29.96% of Asco Holding's share capital. The unit liquidation value to be paid by the Company will be equal to Euro 3.75 for the withdrawing shareholders who have not challenged the liquidation value and Euro 4.047 for the withdrawing shareholders who have challenged the liquidation value.

The withdrawal procedure will be completed, as soon as technically possible, subsequent to the possible approval by Ascopiave's Shareholders' Meeting convened on 23<sup>rd</sup> April 2019, on first call, and on 26<sup>th</sup> April 2019, on second call, of the distribution of an extraordinary dividend as suggested by Asco Holding and subject to payment of such dividend.

### **Hera Group and Ascopiave: a large energy partnership in northern-eastern Italy**

On 20<sup>th</sup> February 2019, Ascopiave S.p.A.'s Board of Directors, as announced to the market on 15<sup>th</sup> October 2018, approved the launch of the first stage of a process aimed at (i) enhancing its activities in the gas and electricity sales sector and (ii) strengthening and consolidating its presence in the gas distribution sector, in both cases also through one or more strategic partnerships. The expressions of interest and non-binding offers from the participants were received during this first stage.

On 17<sup>th</sup> June 2019, through the joint venture EstEnergy, the Hera Group and Ascopiave entered into a business partnership involving over 1 million customers, for a total value of Euro 864.5 million and an Ebitda of Euro 69 million. Subsequent to this operation, the Hera Group boasts more than 3 million energy customers. Ascopiave grows in the gas distribution sector with 188,000 new redelivery points, thus becoming the leading operator in northern-eastern Italy with 775,000 redelivery points managed and an added Ebitda of Euro 15.9 million. The Boards of Directors of Hera S.p.A. and Ascopiave S.p.A. approved the execution of a binding Term Sheet for the development of a primary business in northern-eastern Italy, which will involve over one million energy customers, as well as the reorganisation of the respective gas distribution activities. The Term Sheet, finalised in a framework agreement on 31<sup>st</sup> July 2019, defines the areas involved, the economic terms of the agreement, as well as the relevant governance details. The agreement reached is an important strategic step in the evolution of the business portfolios of the two Groups, consistent with the strategic development guidelines approved by the Boards of Directors of Hera S.p.A. and Ascopiave S.p.A. and communicated to the investors.

Specifically, the agreement involving the gas and electricity customer marketing area envisages the creation of a single operator for the respective sales activities in the regions of Veneto, Friuli-Venezia Giulia and Lombardy, through EstEnergy S.p.A., a company which is controlled jointly by Ascopiave S.p.A. and Hera Comm S.r.l., the sales company of the Hera Group. EstEnergy S.p.A. will see a substantial expansion of its activities in the aforementioned area, encompassing the sales business of the Ascopiave Group relating to the subsidiaries Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and the joint ventures Asm Set S.r.l. (49%), Etra Energia S.r.l. (51%) and Sinergie Italiane S.r.l. in liquidation (30.94%) as well as the company Energia Base Trieste S.r.l. (92,000 contracts managed) and customers based in Veneto and Friuli of Hera Comm (96,000 gas contracts and 68,000 electricity contracts), thus giving rise to a primary operator rooted in northern-eastern Italy with a total portfolio of over 795,000 gas contracts and 265,000 electricity contracts as of 31<sup>st</sup> December 2018 considering also the *pro-rata* components of the joint ventures, totalling over 1 million contracts. The new partnership, which will be implemented through EstEnergy, when fully operational, will have a consolidated Ebitda of approximately Euro 69 million - based on 2018 and excluding the contribution of companies held with minority interests. The share capital of EstEnergy will be held for 52% by the Hera Group and 48% by Ascopiave. The parties agreed that the equity value of the new EstEnergy will amount to a total of Euro 864.5 million (Euro 797 million the corresponding enterprise value), with reference to 31<sup>st</sup> December 2018, and will be adjusted if needed, according to usual procedures, with respect to the closing date; this value is attributable for Euro 601 million (Euro 543 million the enterprise value) to Ascopiave's sales activities and for Euro 263 million to Hera Comm's activities.

As for the future governance, a Shareholders' Agreement will be signed introducing a Board of Directors for the new EstEnergy, composed of 5 members - 3 appointed by Hera, which will appoint the Managing Director, and 2 by Ascopiave, which will appoint the Chairman of the Board of Directors, as well as the Chairman of the Board of Auditors -, the usual protection clauses in favour of a minority shareholder, as well as, for a period of 7 years, a put option, exercisable annually, in favour of Ascopiave up to the entire investment held in EstEnergy S.p.A. and a call

option in favour of Hera Comm in the event of a residual investment of Ascopiave S.p.A. in EstEnergy S.p.A. which is less than or equal to 5% of the company's share capital. Specifically, the put option on the minority stake of EstEnergy may be exercised, in whole or in part, up to the seventh year from the closing, and at an exercise price equal to the higher of (i) the fair market value of the investment calculated at the exercise date and (ii) the value of the investment adjusted by an annual interest of 4% net of the portion of dividends received and in any case not less than the value of the investment itself.

Furthermore, as part of the overall reorganisation of the gas and electricity customer marketing area, Amgas Blu, a sales company wholly owned by Ascopiave, active in the province of Foggia with approximately 50,000 customers, will be acquired directly by Hera Comm at a price of around Euro 44 million, including the financial position, again with reference to 31<sup>st</sup> December 2018.

At the closing date, Ascopiave will acquire a stake of approximately 3% in Hera Comm, obtaining the right to appoint a director within the company's Board of Directors. This stake as well envisages a mechanism in favour of Ascopiave for the sale of the investment held in Hera Comm, to be exercised in the same 7-year period.

The reorganisation of the gas distribution activities involves, on the other hand, the purchase by Ascopiave from the Hera Group of a perimeter of concessions comprising 188,000 redelivery points located in Veneto and Friuli-Venezia Giulia at an investment value of Euro 171 million and a *pro forma* Ebitda of Euro 15.9 million, both referred to 31<sup>st</sup> December 2018. Through this operation, the Ascopiave Group will manage approximately 775,000 users and over 12,000 km of network, thus becoming the first operator in the Triveneto region in terms of size and consolidating its position in the national ranking.

With this operation, Ascopiave implements its strategic repositioning plan, entering into an agreement on the commercial areas with a leading player and strengthening its presence in the core business of gas distribution.

The Hera Group, in turn, through the agreements with Ascopiave, achieves in advance the target of 3 million customers in the energy sales activities (3.2 million referred to 31<sup>st</sup> December 2018) set out in the 2022 business plan and accelerates the growth process in these activities that, in the last 10 years, has allowed the Group to double its energy customer base, through organic growth and M&A.

On 31<sup>st</sup> July 2019, the Boards of Directors of Hera S.p.A. and Ascopiave S.p.A. approved the execution of the framework agreement that will initiate the commercial partnership through the joint venture Estenergy.

The operation will be subject to the usual conditions applicable to this type of procedure and all notices and approvals by the competent authorities and bodies, as well as, as regards only the stakes involved, the non-exercise of the right of pre-emption and the approval by the other shareholders in the case of investments held by Ascopiave S.p.A. in the joint ventures ASM Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation.

The parties expect to complete the operation by 31<sup>st</sup> December 2019.

#### **Disclosure on the purchase of treasury shares**

Ascopiave announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2018, in the period between 1<sup>st</sup> April 2019 and 30<sup>th</sup> September 2019, of 4,341,550 ordinary shares at the average unit price of Euro 3.792, for a total value of Euro 16,463,350.62. As a result of the purchases made, Ascopiave held 8,919,654 treasury shares, equal to 3.805% of the share capital, for the value indicated above.

#### **Medium-term loan taken out with Banca Nazionale del Lavoro (BNL)**

On 9<sup>th</sup> August 2019, the Parent Company took out a 5-year medium-term loan with BNL, for an amount of Euro 30,000 thousand, at a variable rate with repayment on principal through constant half-yearly instalments, and simultaneously signed an Interest Rate Swap agreement with the same bank, in order to eliminate the risk associated with the fluctuation of the interest rate.

#### **Medium-term loan taken out with Crédit Agricole**

On 27<sup>th</sup> September 2019, the Parent Company took out a 5-year medium-term loan with Crédit Agricole for an amount of Euro 30,000 thousand, at a variable rate with repayment on principal through constant half-yearly instalments, and simultaneously signed an Interest Rate Swap agreement with the same bank, in order to eliminate the risk associated with the fluctuation of the interest rate. The loan was granted on 1<sup>st</sup> October 2019.

## Additional significant events

### Energy efficiency and saving obligations

The GSE informed the Group distribution companies, which are required to achieve the energy saving objectives, of the extent of the target. The number of energy efficiency certificates to be delivered for the 2017 target was 85,274 white certificates. 83% of the obligation was achieved in 2018 and the remainder in the current year. The target set for 2018 amounts to 98,017 energy efficiency certificates. At the end of November 2018, the Group delivered, within the legal deadline, a portion of the certificates of the 2018 target (about 32%), and on 31<sup>st</sup> May 2019 a further 43.5% of the target. The target set for 2019 amounts to 110,043 energy efficiency certificates. The obligations of Unigas Distribuzione Gas S.r.l. must be added to these amounts; the company was consolidated with the equity method until 30<sup>th</sup> June 2019 and merged through acquisition into Ascopiave S.p.A. on 1<sup>st</sup> July 2019. As far as this company is concerned, the GSE quantified the 2017 target in 15,354 energy efficiency certificates, of which 60% were delivered before 31<sup>st</sup> May 2018. By resolution dated 29<sup>th</sup> January 2018, the Authority defined the 2018 target of the company, amounting to 16.103 energy efficiency certificates, of which 3,406 were delivered at the end of November 2018. In May, the company delivered additional certificates reaching 62.6% of the 2018 target. The target set for 2019 amounts to 17,578 energy efficiency certificates.

### Subscription, with the Municipalities involved, of a convention for the adoption of a shared procedure aimed at the agreed quantification of the “Residual Industrial Value” of the networks

The regulatory amendments which have replaced each other over the past years and in particular the legislation which provided for the selection of the operator of the distribution service through the so-called “territorial calls for tenders” tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

In relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely:

- the early redemption (normally governed regarding Royal Decree no. 2578/1925) and
- the reimbursement from the (natural) expiration of the concession.

The eventuality of a “force of law” expiration, preceding the effective date of the “contractual” expiration, (as a rule) was not envisaged (and therefore governed) in the concession deeds.

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the Body) and in other ways similar to the expiration of the concession term (which however has not expired).

At least until Ministerial Decree 226/2011, there were no legislative and/or regulations which precisely defined the methods and criteria to determine the R.I.V. of the plants and which could therefore complement the contractual clauses, often deficient.

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2015, merely referred to Royal Decree 2578/1925 which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. The lack of such agreements in the past often led to administrative and civil/arbitral litigations.

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in “canonical” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned partner Municipalities, Ascopiave signed an agreement, which implied hiring a renowned independent competent professional who had to determine the fundamental criteria to calculate the RIV of the gas distribution facilities.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29<sup>th</sup> August 2011.

The expert wrote a report (made available on 15<sup>th</sup> November 2011) on the “Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.” which was approved on 2<sup>nd</sup> December 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

In 2013 Ascopiave submitted the state of consistency and the appreciation of the plants determined applying the criteria set in the Report, offering at the same time its willingness to perform the cross-examination with the Municipalities, aimed at analysing the documents.

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 31<sup>st</sup> December 2015) have approved the residual value.

As part of the above process, the reciprocal relations mostly connected to the management of the service were governed as well, since both the payment of “one-off” amounts (2010 - signature of supplementary deeds) for Euro 3,869, and (since 2011) real fees for variable amounts and equal to the difference, if positive, between 30% of the “restriction on revenues” recognised by the tariff regulation and the amount already received by the Municipality itself as a dividend in 2009 (financial statements 2008) are envisaged.

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.
- Euro 5,079 thousand in 2016;
- Euro 5,190 thousand in 2017;
- Euro 5,258 thousand in 2018;

were paid for a total amount of Euro 45,753 thousand.

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 - Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31<sup>st</sup> December 2014. Subsequently, in the two-year period 2016-2017, the municipalities belonging to the Treviso 2 - Nord and some municipalities belonging to the Treviso 1 - Sud area were provided with an update as of 31<sup>st</sup> December 2015, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

The contracting authorities in the territorial areas of Treviso 2 - Nord and Venezia 2 - Entroterra and Veneto Orientale sent ARERA the assessments of the reimbursements of some municipalities for the purposes of the verifications provided for by the legislation. The Authority has made some observations (then forwarded by the same contracting authorities) against which AP Reti Gas filed (and/or is about to file) its counterclaims.

## Litigations

### LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 30<sup>th</sup> September 2019, no litigations are pending. The outcome of the following dispute is illustrated below:

#### MUNICIPALITY OF COSTABISSARA:

The Municipality of Costabissara filed a deed notified on 12<sup>th</sup> December 2015 before the Court of Appeal of Venice, appealing the Award dated 25-26 May 2015, issued subsequent to the relevant proceedings. At the hearing held on 19<sup>th</sup> May 2016, the Court scheduled the pre-trial hearing for 7<sup>th</sup> March 2019. The Arbitration Commission ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interest at the date of filing the Award.

The parties reached an agreement on the global sum of Euro 3,000 thousand.

With City Council Resolution no. 21 dated 16<sup>th</sup> April 2019, the Municipality approved the settlement agreement.

Such agreement was signed on 3<sup>rd</sup> June 2019, while the Court of Appeal of Venice, with a ruling dated 18<sup>th</sup> July 2016,

announced the end of the Proceedings. The dispute with the Municipality of Costabissara is therefore definitively closed.

#### **LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS**

As of 30<sup>th</sup> September 2019, the following are pending:

##### **MUNICIPALITY OF SANTORSO:**

An appeal is pending before the Court of Appeal of Venice, filed by the Municipality of Santorso (appeal of the Award dated 18<sup>th</sup> July 2017, which ordered the Municipality to pay Ascopiave the amount of Euro 1,346 thousand plus interest - effective the date of the ruling). Total expenses, each party bearing their respective legal costs, amounted to approximately Euro 221 thousand.

The hearing before the Court of Appeal of Venice was held on 9<sup>th</sup> January, when the Court scheduled the hearing for the conclusion on 27<sup>th</sup> May 2021.

A settlement agreement is being negotiated.

#### **ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS**

As of 30<sup>th</sup> September 2019, the following are pending:

##### **MUNICIPALITY OF SOVIZZO:**

The Municipality of Sovizzo initiated a civil Judgment with writ of summons served on AP Reti Gas S.p.A. on 21<sup>st</sup> February 2019. The Entity requires the payment of a concession fee amounting to Euro 65,000/year as from 1<sup>st</sup> January 2013.

The appearance hearing, initially scheduled for 19<sup>th</sup> June 2019, was postponed to 10<sup>th</sup> September.

The Company, in the light of the previous negotiation agreements, challenges the claim of the Municipality and has therefore entered an appearance in compliance with the Law.

##### **MUNICIPALITIES OF BRUSIMPIANO AND MARZIO**

Two administrative judgments, pending before the Regional Administrative Court of Lombardy (Milan), initiated by AP Reti Gas S.p.A. in order to challenge the City Council resolutions adopted by the two Municipalities, communicated to the Company and concerning the belated exercise of the power of negotiation conferred on the same Municipalities in the original concession deed (which should have been exercised within 10 years from the beginning of the concession). It appears that all the neighbouring Municipalities (located in the Valganna area) have adopted similar resolutions (although the ten-year terms for exercising the right expired between 1998 and 2001). If such resolutions were to be notified to AP Reti Gas, the latter will challenge them.

The scheduling is still pending.

A settlement agreement is being negotiated.

#### **ADMINISTRATIVE/ LITIGATIONS - NOT CONCERNING CONCESSIONS**

As of 30<sup>th</sup> September 2019, the following are pending:

##### **GUIDELINES - MINISTERIAL DECREE 22<sup>nd</sup> MAY 2014**

An appeal before the Council of State was filed (with deed dated 16<sup>th</sup> January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgment no. 10341 dated 17<sup>th</sup> October 2016, by which the Regional Administrative Court of Latium rejected the main appeal against Ministerial Decree 22<sup>nd</sup> May 2014 concerning the introduction of the Guidelines for the determination of the residual industrial value and the appeal for “additional grounds” against Ministerial Decree no. 106 dated 20<sup>th</sup> May 2015, amending Ministerial Decree 226/2011.

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements’ validity) were raised.

The Council of State decided to refer the matter (of the legitimacy of the primary regulations) to the examination of the European Court of Justice.

The Court of Justice ruled that the European law does not preclude the national legislation challenged (but) in the

sense that the law itself does not govern (and therefore is not affected by) the methods for determining the reimbursement value of the outgoing operators.

The hearing for the “re-assumption” of the case before the Council of State was held on 18<sup>th</sup> July. Ascopiave’s lawyers reaffirmed the relevance of the issue of constitutionality of the legislation.

#### **ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014 (now 905/2017)**

An appeal to the Regional Administrative Court of Lombardy - Milan against the ARERA, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.

Resolutions 310 and 414 were formally repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. Ascopiave, therefore, together with other appellants, in order to avoid the declaration stating that the appeal would in any case be of no benefit to the claimants, appealed Resolution 905/2017 with “additional grounds”. To date, there are no further procedural records.

#### **CONTESTATION OF PASUBIO GROUP S.P.A. CONTRACT DOCUMENTS (currently AP Reti Gas Vicenza S.p.A.):**

Zi Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10<sup>th</sup> October 2016), demanding annulment, subject to protective orders, of the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The Administrative Court of Veneto (hearing dated 9<sup>th</sup> November 2016) overruled the protective order by Zi Rete Gas. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence.

On 2<sup>nd</sup> February 2017, the Council of State hearing took place. During the hearing, the Council sustained the supervision order 644/2016 of Administrative Court of Veneto, thus rejecting the appeal by Zi Rete Gas S.p.A. for the suspension of application of the tender document pending decision on the main appeal to the Administrative Court of Veneto.

As a result, on 3<sup>rd</sup> April 2017 Ascopiave stipulated a sale agreement to purchase the share interest of Pasubio Group, becoming its sole shareholder.

With Judgement no. 925/2019, published on 14<sup>th</sup> August 2019, the Regional Administrative Court rejected the appeal. The terms for the possible appeal of Zi Rete Gas are currently pending.

#### **ANAC GUIDELINES ON ART. 177 LEGISLATIVE DECREE 50/2016**

AP Reti Gas S.p.A. (together with other primary operators of the gas and electricity distribution services, as well as with the intervention, *ad adiuvandum*, of Utilitalia) filed an appeal before the Regional Administrative Court for Latium - Rome, for the cancellation of the ANAC Guidelines no. 11/2018, pursuant to art. 177 of Legislative Decree 50/2016.

Article 177 of Legislative Decree 50/2016 establishes that, from 18<sup>th</sup> April 2018, the holders of concessions whose amount is equal to or greater than Euro 150,000, if identified “without a tender procedure”, will have to assign a share equal to 80% of their contracts through public tender procedures, for the remaining portion being able to resort to in-house or subsidiary/associated companies.

ANAC is in charge of supervision in accordance with the methods set out in its own Guidelines (no. 11/2018).

Such Guidelines - even though formally they do not produce binding effects on the matter - establish that the concessionaire is required to put out to tender (as they are included in the percentage of 80%) all the activities performed during the concession, including those performed directly with own means and resources, thereby drawing an outsourcing obligation from the regulation. The Special Committee of the Council of State considered this interpretation correct, but noted that, construed in this way, art. 177 could be unconstitutional.

When applied in this way, the regulation would have an extremely significant impact both on the business choices and employment levels of the Companies holding concessions with assignments without tenders (moreover, perfectly lawful at the time of their assignment).

Article 177, construed in this way, therefore, seems illegitimate both with regard to constitutional principles (e.g. free economic initiative pursuant to Article 42 of the Italian Constitution), and with regard to the “prohibition on worsening” sanctioned by Community law.

In this context, AP Reti Gas S.p.A., as the Group's main distribution company, challenged the aforementioned Guidelines, also raising the question of constitutional and Community legitimacy with regard to the primary rule. Furthermore, on 2<sup>nd</sup> November 2018, ANAC, subsequent to a simple collection of data related to all existing concessions in any sector, submitted a report to the Government and Parliament on the state of the concessions (focusing in particular on the gas sector) stating that the latter would not comply with the regulations in force. As a precaution, the Appeal was supplemented with additional grounds concerning the aforementioned Report.

The discussion hearing was held on 22<sup>nd</sup> May 2019.

The Regional Administrative Court, in line with previous rulings related to the proceedings brought by other operators, with Judgement no. 9326, published on 15<sup>th</sup> July, declared the appeal of AP Reti Gas inadmissible because the documents challenged are incapable of causing detriment.

The "positive" aspect of the ruling concerns the "disqualification" of the Guidelines no. 11 by the TAR. The Judges, in fact, considered the Guidelines as merely interpretative documents, as far as Part I is concerned, and not immediately detrimental documents, as far as Part II is concerned.

Specifically, Part I would not be suitable to identify the subjects required to apply art. 177 and/or the scope and methods of application of art. 177, but would only "outline principles of a general nature aimed at helping the administrations to which they are addressed to interpret the matter...".

Part II, on the other hand, although self-qualified as "binding", would not have an immediately detrimental nature because "... the economic operators who decide not to comply with the indications contained therein due to the peculiarity of the concession relationship do not immediately incur the penalty".

Law Decree no. 32/2019, converted into Law no. 55/2019, extended the deadline contained in paragraph 2 of art. 177 which now reads: "The existing concessions stated in paragraph 1 must comply with the aforementioned provisions by 31<sup>st</sup> December 2020".

AP Reti Gas will file an appeal.

#### **ATEM VI3 INVITATION TO TENDER**

AP Reti Gas S.p.A. and AP Reti gas Vicenza S.p.A. filed an appeal before the Regional Administrative Court for Veneto, notified on 16<sup>th</sup> January 2019, for the cancellation of the Call for tenders published in the Official Gazette on 17<sup>th</sup> December 2018.

It is essentially a prudent appeal, aimed at avoiding future risks of forfeiture as regards the current content of the Call, deficient in many essential aspects.

The Regional Administrative Court of Veneto, in strict compliance with the special regulations which accelerate the terms for the proceedings relating to the appeals concerning tenders and concessions, set the discussion hearing on 8<sup>th</sup> May 2019. With Judgement no. 667/2019 dated 3<sup>rd</sup> June 2019, the Regional Administrative Court declared the inadmissibility of the appeal (each party bearing their respective legal costs), on the assumption that the contents of the tender documents, also as regards the reimbursement values, "are not currently binding", while in the subsequent tender documents the Awarding Entity will have to take into account "the specific interests of the outgoing operators in the correct and exhaustive determination and indication of the reimbursement values due to them, predetermined in joint consultation with the parties involved".

The ruling is however to be considered positive, in that it overcomes definitively the objective concern that the procedure could crystallise and continue on the basis of incorrect values. Should such critical issues continue to exist even in the context of the invitation to bid, the Companies will be entitled to lodge an appeal. Therefore, the ruling will not be challenged.

#### **CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS**

As of 30<sup>th</sup> September 2019, the following are pending:

##### **ASCOPIAVE - UNIT B:**

A civil judgment before the Court of Treviso (RG 6941/2013), following the pre-trial technical investigation, in order to obtain compensation for damages to the entrance floor of the "Unit B", was started by Ascopiave against: Bandiera Architetti S.r.l. (Designers), Mr Mario Bertazon (Contract Manager) and Mr R. Paccagnella Lavori Speciali S.r.l. (Contractor).

The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate for full restoration) and Euro 208 thousand (estimate of a Third-party firm for full makeover).

All the Parties regularly appeared before the Court.

The Court, by Order dated 22<sup>nd</sup> December 2014, decided the complete renewal of the expert witness board. The “new” Court-appointed Expert witness assessed that the damage suffered by Ascopiave S.p.A. amounts to approximately Euro 120 thousand.

Based on the findings contained in the technical report, on 29<sup>th</sup> March 2016 an attempt was made to reach settlement in court. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

With Judgment no. 2007/2017, the Court accepted the application submitted by Ascopiave S.p.A., ordering the design firm (F.lli Bandiera), its insurance company (Groupama Assicurazioni) and the construction company (Ing. R. Paccagnella Lavori Speciali SRL) to pay damages, amounting to approximately Euro 208 thousand, and to reimburse the costs of the proceedings (estimated at approximately Euro 17 thousand). Furthermore, the debtors’ obligation to assume joint and several liability was ratified.

The project management (and consequently the insurance company, Unipol Sai) was found to be uninvolved in the damage, with a right to obtain compensation for the costs of the proceedings, amounting to about Euro 16 thousand.

With two separate documents, Groupama Assicurazioni and Ing. R. Paccagnella Lavori Speciali notified the appeal against the First Instance Judgment.

Ascopiave S.p.A. entered an appearance in accordance with the legal terms.

By Provision dated 7<sup>th</sup> June 2018, the Court of Appeal partially accepted the suspension request, limiting the provisional enforceability of the First instance sentence to the amount of Euro 150 thousand, against which Ascopiave S.p.A. is entitled to pursue the enforcement.

However, the attempts at forcible recovery of the aforementioned sum have been unsuccessful so far.

At the hearing of 28<sup>th</sup> June 2018, the Court of Appeal unified the appeals.

#### **FORCED ENTRY - DEFAULT SERVICE**

Pursuant to the regulation obligation (specifically about Art. 40.2 letter A of the Integrated Text for the Sale of Gas - TIVG), AP Reti Gas S.p.A. (as the other distribution companies of the Group) may, pursuant to Art. 700 of the Civil Procedural Code, obtain forced entry to private property in order to disconnect utilities (when the meter is located in a private property) of Default Service (SDD) clients that are in default.

Appeals are made against final customers (or utility users).

For this purpose (and to meet provisions of the regulations), the company has created a management procedure that starts with the activation of the SDD and ends with its closure (for any reason) of the SDD.

The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous data and/or efforts to contact the involved final customers, notification of delays, past due notifications and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code.

Other distribution companies of the Group have opted for the same solution (AP Reti Gas Rovigo S.R.L., AP Reti Gas Vicenza S.p.A., Edigas Esercizio Distribuzione Gas S.p.A. and Unigas Distribuzione S.R.L.).

Currently, for Ascopiave / AP Reti:

- 4 procedures are in progress (they have been sent to the Legal Office and are awaiting filing);
- 1 procedure has been filed (hearings already scheduled/under scrutiny);
- 1 procedure is in execution of judgment;
- 14 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 3 procedures have been suspended (for various reasons);
- 233 procedures have been completed (in various stages).

Between 30 and 50 procedures for which legal action is likely to be taken are expected every year for all Group companies. The procedure and the consequent actions undertaken in the preliminarily phase have resulted in a significant reduction in legal actions, compared to the extent originally envisaged.

As of 30<sup>th</sup> September 2019, the total legal fees (including taxes), for Ascopiave S.p.A. / Ap Reti Gas S.p.A.’s procedures forwarded to the Legal Office, amount to approximately Euro 207 thousand. For the other companies of the Group these costs amount approximately to Euro 123 thousand (including the costs of Unigas Distribuzione S.r.l., now merged into Edigas Distribuzione Gas S.p.A.).



#### **ARERA RESOLUTIONS 670/2017/R/GAS and 782/2017/R/GAS**

On 29<sup>th</sup> November 2017, Ascotrade S.p.A. filed an appeal before the Regional Administrative Court of Lombardy for the annulment of Resolution 670/2017/R/GAS dated 5<sup>th</sup> October 2017, “Provisions on the execution of the adjustment sessions for the years starting from 2013 and until the entry into force of the new gas settlement regulatory framework” and Resolution 782/2017/R/Gas dated 23<sup>rd</sup> November 2017 “Provisions for the completion of the regulatory framework on the execution of the adjustment sessions, for the years starting from 2013”.

In November 2018, some shippers issued the invoices related to the settlement for the years 2013-2016. Ascotrade S.p.A. consequently filed a precautionary appeal before the Regional Administrative Court of Lombardy for the cancellation of Resolution 670/2017/R/Gas dated 5<sup>th</sup> October 2017, “Provisions on the execution of the adjustment sessions for the years starting from 2013 and until the entry into force of the new gas settlement regulatory framework” and Resolution 782/2017/R/Gas dated 23<sup>rd</sup> November 2017 “Provisions for the completion of the regulatory framework on the execution of the adjustment sessions, for the years starting from 2013”.

With Order no. 1771/2018 dated 20<sup>th</sup> December 2018, the Regional Administrative Court of Lombardy rejected the precautionary appeal filed by Ascotrade S.p.A..

On 6<sup>th</sup> February 2019 Ascotrade S.p.A. filed a precautionary appeal against this Order so as to obtain appropriate protection before the Council of State.

On 28<sup>th</sup> March 2019, the Council of State rejected the precautionary appeal filed by Ascotrade S.p.A.. The hearing on the merits was scheduled for 10<sup>th</sup> December 2019. Consequently, awaiting the hearing, the Group decided to pay, reserving the right to take legal action, the amounts invoiced by the suppliers. The payment does not constitute in any way any acceptance and/or waiver of the protection of the rights and claims of the companies of the Group, including the right to take legal action for the return of the payment made, also considering the outcome of the aforementioned dispute.

#### **Relationships with Agenzia delle Entrate (Italian Tax Authority)**

##### **ROBIN TAX**

Regarding the outstanding litigations with Agenzia delle Entrate, some claims are pending with local tax agencies related to the silent / express refusal to reimburse the additional IRES tax (so-called Robin Tax).

The Companies involved in the afore-mentioned litigations are: Amgas Blu, Ascopiave, Ascotrade, Ap Reti Gas Rovigo, Asm Set, Blue Meta, Edigas Esercizio Distribuzione gas, Ascopiave Energie (former Pasubio Servizi), Unigas Distribuzione (merged into Ascopiave), Asco Energy (former Veritas Energia).

Since 2008, these companies are subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008. Subsequently the Constitutional Court in 2015 declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid. The tax authorities did not reply and by doing so they effectively denied the reimbursement, or expressly denied it. Several claims have been filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the sustainment of the claim would cause a massive financial burden for the entire country. As far as the expected time of resolution of this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. As of today, only the appeals of Ascopiave Energie S.p.A., Unigas Distribuzione S.r.l., Ascopiave S.p.A., Edigas Distribuzione Gas S.p.A., Blue Meta S.p.A. and the merged company Edigas Due S.p.A. have been discussed in court. The hearings of the company Amgas Blu are yet to be scheduled.

With reference to the outcome of the pending litigations, the first degree of judgment is favourable to Agenzia delle Entrate: therefore, the companies decided to file an appeal against the judgement of the provincial tax commission. Currently, some regional tax commissions have already confirmed the first instance Judgements (Ascopiave, Blue Meta). The other tax commissions, however, are still awaiting judgment. The company has decided to appeal in all 3 levels of judgment.

##### **AUDIT OF THE REGIONAL DIRECTION OF VENETO**

In September 2019, the companies Ascopiave S.p.A. and Ascotrade S.p.A. were inspected by the Regional Direction of Agenzia delle Entrate as regards the Ires, Irap and VAT sectors for the years from 2013 to the date of the inspection. The first stage of the audit was completed on 29<sup>th</sup> October 2019 with the issuance of a Report on Findings containing

remarks on the direct and indirect taxes related to the years 2013 and 2014 of the subsidiary Ascotrade S.p.A.. The results of the audit as regards the tax periods from 2015 onwards will be the subject of a separate Report on Findings which will be drawn up, if applicable, at a later date.

The Company, being entitled to do so, will submit its briefs or assessments to the Agency before the issuance of the tax demand.

## Territorial areas

In 2011, the issuance of a number of ministerial decrees further defined the regulatory framework of the sector, regarding in particular the territorial calls for tenders.

Specifically:

- 1) the Decree dated 19<sup>th</sup> January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18<sup>th</sup> December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21<sup>st</sup> April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23<sup>rd</sup> May 2000 (the so-called Workforce Protection Decree);
- 3) with Decree no. 226 issued by the Ministry for Economic Development on 12<sup>th</sup> November 2011, the regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service was approved (the so-called Decree for Criteria).

The issuance of ministerial decrees played a major role in giving certainty to the competitive environment within which operators will move in the coming years, thus laying the foundations for allowing the process of market opening - that started with the implementation of European directives - to produce the benefits hoped for.

The Ascopiave Group - as indeed many other operators - has substantially appreciated the new regulatory framework, believing that it can create important opportunities of investment and development for medium-sized qualified operators, rationalising the offer.

At the end of 2013, the Government issued Law Decree 23/12/2013, no. 145, making changes to the regulatory framework with regard to the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called "Transitional Period". The Decree was converted with amendments into Law no. 9/2014, which substantially changed the original provisions of the Decree on that aspect.

The conversion into Law of the Decree (Law no. 9/2014) has made substantial changes to Article 15 of Legislative Decree no. 164/2000, providing that the new operators shall pay a reimbursement to the holders of assignments and concessions existing in the transitional period, calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. If the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

In addition, Law no. 9/2014 has established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development Decree dated 12<sup>th</sup> November 2011, no. 226 (so-called "Decree for Criteria"), related to dispositions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

On 6<sup>th</sup> June 2014 the Decree of the Minister of Economic Development dated 22<sup>nd</sup> May 2014 was published in the Official Gazette, which approved the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” pursuant to Article 4, paragraph 6, of Law Decree no. 69/2013, converted with amendments by Law no. 98/2013 and article 1, paragraph 16, of Law Decree no. 145/2013, converted with amendments into Law no. 9/2014. Pursuant to Law no. 9/2014, the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” define the criteria to be applied to the valuation of reimbursement of facilities in order to integrate those aspects that are not already provided for in the agreements or contracts and what cannot be deduced from the will of the parties.

The “Guidelines” feature several critical issues not only as concerns the resulting valuations, but also in terms of application scope, extremely extended by the Ministry, to the extent that all the agreements regarding the valuations of the facilities entered into by the operators and the Municipalities after 12<sup>th</sup> February 2012 (date of entry into force of Ministerial Decree 226/2011) are believed to be ineffective.

Furthermore, these Guidelines contrast with the provisions of art. 5 of Ministerial Decree 226/2011 itself. This is in non-compliance with the provision of law which refers to art. 4, paragraph 6 of Law Decree 69/2013, which, in turn, makes explicit reference to Article 5 of Ministerial Decree 226/2011.

Considering such illegitimacies, Ascopiave S.p.A. has appealed the Ministerial Decree dated 21<sup>st</sup> May 2014 (and as a consequence the Guidelines) before the administrative court (Regional Administrative Court of Latium). As part of the said proceedings, the issue of constitutional legitimacy and/or preliminary ruling was raised relating to the interpretation (mainly retrospective) of the new rules on the deduction of private contributions set forth by Law 9/2014.

Lastly, by Resolution 310/2014/R/gas - “Provisions for determining the reimbursement value of natural gas distribution networks”, published on 27<sup>th</sup> June 2014, the Authority for Electricity, Gas and Water approved provisions for determining the reimbursement value of the gas distribution networks, implementing the provisions of Article 1, paragraph 16 of Law Decree dated 23<sup>rd</sup> December 2013, no. 145, converted with amendments by Law dated 21<sup>st</sup> February 2014, no. 9.

That provision states that the granting Local Authority shall send the Authority the verification documents containing a detailed calculation of the reimbursement value (RIV), if this value is 10% higher than the local RAB.

The Authority performs the checks set forth in Article 1, paragraph 16 of Law Decree no. 145/13 within 90 days from the date of receipt of the documentation by the Awarding entities, ensuring priority based on the deadlines for the publication of the calls for tender.

With Law no. 116/2014 dated 11<sup>th</sup> August 2014 (converted with amendments to law decree 24<sup>th</sup> June 2014 no. 91) the Legislator has envisaged a further extension of deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group referred to in Annex 1 of Ministerial Decree 226/2011, the time limit was extended by eight months; for the areas belonging to the second, third and fourth groups the deadline was postponed by six months and lastly for the areas of the fifth and sixth groups the extension is four months.

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes of 20<sup>th</sup> and 29<sup>th</sup> May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1<sup>st</sup> June 2012.

The same law, further amending Article 15, paragraph 5 of Legislative Decree 2000, has finally determined that the redemption value is to be calculated in compliance with the provisions of the agreements or contracts, provided that the latter were entered into before the date of entry into force of Ministerial Decree dated 12<sup>th</sup> November 2011 no. 226, that is to say before 12<sup>th</sup> February 2012, thus affirming the principle of retroactive application of the Guidelines, which had already been appealed during the court action against the Guidelines.

On 14<sup>th</sup> July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20<sup>th</sup> May 2015 was published in the Official Gazette, amending the decree dated 12<sup>th</sup> November 2011 no. 226 regarding the tender criteria for awarding the gas distribution service.

The most significant changes include:

- 1) the provisions concerning the value of the reimbursement of the plants to be applied in case of absence of specific agreements between the parties occurred before the entry into force of Decree no. 226/2011, which include to a large extent the provisions of the “Guidelines”.
- 2) a higher maximum threshold for the amount of the annual payments that may be offered in tenders to local authorities. This threshold, previously equal to 5% of the portion of the restriction on tariff revenues to cover the

local capital costs, has been brought to 10%;

3) the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

Finally, the conversion into Law of the so-called “Decreto Mille Proroghe” (Law no. 21 dated 25/02/2016) provides for a further extension of the deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group as described in Annex 1 of Ministerial Decree 226/2011, the deadline is further postponed by 12 months; for the areas belonging to the second group, by 14 months; for those belonging to the third, fourth, and fifth group, by 13 months; for the areas belonging to the sixth and seventh grouping, 9 months; 5 months for the areas of the eighth group.

The same regulation establishes the deadlines within which the Regions, or, as a last resort, the Ministry of Economic Development, should intervene, and repeals the penalties previously incurred by the Municipalities for the delay.

In 2015-2016, a number of tenders were published for the award of the service with Territorial procedure. Many of them did not follow the procedures required by law, which envisages, among other things, the prior examination by the Authority of the reimbursement amounts of the plants due to outgoing operators as well as the review of the invitation to tender's overall content and annexes before publication. Moreover, most calls are also inconsistent, even significantly, with the instructions contained in the ministerial regulations, also with regard to the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities.

In this context, the standardisation of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

The Law dated 4<sup>th</sup> August 2017 no. 124 (Annual Market and Competition Act) introduced some legislative innovations concerning the natural gas distribution sector.

Specifically, article 1, paragraph 93, amends the provisions of article 15, paragraph 5, of legislative decree 164/00, exempting local authorities from the obligation to send detailed assessments to the Authority if all the following conditions are met jointly:

- the local tender authority can also certify through a suitable third party that the reimbursement value has been determined by applying the provisions contained in the Guidelines dated 7<sup>th</sup> April 2014;
- the aggregated territorial VIR-RAB gap does not exceed 8%;
- the VIR-RAB gap of the individual Municipality does not exceed 20%.

Article 1, paragraph 93 states that, if the value of the net fixed assets is not in line with the sector averages according to the definitions of the Authority, the value of the net fixed assets relevant to the calculation of the gap is determined by applying the parametric valuation criteria defined by the Authority (see article 23, paragraph 1, RTDG).

Finally, article 1, paragraph 94, states that the Authority, with its own resolutions, shall define simplified procedures for the evaluation of the invitations to tender, applicable in cases where such invitations have been compiled in compliance with the standard invitation to tender, the standard book of conditions and the standard service contract, specifying that in any case, the tender documentation cannot deviate from the maximum scores envisaged for the tender criteria and sub-criteria by articles 13, 14 and 15 of the aforementioned decree 226/11, except within the limits set by the same articles with regard to some sub-criteria.

The Authority has implemented the provisions of Law no. 124/2017 with Resolution 905/2017/R/gas dated 27<sup>th</sup> December 2017.

The Municipality of Belluno, Awarding Entity of the Minimum Territory Area of Belluno, regularly followed the procedure set out in the regulations and published a tender in December 2016. In September 2017 the Group company AP Reti Gas S.p.A. participated in the tender, submitting its bid.

The tender documents were challenged by an operator participating in the call for bids. With Judgement no. 886/2017, the Regional Administrative Court of Veneto rejected the appeal. The plaintiff appealed against the decision to the Council of State, submitting an application for the suspension of the first instance provision.

The Council of State, by Judgement published on 22<sup>nd</sup> January 2019, rejected the appeal.

In December 2018, the Municipality of Schio, the contracting authority of the Territorial Area Vicenza 3 - Valli Astico Leogra e Timonchio, issued the invitation to tender for the concession of the gas distribution service. The Ascopiave Group currently manages the service in 28 municipalities in the Territorial Area, serving about 80,000 users. The

Group companies, AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A., holders of concessions in the Area, have challenged the call due to irregularities, filing an appeal before the Regional Administrative Court of Veneto. On 8<sup>th</sup> May 2019, the hearing for the discussion of the merits was held, without any novelties.

## Distribution of dividends

On 23<sup>rd</sup> April 2019, the Shareholders' Meeting approved the yearly statement and decided the distribution of an ordinary dividend of Euro 0.125 per share and an extraordinary dividend of Euro 0.2133 per share with dividend date on 6<sup>th</sup> May 2019, record date on 7<sup>th</sup> May 2019 and payment on 8<sup>th</sup> May 2019.

## Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 30<sup>th</sup> September 2019 the value of own shares held by the company is equal to Euro 20,861 thousand (Euro 16,981 thousand as of 31<sup>st</sup> December 2018), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

Ascopiave purchased own shares on the electronic share market starting from 1<sup>st</sup> April 2019. As of 30<sup>th</sup> September 2019, Ascopiave S.p.A. held 8,919,654 own shares, equal to 3.805% of the share capital.

During the first week of July 2019, 7,149,505 treasury shares were assigned to the company Anita S.r.l. as part of the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., the finalisation of which was announced to the market on 25<sup>th</sup> June 2019.

On 4<sup>th</sup> November 2019, Ascopiave S.p.A. holds 9,457,105 shares, equal to 4.034% of the share capital.

## Outlook for the Year

As far as the gas distribution activities are concerned, in 2019 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The activity perimeter of the Group will likely not change compared to today, even if we assume the possibility of winning the tender for the assignment of the natural gas distribution service in the Minimum Territorial Area of Belluno, provided that the winner is selected by the end of 2019. Indeed, the transfer of the management of the plants from the previous operators is believed to require a considerable period of time; therefore, according to reasonable estimates, such process could be completed after 31<sup>st</sup> December 2019.

As regards the economic results, the tariff adjustment for the year 2019 is completely defined and should ensure revenues substantially in line with those of 2018.

As concerns the energy efficiency obligations, it is plausible that the economic margin that will be achieved in 2019 marks a decrease as compared to that recorded in 2017 and 2018, due to regulatory changes that took effect in the third quarter of 2018. These changes have significantly altered the price of the energy efficiency certificates as well as the maximum value of the contribution granted.

As far as gas sale is concerned, assuming normal weather conditions, and net of the non-recurring positive effects deriving from the recognition of the amounts related to the revision of the coefficient k, trade margins could decrease compared to 2018, despite the cessation of the non-recurring overall negative impact on profit and loss due to the application of the gas settlement regulation for the years 2013-2017 recorded in 2018, because of the competitive pressure in the retail market.

As regards electricity sales, the fiscal year 2019 could record higher results than in 2018.

However, these results could be influenced, in addition to the possible new tariff provisions by the Regulatory Authority for Energy, Networks and the Environment - currently unforeseeable - also by the evolution of the more general competitive context, as well as by the Group's procurement strategy.

The actual results of 2019 could differ from those announced depending on various factors amongst which: the evolution of supply and demand and gas and electricity prices, the actual operational performance, the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, success in the development and application of new technologies, the changes in stakeholder expectations and other changes in business conditions.

## Goals and policies of the group and risk description

### Credit and liquidity risk

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas and electricity delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 8.2% (4.9% as of 30<sup>th</sup> September 2018) of the total gross receivables from third parties for invoices issued. Significant commercial operations take place in Italy.

Regarding the company's financial management, the directors consider that the generation of liquidity, deriving from operations, is suitable for covering its needs.

The main payment obligations opened as of 30<sup>th</sup> September 2019 are associated with contracts for natural gas supply.

### Risks relating to bids for the award of new concessions for the distribution of gas

As of 30<sup>th</sup> September 2019 the Ascopiave Group holds a portfolio of 228 (230 as of 31<sup>st</sup> December 2018) natural gas distribution concessions (the change in the number of concessions managed is related to the combination of some municipalities). In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19<sup>th</sup> January 2011 and 18<sup>th</sup> October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12<sup>th</sup> November 2011, and subsequent amendments. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities currently managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

### Risks relating to the amount of reimbursement paid by the new operator

With regard to the concessions under which the Ascopiave Group also owns the gas distribution networks, Law no. 9 / 2014 establishes that the new operator shall pay a reimbursement calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21<sup>st</sup> June 2013, no. 69, converted, with amendments, by Law dated 9<sup>th</sup> August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. In addition, if the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Energy, Networks and the Environment so that it can be checked before publishing the invitation to tender.

The Minister for Economic Development Decree dated 12<sup>th</sup> November 2011 no. 226 establishes that the new operator acquires the property of the plant by paying the redemption value to the outgoing operator, except for any portion of it owned by the municipality.

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognised to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognised for tariff purposes in the concession period; b) the residual value of the new investments made in the

concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognised in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services (RTDG), and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

#### **Evolution of the adjustment sessions of natural gas allocations**

On 3<sup>rd</sup> August 2017, the Authority presented, with DCO 590/2017, the final guidelines on possible amendments and additions to the regulations in force governing Settlement, aimed at simplifying the doctrine and overcoming some of the issues emerged.

By resolutions 670/2017/R/GAS dated 5<sup>th</sup> October 2017 and 782/2017/R/GAS dated 23<sup>rd</sup> November 2017, the Authority for Energy, Networks and the Environment approved the provisions on gas settlement with specific reference to the methods to be used for the determination of the physical and economic adjustment items for the previous period, from 2013 until the coming into effect of the new regulations. In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply with the closure of the station.

The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas).

On 18<sup>th</sup> June 2018, Snam Rete Gas published the non-definitive data on the adjustment sessions for the years 2013-2016 and subsequently, on 7<sup>th</sup> September 2018, the definitive data. The data received have allowed the directors to make estimates on the economic effects of the higher volumes allocated at the end of the process. The estimates were performed considering the various types of volumetric adjustments communicated by Snam Rete Gas consistent with the evolution of the regulatory framework. Subsequent to receiving the volumetric data from Snam, it was also possible to conduct the first estimate of the economic impact of ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, net of an allowance of 0.4%. The communication, in June, of the adjustment sessions for the years 2013-2016, enabled the definition of the volumetric input data for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the end consumers. The directors have quantified the in-output volumetric data updated by the Settlement Manager.

In November, Snam Rete Gas provided the new volumetric allocations and the delta in-output relating to the 2017 financial year. The data received enabled the estimations on the economic adjustments related to the volume differentials deriving from the adjustment sessions as well as the economic effects related to the in-output delta.

The overall effect of the volumetric updates received until 2016 subsequent to the execution of the multi-year adjustment sessions is therefore negative for Euro 2,504 thousand, while for the year 2017 it was negative for Euro 1,040 thousand. These effects, totalling Euro 3,544 thousand, were fully recognised in 2018.

In May, Snam Rete Gas held the non-definitive multi-year adjustment session for the 2014-2017 period (the allocations for 2013, and the respective in-output differentials, are definitive and will not be subject to further adjustments as per current regulations). The data received enabled the estimations on the economic adjustments related to the volume differentials deriving from the adjustment sessions as well as the economic effects related to the in-output delta. The sales segment of the Group has estimated the economic adjustments of purchase costs related to the greater quantities of gas withdrawn at Euro 40 thousand. Considering the volumetric data updated by the Settlement Manager regarding in- output, the economic adjustments of the purchase costs are estimated to be equal to Euro - 2,161 thousand. The overall effect of volumetric updates received for the four-year period under examination was positive for Euro 2,121 thousand.

The volume differentials for 2018 were announced by Snam Rete Gas on 31<sup>st</sup> October 2019. The Group's sales segment consequently measured and quantified economically the volumetric differentials. The economic adjustments of the purchase costs related to the greater quantities of gas withdrawn amounted to Euro 597 thousand. Considering the volumetric data updated by the Settlement Manager as concerns in- output, the economic adjustments of the purchase costs are estimated at Euro -27 thousand. The overall effect of the volumetric updates received for the four-year period in question was negative for Euro 570 thousand.

The Group, as concerns the second component of economic impact explained above (in-output) has undertaken legal remedial actions as better explained in the section "Litigations" of this Report.

## Additional information

### Seasonal nature of the activity

Gas consumption changes considerably on a seasonal basis, with a greater demand in winter in relation to higher consumptions for heating. This seasonality influences mainly the companies recognised in accordance with accounting standard IFRS 5 “Non-current assets held for sale and discontinued operations” and, specifically, the trend of revenues from gas sales and of procurement costs, while other operating costs are fixed and incurred by the Group in a uniform manner throughout the year. This peculiarity of the business also affects the performance of the Group’s net financial position, as the invoicing cycles of accounts receivable and payable are not aligned and also depend on the volumes of gas sold and purchased during the year. Therefore, the data and the information contained in the interim financial statements do not allow for immediate indications to be drawn regarding the overall performance for the year.



## Comments on the economic and financial results of the first nine months of 2019

### Performance indicators

According to Consob communication DEM 6064293 dated 28<sup>th</sup> July 2006 and by recommendation CESR/05-178b on alternative performance indicators, we specify that besides normal performance indicators fixed by International Accounting Principles IAS/IFRS, the Group considers useful for its business monitoring activity, the use of other performance indicators, which, even if they do not appear yet in the afore-stated principles, have a considerable importance. In particular, we introduced the following indicators:

- **Gross operating margin (Ebitda):** defined by the Group as the result of amortisation and depreciation, write-downs of receivables, financial management and taxes;
- **Operating result:** this indicator is also included in the accounting principles we have adopted, and it is defined as the operating margin (Ebit) minus the balance of costs and non-recurrent revenues. The latter includes extraordinary incomes and losses, capital gains and losses for disposal of assets, insurance reimbursements, taxes and other positive and negative components with less relevance;
- **Tariff revenues from gas distribution:** defined by the Group as the amount of revenue realised by the distribution companies of the Group for the application of tariffs for distribution and measurement of natural gas to their end customers, net of the equalisation amounts managed by Cassa per i Servizi energetici e Ambientali;
- **First margin on gas sales:** the Group defines it as the amount obtained from the difference between the sales proceeds (realised by the Group's sale companies towards end market customers or from wholesale) and the sum of the following costs: the cost of the carriage service (gross of amounts subject to elimination; consisting in the distribution tariffs applied by the distribution companies) and the cost of purchase of gas sold;
- **First margin on electricity sale:** the Group defines it as the amount obtained from the difference between the proceeds of electricity sales and the sum of the following costs: cost of transportation, dispatching and balancing services and cost of purchase of electricity sold.

## General operational performance and indicators

NATURAL GAS DISTRIBUTION	Nine months		Var.	Var. %
	2019	2018		
<b>Companies consolidated with full consolidation method</b>				
Number of concessions	228	198	30	15.2%
Length of distribution network (km)	10,426	9,257	1,169	12.6%
Number of POD	586,979	489,655	97,324	19.9%
Volumes of gas distributed (scm/mln)	713.4	698.7	14.7	2.1%
<b>Companies consolidated with net equity consolidation method</b>				
Number of concessions	0	32	-32	-100.0%
Length of distribution network (km)	0	1,104	-1,104	-100.0%
Number of POD	0	94,388	-94,388	-100.0%
Volumes of gas distributed (scm/mln)	87.1	102.2	-15.1	-14.8%
<b>Ascopiave Group*</b>				
Number of concessions	228	214	14	6.7%
Length of distribution network (km)	10,426	9,796	630	6.4%
Number of POD	586,979	535,773	51,206	9.6%
Volumes of gas distributed (scm/mln)	756.0	748.7	7.3	1.0%

\* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

### COMPANIES HELD FOR SALE:

NATURAL GAS SALES TO FINAL MARKET	Nine months		Var.	Var. %
	2019	2018		
<b>Companies consolidated with full consolidation method</b>				
Number of customers	523,229	538,185	-14,956	-2.8%
Volumes of gas sold (smc/mln)	526.8	535.8	-9.1	-1.7%
<b>Companies consolidated with net equity consolidation method</b>				
Number of customers	222,019	229,155	-7,136	-3.1%
Volumes of gas sold (smc/mln)	164.7	173.3	-8.6	-5.0%
<b>Ascopiave Group*</b>				
Number of customers	632,016	650,469	-18,453	-2.8%
Volumes of gas sold (smc/mln)	607.5	620.8	-13.3	-2.1%

\* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

SALE OF ELECTRIC POWER	Nine months		Var.	Var. %
	2019	2018		
<b>Companies consolidated with full consolidation method</b>				
Number of POD	97,082	78,169	18,913	24.2%
Volumes of electricity sold (GWh)	344.6	291.6	53.1	18.2%
<b>Companies consolidated with net equity consolidation method</b>				
Number of POD	41,145.0	31,279.0	9,866	31.5%
Volumes of electricity sold (GWh)	115.4	98.0	17.3	17.7%
<b>Ascopiave Group*</b>				
Number of POD	117,242.7	93,495.5	23,747	25.4%
Volumes of electricity sold (GWh)	401.2	339.6	61.6	18.1%

\* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

NATURAL GAS SALES ON TRADING ACTIVITIES	Nine months		Var.	Var. %
	2019	2018		
Volumes of gas sold (smc/mln)	11.8	31.1	-19.4	-62.1%

Comments on the trend of the main operational indicators of the Group's activity are reported below. The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation. The operating data of the Group's sales companies refer to the companies reclassified in accordance with IFRS 5.

As far as the activity of gas distribution is concerned, in the first nine months of 2019, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 713.4 million cu.m, marking an increase of 2.1% as compared to the same period in the previous year, a change partly affected by the line-by-line consolidation of the company Unigas Distribuzione Gas S.r.l. commencing 1<sup>st</sup> July 2019.

As of 30<sup>th</sup> September, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 587.0 thousand and showed an increase of 97.3 thousand units compared to the previous year, mainly explained by the line-by-line consolidation of Unigas Distribuzione Gas S.r.l..

In the first nine months of 2019, the volume of gas sold by the fully consolidated companies amounted to 526.8 million cu.m, a decrease of 1.7% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 164.7 million cu.m of gas (a decrease of 5.0% as compared to the same period in the previous year).

In the first nine months of the year 2019, the volume of electricity sold by the fully consolidated companies was equal to 344.6 GWh, up 18.2% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 115.4 GWh of electricity (+17.7% as compared to the same period in the previous year).

As of 30<sup>th</sup> September 2019 the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 523.2 thousand customers and recorded a contraction of 15.0 thousand units as compared to 30<sup>th</sup> September in the previous year (538.2 thousand units as of 30<sup>th</sup> September 2018). The customers of the companies consolidated with the equity method (Estenergy S.p.A. and ASM Set S.r.l.) must be added to these units; at the end of the period considered, the latter companies had a portfolio consisting of 222.0 thousand customers, recording a decrease of 3.1% as compared to the same period in the previous year (229.2 thousand units as of 30<sup>th</sup> September 2018).

The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the first nine months of the year, the companies consolidated on a line-by-line basis recorded an increase of 18.9 thousand units, serving 97.1 thousand customers. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 41.1 thousand customers, showing a growth of 9.9 thousand units.

## General operational performance - The Group's economic results

(Thousands of Euro)	Nine months			
	2019	% of revenues	2018	% of revenues
Revenues	90,017	100.0%	87,592	100.0%
Total operating costs	59,557	66.2%	55,148	63.0%
<b>Gross operative margin</b>	<b>30,460</b>	<b>33.8%</b>	<b>32,445</b>	<b>37.0%</b>
Amortization and depreciation	17,412	19.3%	15,666	17.9%
Provision for risks on credits	0	0.0%	0	0.0%
<b>Operating result</b>	<b>13,048</b>	<b>14.5%</b>	<b>16,778</b>	<b>19.2%</b>
Financial income	107	0.1%	82	0.1%
Financial charges	878	1.0%	927	1.1%
Evaluation of subsidiary companies with the net equity method	648	0.7%	671	0.8%
<b>Earnings before tax</b>	<b>12,926</b>	<b>14.4%</b>	<b>16,604</b>	<b>19.0%</b>
Taxes for the period	4,797	5.3%	5,787	6.6%
Group's Net Result	8,129	9.0%	10,818	12.4%
Companies held for sale's Net Result	30,109	33.4%	20,461	23.4%
<b>Net result for the period</b>	<b>38,238</b>	<b>42.5%</b>	<b>31,278</b>	<b>35.7%</b>
Group's Net Result	36,415	40.5%	29,971	34.2%
Third parties Net Result	1,823	2.0%	1,308	1.5%

Pursuant to CONSOB communication DEM/6064293 dated 28<sup>th</sup> July 2006, the alternative performance indicators are defined in paragraph "Performance Indicators" of the present report.

In the first nine months of the year 2019, the Group incomes amounted to Euro 90,017 thousand, marking an increase of 2.8% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	Nine months	
	2019	2018
Revenues from gas transportation	58,617	55,042
Revenues from connections	268	198
Revenues from heat supply	6	(0)
Revenues from distribution services	3,427	5,099
Revenues from services supplied to Group companies	5,431	6,850
Revenues from ARERA contributions	21,032	19,127
Other revenues	1,235	1,277
<b>Revenues</b>	<b>90,017</b>	<b>87,592</b>

The increase in the turnover is mainly due to the recognition of revenues achieved by the distribution business unit due to the extension of the consolidation scope, as well as higher revenues from distribution services (for Euro 136 thousand), and lower contributions for white certificates (for Euro 1,906 thousand).

The **tariff revenues from gas distribution** (from Euro 55,042 thousand to Euro 58,617 thousand) increased by Euro 3,575 thousand as compared to the same period in the previous year, mainly due to the extension of the consolidation scope.

The **revenues from energy efficiency certificates** (from Euro 19,127 thousand to Euro 21,032 thousand) increase by Euro 1,906 thousand as compared to the same period in the previous year, partly due to the extension of the consolidation scope.

The **operating result** in the first nine months of the year 2019 amounted to Euro 13,048 thousand, recording a decrease of Euro 3,730 thousand (-22.2%) as compared to the same period in the previous year.

The worsening is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 3,601 thousand;
- lower margin on energy efficiency certificates for Euro 3,981 thousand;
- negative change in other items of cost and revenues, equal to Euro 3,350 thousand.

The negative change in other items of cost and revenues, equal to Euro 3,350 thousand, is due to:

- lower other revenues for Euro 3,056 thousand, mainly connected to the decrease in contributions for parcelling for Euro 984 thousand and the contraction in revenues deriving from the sale of materials in stock for Euro 735 thousand;
- lower material and service costs and other charges equalling Euro 152 thousand;
- lower staff costs for Euro 1,299 thousand;
- an increase in amortisation and depreciation of fixed assets for Euro 1,745 thousand, mainly connected to the extension of the consolidation scope;

The **net consolidated profit** in the first nine months of the year 2019 amounts to Euro 8,129 thousand, thus recording a decrease of Euro 2,689 thousand (-24.9%) as compared to the same period in the previous year.

This change is due to the following factors:

- decrease in the operating result, as previously stated, for Euro 3,730 thousand;
- lower result of companies consolidated through the equity method for Euro 23 thousand;
- decrease in financial revenues for Euro 75 thousand;
- decrease in financial charges for Euro 49 thousand;
- decrease in taxes for Euro 990 thousand, due to the lower taxable income in the period in question.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, increases from 36.3% in the first nine months of 2018 to 39.1%.

The overall result of the Group amounted to Euro 38,238 thousand, recording an increase of Euro 6,959 thousand, compared to the period shown for comparison purposes (Euro 31,278 thousand as of 30<sup>th</sup> September 2018), and was influenced by assets held for sale, equal to Euro 30,109 thousand (Euro 20,461 thousand as of 30<sup>th</sup> September 2018).

## General operational performance - The economic results of the Group companies held for sale

(Thousands of Euro)	Nine months	
	2019	2018
<b>Revenues</b>	<b>387,982</b>	<b>360,152</b>
<b>Total operating costs</b>	<b>351,087</b>	<b>336,342</b>
Purchase costs for raw material (gas)	228,103	220,042
Costs for services	113,793	107,446
Costs for personnel	7,463	7,058
Other management costs	1,728	1,730
Other income	0	66
Amortization and depreciation	1,534	1,690
<b>Operating result</b>	<b>35,360</b>	<b>22,119</b>
Financial income	193	256
Evaluation of subsidiary companies with the net equity method	4,645	4,467
<b>Earnings before tax</b>	<b>40,198</b>	<b>26,843</b>
Taxes for the period	10,089	6,382
<b>Result for the period</b>	<b>30,109</b>	<b>20,461</b>

Pursuant to CONSOB communication DEM/6064293 dated 28<sup>th</sup> July 2006, the alternative performance indicators are defined in paragraph "Performance Indicators" of the present report.

In the first nine months of the year 2019, the incomes of the Group companies held for sale amounted to Euro 387,982 thousand, marking an increase of 7.7% as compared to the same period in the previous year.

The gross operating margin achieved during the first nine months of the year amounted to Euro 38,219 thousand, recording an increase of Euro 13,162 thousand, mainly attributable to the non-recurrent items which determined higher margins achieved in the sale of natural gas and electricity.

The increase in the **first margin on the activity of gas sale** (from Euro 40,258 thousand to Euro 49,443 thousand) was mainly influenced by the recognition of the amounts deriving from the recalculation of the coefficient k, with a positive effect on the margin equal to Euro 8,178 thousand, better described in the paragraph "Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29<sup>th</sup> January 2019" herein. The margin was also significantly influenced by the effects of the so-called gas settlement, which negatively affected the gas margins in the first nine months of 2018 for Euro -2,080 thousand, while it showed an opposite effect in the reference period equal to Euro 2,121 thousand, resulting in an overall change of Euro 4,201 thousand. Net of the effects described, better illustrated in the paragraph "Evolution of the adjustment sessions of natural gas allocations", the margin of gas sales activities showed a decline mainly explained by the lower volumes sold during the period due to the mild temperatures that characterised the first quarter of the year.

The **first margin** resulting from **gas trading** at the end of the period was Euro 86 thousand, marking an increase of Euro 69 thousand as compared to the same period in the previous year. The margin represents the economic effects deriving from the sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. The revenue and cost components related to physical deliveries during the period, as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period October - March 2019 for the raw material and to the transport service for the period October 2019 - September 2020, since these are forward transactions, at the closing date were booked at current value.

The increase in the **first margin on the activity of electricity sales**, from Euro 3,950 thousand to Euro 6,690 thousand, is mainly explained by higher amounts of electricity sold during the first nine months of the year connected

with the increase in customers. The margin is also influenced by the review of the estimate conducted at the end of the first nine months of 2018 of receivables and payables for invoices to be issued and received relating to previous years, which led to the recognition of a greater charge equal to Euro 1,374 thousand. Sales are estimated based on data communicated by the national and local operators of the distribution networks. The verification of the actual customer consumption can determine corrections and consequent adjustments up to five years later.

**The operating result of the Group companies held for sale** in the first nine months of the year 2019 amounts to Euro 35,360 thousand, recording an increase of Euro 13,240 thousand (+59.9%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the first margin on the activity of gas sales, equal to Euro 9,254 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 2,741 thousand;
- positive change in other items of cost and revenues, equal to Euro 1,246 thousand.

The positive variation in the item **other costs and revenues** of the Group companies held for sale, amounting to Euro 1,246 thousand, is due to:

- lower other revenues for Euro 326 thousand;
- lower material and service costs and other charges equalling Euro 1,898 thousand;
- an increase in personnel cost for Euro 405 thousand;
- lower amortisation and depreciation of fixed assets for Euro 156 thousand;
- higher bad debts provisions for Euro 77 thousand.

**The net consolidated profit of the Group companies held for sale** in the first nine months of the year 2019 amounts to Euro 30,109 thousand, thus recording an increase of Euro 9,648 thousand (+47.2%) as compared to the same period in the previous year.

This change is due to the following factors:

- increase in the operating result, as previously stated, for Euro 13,240 thousand;
- higher result of companies consolidated through the equity method for Euro 178 thousand;
- decrease in the balance financial revenues/charges for Euro 63 thousand;
- increase in taxes for Euro 3,707 thousand, due to the higher taxable income in the period in question.

The tax rate of the Group companies held for sale, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 28.5% in the first nine months of 2018 to 28.4%.

## General operational performance - Financial situation

The table below shows the composition of the net financial position as requested in Consob communication no. DEM/6064293 dated 28<sup>th</sup> July 2006:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
A Cash and cash equivalents on hand	15	0	15	18
B Bank and post office deposits	82,785	1,037	81,748	66,632
<b>D Liquid assets (A) + (B) + (C)</b>	<b>82,800</b>	<b>1,037</b>	<b>81,763</b>	<b>66,650</b>
E Current financial assets	623		623	981
F Payables due to banks	(156,371)	(375)	(155,996)	(123,031)
G Current portion of medium-long-term loans	(14,774)	(750)	(14,024)	(8,014)
H Current financial liabilities	(36,233)		(36,233)	(115)
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(207,378)</b>	<b>(1,125)</b>	<b>(206,253)</b>	<b>(131,159)</b>
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(123,955)</b>	<b>(88)</b>	<b>(123,867)</b>	<b>(63,528)</b>
K Medium- and long-term bank loans	(71,279)		(71,279)	(55,111)
L Non current financial assets	2,765		2,765	1,122
M Non-current financial liabilities	(558)		(558)	0
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(69,072)</b>	<b>0</b>	<b>(69,072)</b>	<b>(53,989)</b>
<b>O Net financial indebtedness (J) + (N)</b>	<b>(193,028)</b>	<b>(88)</b>	<b>(192,939)</b>	<b>(117,517)</b>

*In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this interim financial report.*

The financial position increased from Euro 117,517 thousand as of 31<sup>st</sup> December 2018 to Euro 193,028 thousand as of 30<sup>th</sup> September 2019, reporting an increase of Euro 75,511 thousand. The extension of the consolidation scope had a minor effect on the net financial position.

Pursuant to Consob communication no. DEM/6064293/2006, the following table shows the reconciliation between the Net financial position and the ESMA Net financial position:

( Thousands of Euro )	30.09.2019	30.09.2018
Net financial position	(193,028)	(117,517)
Non-current assets from derivative instruments	(2,765)	(1,122)
<b>ESMA Net financial position</b>	<b>(195,792)</b>	<b>(118,639)</b>



Some figures relating to the cash flows of the Group are reported below:

(Thousands of Euro)	Nine months	
	2019	2018
Net Income	38,238	31,278
Depreciations and amortizations	17,412	15,666
<b>(a) Self financing</b>	<b>55,650</b>	<b>46,945</b>
<b>(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:</b>	<b>36,646</b>	<b>40,878</b>
<b>by operating activities = (a) + (b)</b>	<b>92,295</b>	<b>87,823</b>
<b>by investing activities</b>	<b>(32,939)</b>	<b>(20,224)</b>
<b>(e) Other financial position changes</b>	<b>(134,867)</b>	<b>(77,773)</b>
<b>Net financial position changes = (c) + (d) + (e)</b>	<b>(75,511)</b>	<b>(10,173)</b>

The cash flow generated by the operating management (letters a + b), equal to Euro 92,295 thousand, was mainly due to self-financing for Euro 55,650 thousand and other positive financial variations amounting to Euro 36,646 thousand, related to the management of the net circulating capital for Euro 21,394 thousand and to the assessment of companies consolidated through the equity method for Euro -648 thousand. The cash flows generated by the operating management of assets and liabilities held for sale amounted to Euro 16,108 thousand.

The management of the net working capital generated financial resources amounting to Euro 21,394 thousand and was influenced mainly by the positive change in the operating working net capital which generated financial resources for Euro 14,597 thousand and the change in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro 4,027 thousand.

The following table shows in detail the changes in the net working capital during the period:

(Thousands of Euro)	Nine months	
	2019	2018
Inventories	(3,170)	(2,284)
Trade receivables and payables	18,299	4,968
Operating receivables and payables	(532)	(11,863)
Losses/(Gains on disposal of fixed assets)	(1,247)	0
Severance pay and other funds	108	(1,573)
Current taxes	4,797	5,787
Taxes paid	(888)	(7,769)
Tax receivables and payables	4,027	5,674
<b>Change in net working capital</b>	<b>21,394</b>	<b>(7,060)</b>

Investment activities generated a net cash requirement of Euro 32,906 thousand in tangible and intangible assets mainly for works and developments of natural gas distribution facilities (Euro 20,218 thousand). The investments made for the acquisition of stakes are related to the merger through acquisition of the company Unigas Distribuzione Gas S.r.l. which entailed the use of financial resources amounting to Euro 12,583 thousand connected to the book value of the treasury shares assigned to the shareholder with which the Parent company jointly controlled the enterprise until 1<sup>st</sup> July 2019.

Investment activities of the companies held for sale generated a cash requirement of Euro 105 thousand.

Additional variations in the Net financial position concern dividends received from the companies consolidated with the equity method, which generated resources for Euro 2,311 thousand, and the distribution of dividends for Euro

76,924 thousand. During the first nine months of the year Ascopiave S.p.A. purchased treasury shares on the electronic share market, generating a financial requirement of Euro 16,463 thousand, partly offset by the amount used for the merger of Unigas Distribuzione Gas S.r.l. described above.

The cash flows of assets and liabilities held for sale showed a cash requirement of Euro 56,615 thousand.

The flows used for the distribution of dividends were higher than in the previous year due to the extraordinary dividend approved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2019.

The following table shows in detail the other changes in the financial position during the first nine months of 2019:

(Thousands of Euro)	Nine months	
	2019	2018
Sale of own shares	(16,463)	540
Dividends paid to Ascopiave S.p.A. shareholders	(75,163)	(40,016)
Dividends paid to minority interest or jointly controlled companies	(1,761)	(2,054)
	2,311	684
<b>Other changes in financial position</b>	<b>(91,076)</b>	<b>(40,845)</b>

### General operational performance - Investments

During the first nine months of the year, the Group made investments in tangible and intangible assets for Euro 21,727 thousand, an increase as compared to the same period in the previous year of Euro 5,096 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +3,955 thousand) as well as an increase in other investments (Euro +1,141 thousand).

Investments in the construction of infrastructures for the distribution of natural gas, amounting to Euro 19,758 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 8,394 thousand, the creation of connections for Euro 4,885 thousand and the installation of metres for Euro 6,480 thousand.

INVESTMENTS (Thousands of Euro)	Nine months	
	2018	2017
Connecting a gas users	4,885	3,654
Expansions, reclamations and network upgrades	7,053	3,723
Flowmeters	6,480	7,363
Maintenance	1,340	567
Other assets in raw material (gas) investments	0	496
<b>Raw material (gas) investments</b>	<b>19,758</b>	<b>15,803</b>
Land and buildings	44	397
Industrial and commercial equipment	148	39
Forniture	21	14
Vehicles	162	169
Hardware e Software	1,594	153
Other assets	0	57
<b>Other investments</b>	<b>1,970</b>	<b>828</b>
<b>Investments</b>	<b>21,727</b>	<b>16,631</b>

Details of the investments relating to the companies held for sale:

INVESTMENTS (Thousands of Euro)	Nine months	
	2018	2017
Raw material (gas) investments	0	0
Forniture	47	37
Hardware e Software	58	33
<b>Other investments</b>	<b>105</b>	<b>69</b>
<b>Investments</b>	<b>105</b>	<b>69</b>

# Ascopiave Group

Interim financial report charts

as of 30<sup>th</sup> September 2019

## Consolidated assets and liabilities statement

(Thousands of Euro)		30.09.2019	31.12.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	(1)	33,764	80,758
Other intangible assets	(2)	397,516	351,878
Tangible assets	(3)	35,084	32,724
Shareholdings	(4)	2	68,357
Other non-current assets	(5)	2,782	12,044
Non current financial assets	(6)	2,765	1,122
Advance tax receivables	(7)	12,676	11,358
<b>Non-current assets</b>		<b>484,589</b>	<b>558,240</b>
<b>Current assets</b>			
Inventories	(8)	7,123	6,020
Trade receivables	(9)	20,492	166,947
Other current assets	(10)	51,960	45,062
Current financial assets	(11)	623	981
Tax receivables	(12)	1,405	1,508
Cash and cash equivalents	(13)	82,800	66,650
Current assets from derivative financial instruments	(14)	0	123
<b>Current assets</b>		<b>164,402</b>	<b>287,291</b>
Non-current assets disposal of assets		260,242	
<b>ASSETS</b>		<b>909,233</b>	<b>845,530</b>
<b>Net equity and liabilities</b>			
<b>Total Net equity</b>			
Share capital		234,412	234,412
Own shares		(20,861)	(16,981)
Reserves		203,315	226,136
<b>Net equity of the Group</b>		<b>416,865</b>	<b>443,567</b>
<b>Net equity of Others</b>		<b>4,456</b>	<b>4,303</b>
<b>Total Net equity</b>	(15)	<b>421,321</b>	<b>447,869</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(16)	1,428	3,901
Severance indemnity	(17)	3,297	4,807
Medium- and long-term bank loans	(18)	71,654	55,111
Other non-current liabilities	(19)	19,914	28,003
Non-current financial liabilities	(20)	558	0
Deferred tax payables	(21)	12,610	14,534
<b>Non-current liabilities</b>		<b>109,460</b>	<b>106,356</b>
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(22)	170,771	131,044
Trade payables	(23)	41,893	131,185
Tax payables	(24)	2,485	207
Other current liabilities	(25)	16,712	27,539
Current financial liabilities	(26)	36,233	115
Current liabilities from derivative financial instruments	(27)	395	1,216
<b>Current liabilities</b>		<b>268,489</b>	<b>291,305</b>
Non-current liabilities held for sale		109,963	
<b>Liabilities</b>		<b>487,912</b>	<b>397,661</b>
<b>Net equity and liabilities</b>		<b>909,233</b>	<b>845,530</b>

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this interim financial report.

## Income statement and comprehensive consolidated income statement

(Thousands of Euro)		Nine months	
		2019	2018
<b>Revenues</b>	(30)	<b>90,017</b>	<b>87,592</b>
<b>Total operating costs</b>		<b>59,557</b>	<b>55,148</b>
Purchase costs for other raw materials	(31)	1,712	1,566
Costs for services	(32)	23,831	21,986
Costs for personnel	(33)	10,979	12,278
Other management costs	(34)	24,477	19,618
Other income	(35)	1,443	300
Amortization and depreciation	(36)	17,412	15,666
<b>Operating result</b>		<b>13,048</b>	<b>16,778</b>
Financial income	(37)	107	82
Financial charges	(37)	878	927
Evaluation of subsidiary companies with the net equity method	(37)	648	671
<b>Earnings before tax</b>		<b>12,926</b>	<b>16,604</b>
Taxes for the period	(38)	4,797	5,787
<b>Result for the period</b>		<b>8,129</b>	<b>10,818</b>
Net result from transfer / disposal assets	(39)	30,109	20,461
<b>Net result for the period</b>		<b>38,238</b>	<b>31,278</b>
Group's Net Result		36,415	29,971
Third parties Net Result		1,823	1,308
<b>Consolidated statement of comprehensive income</b>			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(395)	
Income tax relating to components of comprehensive income		785	(1,163)
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		308	32
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax of the companies held for sale		77	21
<b>Total comprehensive income</b>		<b>39,014</b>	<b>30,169</b>
Group's overall net result		37,100	29,053
Third parties' overall net result		1,914	1,115
Base income per share		0.164	0.135
Diluted net income per share		0.164	0.135

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this interim financial report.

N.B.: Earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of shares net of own shares. For the purposes of the calculation of the basic earnings per share, we specify that the numerator is the economic result for the period less the share attributable to third parties. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

## Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
<b>Balance as of 1st January 2019</b>	<b>234,41</b>	<b>46,88</b>	<b>-16,98</b>	<b>-35,00</b>	<b>134,66</b>	<b>44,63</b>	<b>443,57</b>	<b>4,30</b>	<b>447,87</b>
Result for the period						36,42	36,42	1,82	38,24
<i>of which:</i>									
<i>Result of continuing operations</i>						8,13	8,13	0,00	8,13
<i>Result of discontinuing operations</i>						28,29	28,29	1,82	30,11
Other operations					299,00		299,00	92,00	391,00
<i>of which:</i>									
<i>Other movements of continuing operations</i>					-395,00		-395,00	0,00	-395,00
<i>Other movements of discontinuing operations</i>					694,00		694,00	92,00	785,00
Severance indemnity IAS 19 discounting of the financial year				386,00			386,00		385,00
<i>of which:</i>									
<i>Discounting of continuing operations</i>				308,00			308,00		308,00
<i>Discounting of discontinuing operations</i>				77,00			77,00		77,00
<b>Total result of overall income statement</b>				<b>386,00</b>	<b>299,00</b>	<b>36,42</b>	<b>37,10</b>	<b>1,91</b>	<b>39,01</b>
Allocation of 2018 result					44,63	-44,63			0,00
Dividends distributed to Ascopiave S.p.A. shareholders					-75,16		-75,16		-75,16
Dividends distributed to minorities of discontinuing operations								-1,76	-1,76
Other movements of discontinuing operations					33,00		33,00		33,00
Purchase of own shares			-16,46				-16,46		-16,46
Business aggregations			12,58	-377,00	15,59		27,79		27,79
<b>Balance as of 30th September 2019</b>	<b>234,41</b>	<b>46,88</b>	<b>-20,86</b>	<b>-26,00</b>	<b>120,04</b>	<b>36,42</b>	<b>416,87</b>	<b>4,46</b>	<b>421,32</b>
	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
<b>(Thousands of Euro)</b>									
<b>Balance as of 1st January 2018</b>	<b>234,41</b>	<b>46,88</b>	<b>-17,52</b>	<b>-46,00</b>	<b>134,65</b>	<b>47,14</b>	<b>445,51</b>	<b>4,99</b>	<b>450,50</b>
Result for the period						29,97	29,97	1,31	31,28
<i>of which:</i>									
<i>Result of continuing operations</i>						10,82	10,82	0,00	10,82
<i>Result of discontinuing operations</i>						19,15	19,15	1,31	20,46
Other operations					-1,33		-1,33	-155,00	-1,49
<i>of which:</i>									
<i>Other movements of discontinuing operations</i>					-1,33		-1,33	-155,00	-1,16
Severance indemnity IAS 19 discounting of the financial year				91,00			91,00	-38,00	54,00
<i>of which:</i>									
<i>Discounting of continuing operations</i>				32,00			32,00	0,00	32,00
<i>Discounting of discontinuing operations</i>				59,00			59,00	-38,00	21,00
<b>Total result of overall income statement</b>				<b>91,00</b>	<b>-1,33</b>	<b>29,97</b>	<b>28,73</b>	<b>1,12</b>	<b>29,84</b>
Allocation of 2017 result					47,14	-47,14	0,00		0,00
Dividends distributed to Ascopiave S.p.A. shareholders					-40,02		-40,02		-40,02
Dividends distributed to minorities of discontinuing operations							0,00	-2,05	-2,05
Other movements of discontinuing operations					-745,00		-745,00		-745,00
Purchase of own shares			540,00		-926,00		-385,00		-385,00
Business aggregations					-3,55		-3,55	-233,00	-3,78
<b>Balance as of 30th September 2018</b>	<b>234,41</b>	<b>46,88</b>	<b>-16,98</b>	<b>46,00</b>	<b>135,22</b>	<b>29,97</b>	<b>429,55</b>	<b>3,82</b>	<b>433,37</b>

## Consolidated statement of cash flows

(Thousands of Euro)	Nine months	
	2019	2018
<b>Net income of the Group</b>	<b>8,129</b>	<b>10,818</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>		
Third-parties operating result	1,823	1,308
Companies held for sale operating result	28,286	19,153
Amortization	17,412	15,666
Variations in severance indemnity	38	56
Current assets / liabilities on financial instruments and forward purchasee and sales	395	0
Net variation of other funds	71	(1,629)
Evaluation of subsidiaries with the net equity method	(648)	(671)
Depreciation of fixed assets	(1,247)	0
Interests paid	(971)	(937)
Taxes paid	(888)	(7,769)
Interest expense for the period	828	911,000
Taxes for the period	4,797	5,787
Variations in assets and liabilities		
Inventories	(3,170)	(2,284)
Accounts payable	12,599	1,629
Other current assets	(7,837)	(1,556)
Financial assets corrrrent and non-corrrent	(209)	0
Trade payables	5,700	3,339
Other current liabilities	(57)	(10,210)
Other non-current assets	2,768	1,682
Other non-current liabilities	1,832	3,921
Operating flows from discontinued assets / liabilities	16,108	48,610
<b>Total adjustments and variations</b>	<b>77,629</b>	<b>77,006</b>
<b>Cash flows generated (used) by operating activities</b>	<b>85,758</b>	<b>87,823</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(19,127)	(15,744)
Realisable value of intangible assets	457	499
Investments in tangible assets	(1,581)	(1,072)
Realisable value of tangible assets	0	8,000
Investment flows for business aggregations	(11,546)	0
Investment flows from discontinued assets / liabilities	(105)	(3,915)
<b>Cash flows generated/(used) by investments</b>	<b>(31,902)</b>	<b>(9,045)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financers	558	0
Net changes in short-term bank borrowings	(2,332)	(4,000)
Net variation in current financial assets and liabilities	15,553	(216)
Purchase of own shares	(3,880)	540
Ignitions loans and mortgages	292,000	150,000
Redemptions loans and mortgages	(229,000)	(132,166)
Disbursements relating to rights of use	(356)	0
Dividends distributed to Ascopiave S.p.A. shareholders'	(75,163)	(40,016)
Dividends distributed to other shareholders	(1,761)	(2,054)
Dividends distributed from subsidiary companies	2,311	684,000
Cash flows from discontinued assets / liabilities	(35,636)	6,427
<b>Cash flows generated (used) by financial activities</b>	<b>(37,706)</b>	<b>(36,711)</b>
<b>Variations in cash</b>	<b>16,150</b>	<b>46,800</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>59,353</b>	<b>10,928</b>
<b>Cash and cash equivalents at the beginning of the period of the Companies held for sale</b>	<b>7,297</b>	<b>4,673</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>82,800</b>	<b>62,400</b>

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this interim financial report.



## EXPLANATORY NOTES

### Company information

Ascopiave S.p.A. (hereinafter “Ascopiave”, the “Company” or the “Parent Company” and, jointly with its subsidiaries, the “Group” or the “Ascopiave Group”) is a legal entity under Italian law.

As of 30<sup>th</sup> September 2019, the majority stake of the Company, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

The registered office of the Company is in Pieve di Soligo (TV), via Verizzo, 1030.

The publication of the Interim financial report as of 30<sup>th</sup> September 2019 of the Ascopiave Group was authorised by resolution of the Board of Directors on 11<sup>th</sup> November 2019.

The results of the Interim Report are not audited.

### The activities of the Ascopiave Group

Ascopiave mainly operates in the sectors of distribution and sale of natural gas, as well as in other sectors related to the core business, such as the sale of electrical energy, heat management and co-generation.

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 228 municipalities (230 municipalities as of 31<sup>st</sup> December 2018; the change in the number of concessions managed is related to the combination of some municipalities) managing a distribution network managed which spreads over 10,426 km<sup>2</sup> (9,796 km as of 31<sup>st</sup> December 2018) and supplying the service to more than one million users.

At the end of 2018, the Group launched a process aimed at enhancing its activities in the gas sales sector and consolidating its presence in the gas distribution sector and in the period in question established a business partnership with Hera S.p.A. by signing a binding Term Sheet for the development of a primary business in northern-eastern Italy. The Term Sheet was finalised in a framework agreement on 31<sup>st</sup> July 2019.

The activities of natural gas sale to end customers, carried out through different companies, investees of the parent company Ascopiave S.p.A. and on which the Group exercises exclusive or joint control with the other shareholders, as a result of the Term Sheet signed, were reclassified and recorded under assets held for sale. In the natural gas sales segment, the Group, with approximately 607 million cu.m<sup>4</sup> of gas sold (about 621 million as of 30<sup>th</sup> September 2018) is one of the main national operators.

### General drafting criteria and compliance with IFRS

The Consolidated financial statements of the Ascopiave Group are prepared in accordance with the IFRSs, understood as all the “International Financial Reporting Standards”, all the “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously known as “Standing Interpretations Committee” (SIC) that, at the closing date of the consolidated financial statements, were approved by the European Union according to the procedure laid down in Regulation (EC) no. 1606/2002 by the European Parliament and the European Council of 19<sup>th</sup> July 2002.

The accounting standards adopted for the preparation of this Interim Report are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31<sup>st</sup> December 2018, except as stated in the following paragraph “Accounting standards, amendments and interpretations applied from 1<sup>st</sup> January 2019”.

These Interim financial statements are drafted in Euro, the currency of the economy in which the Group operates, and include the Consolidated Statement of Assets and Liabilities, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Consolidated Shareholders’ Equity, the Consolidated Statement of cash flows and the Explanatory Notes. All the figures shown in the schemes and in the explanatory notes are expressed in thousands of Euro, unless otherwise indicated.

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<sup>4</sup> The data specified about the volumes of gas sold are obtained by adding each Group company’s data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

With regard to the presentation methods of the formats of financial statements, the Consolidated statement of assets and liabilities has been prepared on the basis of the “current/non-current” distinction; for the comprehensive consolidated income statement the multi-step format was adopted with the classification of costs by nature and for the consolidated Cash flow statement the indirect method of representation.

The values used for consolidation were gathered from the income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data were adjusted and reclassified, where necessary, to ensure compliance with the international accounting standards and with the classification criteria applied throughout the Group. This Interim Report as of 30<sup>th</sup> September 2019 was approved by the Board of Directors of the Company on 11<sup>th</sup> November 2019.

#### **Application of IFRS 5 “Non-current assets held for sale and discontinued operations”**

On 17<sup>th</sup> June 2019, Ascopiave S.p.A., as better explained in the paragraph “Significant events during the first nine months of 2019”, approved a business partnership with Hera S.p.A. through the execution of a binding Term Sheet for the development of a primary business in northern-eastern Italy, which will boast over one million energy customers, as well as the reorganisation of the respective gas distribution activities. The Term Sheet was finalised in a framework agreement on 31<sup>st</sup> July 2019. Specifically, the agreement involving the gas and electricity customer marketing area envisages the creation of a single operator for the respective sales activities in the regions of Veneto, Friuli-Venezia Giulia and Lombardy, through EstEnergy S.p.A., a company which is controlled jointly by Ascopiave S.p.A. and Hera Comm S.r.l., the sales company of the Hera Group. EstEnergy S.p.A. will see a substantial expansion of its activities in the aforementioned area, encompassing the sales business of the Ascopiave Group relating to the subsidiaries Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and the joint ventures Asm Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation. Furthermore, as part of the overall reorganisation of the gas and electricity customer marketing area, Amgas Blu, a sales company wholly owned by Ascopiave, active in the province of Foggia, will be acquired directly by Hera Comm. Consequently, in this Interim report, the assets listed were represented as “Discontinued operations” based on the provisions of accounting standard IFRS 5 “Non-current assets held for sale and discontinued operations”. Estenergy S.p.A. itself, due to the nature of the operation, was represented among the “Discontinued operations”. On the basis of these provisions, the economic results achieved by the sales segment of the Group during the first six months of the year are shown separately in a single line of the income statement and under assets or liabilities held for the sale of the balance sheet. The periods shown for comparative purposes were reclassified in accordance with the principles of the standard. Specifically, the comprehensive income statement at 30<sup>th</sup> September 2018 and the cash flow statement at 30<sup>th</sup> September 2019 were restated, while the balance sheet and financial position at 31<sup>st</sup> December 2018 remained unchanged.

The transactions between continuing operations and discontinued operations during the comparative periods were not eliminated. The extent and nature of such transactions would have in fact determined an overly distorted view of the balance sheet and financial position, as well as of the operating results, not representing the performance as if these were standalone assets.

The table below shows the effects deriving from the application of IFRS 5 on the balance sheet and financial position as of 31<sup>st</sup> December 2018 in order to better describe the changes that have occurred in equity stocks during the period.

(Thousands of Euro)	31st December 2018	Effects		Restated 31st December 2018
		Elision	Adoption IFRS 5 - Companies held for sale	
Goodwill	80,758	0	56,183	24,576
Other intangible assets	351,878	0	2,608	349,270
Tangible assets	32,724	0	265	32,458
Shareholdings	68,357	0	46,809	21,547
Other non-current assets	12,044	0	7,841	4,203
Non current financial assets	1,122	0	0	1,122
Advance tax receivables	11,358	0	351	11,007
<b>Non-current assets</b>	<b>558,240</b>	<b>0</b>	<b>114,058</b>	<b>444,182</b>
Inventories	6,020	0	2,659	3,360
Trade receivables	166,947	23,852	159,416	31,383
Other current assets	45,062	4,855	9,217	40,700
Current financial assets	981	24,687	19,395	6,272
Tax receivables	1,508	0	308	1,200
Cash and cash equivalents	66,650	1	7,297	59,353
Current assets from derivative financial instruments	123	0	123	0
<b>Current assets</b>	<b>287,291</b>	<b>53,394</b>	<b>198,416</b>	<b>142,269</b>
Non-current assets disposal of assets	0		312,474	312,474
<b>Assets</b>	<b>845,530</b>	<b>53,394</b>	<b>0</b>	<b>898,925</b>
<b>Total Net equity</b>	<b>447,869</b>	<b>0</b>	<b>0</b>	<b>447,869</b>
Provisions for risks and charges	3,901	0	239	3,662
Severance indemnity	4,807	0	1,965	2,842
Medium- and long-term bank loans	55,111	0	0	55,111
Other non-current liabilities	28,003	0	10,792	17,212
Passività finanziarie non correnti	0	0	0	0
Deferred tax payables	14,534	0	1,503	13,031
<b>Non-current liabilities</b>	<b>106,356</b>	<b>0</b>	<b>14,498</b>	<b>91,857</b>
Payables due to banks and financing institutions	131,044	1	25	131,020
Trade payables	131,185	28,653	126,624	33,214
Tax payables	207	0	143	64
Other current liabilities	27,539	53	12,298	15,294
Current financial liabilities	115	24,687	5,406	19,395
Current liabilities from derivative financial instruments	1,216	0	1,216	0
<b>Current liabilities</b>	<b>291,305</b>	<b>53,394</b>	<b>145,712</b>	<b>198,988</b>
<b>Non-current liabilities held for sale</b>	<b>0</b>		<b>160,210</b>	<b>160,210</b>
<b>Net equity and liabilities</b>	<b>845,530</b>	<b>53,394</b>	<b>0</b>	<b>898,925</b>

The table below shows the effects deriving from the application of IFRS 5 on the comprehensive income statement as of 30<sup>th</sup> September 2018 shown for comparative purposes:

(Thousands of Euro)	Nine months 2018	Effects		Restated Nine months 2018
		Elision	Adoption IFRS 5 - Companies held for sale	
<b>Revenues</b>	<b>402.825</b>	<b>76.776</b>	<b>392.008</b>	<b>87.592</b>
Purchase costs for raw material (gas)	201.866		201.866	0
Purchase costs for other raw materials	19.737	27.944	46.115	1.566
Costs for services	84.516	48.833	111.363	21.986
Costs for personnel	19.336		7.058	12.278
Other management costs	21.348	1	1.731	19.618
Other income	234	1	65	300
<b>Amortization and depreciation</b>	<b>17.356</b>	<b>0</b>	<b>1.690</b>	<b>15.666</b>
<b>Operating result</b>	<b>38.898</b>	<b>0</b>	<b>22.119</b>	<b>16.778</b>
Financial income	299	91	308	82
Financial charges	888	91	52	927
Evaluation of subsidiary companies with the net equity me	5.139		4.467	671
<b>Earnings before tax</b>	<b>43.448</b>	<b>0</b>	<b>26.843</b>	<b>16.604</b>
Taxes for the period	12.169		6.382	5.787
<b>Result for the period</b>	<b>31.278</b>		<b>20.461</b>	<b>10.818</b>
<b>Net result from transfer/disposal of assets</b>			<b>20.461</b>	<b>20.461</b>
<b>Net result for the period</b>	<b>31.278</b>	<b>0</b>		<b>31.278</b>

For a better understanding of the operating results, balance sheet and cash flows of the assets held for sale, see the paragraph “Operating results, balance sheet and cash flows of companies held for sale” in the explanatory notes of this Interim report.

## Accounting standards, amendments and interpretations applied from 1<sup>st</sup> January 2019

Below is a brief description of amendments, improvements and interpretations applicable to financial reports closed after 31<sup>st</sup> December 2018 and applicable commencing 1<sup>st</sup> January 2019. The standards, amendments and interpretations which by their nature cannot be adopted by the Group are excluded from the list.

### IFRS 16 - Leases

IFRS 16 standard - Leases was approved on 31<sup>st</sup> October 2017, with significant impact on Statements of lessees: the distinction between financial leases and operating leases was eliminated, introducing a new single model for all leases which entails an asset entry for the right of use and a liability entry for the lease. The new standard is effective for annual periods beginning on or after 1<sup>st</sup> January 2019. Ascopiave has decided not to adopt the standard ahead of time (concomitantly with the date of first application of IFRS 15).

On the basis of the transition provisions of IFRS 16, on 1<sup>st</sup> January 2019 the effects related to the cases existing on the same date will be recognised, without restating the previous comparative period (so-called “modified retrospective approach”) and recognising the right-of-use asset for an amount equal to the respective financial liability.

The following table shows the impacts of the first adoption of the standard on the Group’s equity data:

(Thousands of Euro)	Total effects First application 01.01.2019	Depreciation and amortization	Capital repayments	30.09.2019
<b>non-current assets</b>	<b>1,324</b>	<b>(298)</b>		<b>1,026</b>
<b>Intangible assets</b>	<b>1,324</b>	<b>(298)</b>		<b>1,026</b>
- of which rights to use real estate	590	(111)		479
- of which rights to use equipment	242	(72)		169
- of which rights to use other assets	492	(114)		378
<b>Current and non-current liabilities</b>	<b>1,324</b>	<b>0</b>		<b>968</b>
<b>Non-current liabilities</b>				
- of which non-current financial liabilities	928		(356)	573
<b>Current liabilities</b>				
- of which current financial liabilities	396		0	396

The discount rate used for the transition to the new standard is the Group's marginal cost of debt of as of 1<sup>st</sup> January 2019. The evaluation did not include, as allowed by the standard, short-term leases and low-value asset leases. For the Group, the effect of the application of the new standard has mainly concerned operating leases relating to tangible fixed assets such as buildings, vehicles and trucks, as well as computer equipment. The adoption of IFRS 16 determined, on 1<sup>st</sup> January 2019, the recognition of greater right-of-use fixed assets for Euro 1,324 thousand and an equal amount of financial payables for leases divided into current and non-current.

The following table shows the impacts of the first adoption of the standard on the equity data of the companies held for sale:

(Thousands of Euro)	Total effects First application 01.01.2019	Depreciation and amortization	Capital repayments	30.09.2019
<b>Non-current assets</b>	<b>1.696</b>	<b>(328)</b>		<b>1.368</b>
<b>Intangible assets</b>	<b>1.696</b>	<b>(328)</b>		<b>1.368</b>
- of which rights to use real estate	1.696	(229)		872
- of which rights to use equipment	1.102	0		0
- of which rights to use other assets	595	(99)		496
<b>Current and non-current liabilities</b>	<b>1.696</b>	<b>0</b>		<b>1.458</b>
<b>Non-current liabilities</b>				
- of which non-current financial liabilities	1.147		(238)	908
<b>Current liabilities</b>				
- of which current financial liabilities	550		0	550

## Basis for measurement

### Use of estimates

The drawing-up of the interim report for the first nine months of 2019 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, other overall profits/losses as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the Management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" in the Consolidated Financial Statements as of 31<sup>st</sup> December 2018.

Moreover, some evaluation procedures, in particular the most complex ones, such as the determination of any impairment of non-current assets, are usually fully carried out only while drawing-up the annual financial statements, when all the necessary information is available, except for cases in which there are impairment indicators that require an immediate evaluation of potential losses.

Income taxes are recognised on the basis of the best assessment of the weighted average tax rate expected for the entire financial year by each company included in the consolidation area.

## Consolidation area and principles

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity (including the structured entities) when the Group is exposed, or is entitled, to the variability of results from such entities and has the possibility of influencing these outcomes through the exercise of power over the entity. The financial statements of the subsidiaries are included in the Consolidated financial statements commencing the date on which control is taken until the date such control ceases. The costs incurred in the acquisition process are expensed in the year they are incurred. The assets and liabilities, the charges and income of companies consolidated with the line-by-line method are fully included in the consolidated financial statements; the book value of investments is eliminated against the corresponding share of equity of the investee companies. Receivables and payables, as well as the costs and revenues arising from transactions between companies included in the consolidation area are entirely eliminated; the capital gains and losses arising from transfers of assets between consolidated companies, the gains and losses deriving from transactions between consolidated companies related to the sale of assets that remain as inventories of the purchasing company, the write-downs and write-backs of investments in consolidated companies, as well as intercompany dividends are also eliminated.

At the date of acquisition of control, the net equity of the investee companies is determined by attributing to the individual assets and liabilities their current value. Any positive difference between the acquisition cost and the fair value of the net assets acquired is recognised as “Goodwill”; if negative, it is recognised in the income statement.

The equity and profit shares attributable to minority interests are recorded in specific items of the shareholders' equity and income statement. In the case of acquisition of partial control, the equity share of minority interests is determined on the basis of the share of the current values assigned to assets and liabilities at the date of acquisition of control, excluding any goodwill attributable to them (so-called partial goodwill method); in relation to this, the minority interests are measured at their total fair value, also including the goodwill attributable to them. The choice of the methods for determining the goodwill (negative goodwill) is made based on each individual business combination operation.

In the case of shares acquired subsequent to the acquisition of control (purchase of minority interests), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised in the equity; similarly, the effects arising from the sale of minority interests without loss of control are recognised in equity.

If the acquisition value of the shares is higher than the net equity pro-quota value of the investees, the positive difference is attributed, where possible, to the net assets acquired based on their fair value while the remainder is recorded in an item of assets, “Goodwill”.

The value of goodwill is not amortised but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realised. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognised in the income statement. The acquisition costs are booked in the income statement.

Associates are companies over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment.

The financial statements of subsidiaries and jointly controlled Companies used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the

Consolidated companies are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 30<sup>th</sup> September 2019 and consolidated through the line-by-line or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
<b>Parent company</b>					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234.411.575			
<b>100% consolidated companies</b>					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1.000.000	89.00%	89%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	51%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Amgas Blu S.r.l.	Foggia (FG)	10.000	100.00%	100%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606.123	100.00%	100%	0%
Ascopiave Energie S.p.A.	Pieve di Soligo (TV)	250.000	100.00%	100%	0%
Asco Energy S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100%	0%
Ap Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10.000.000	100.00%	100%	0%
<b>Companies under joint control consolidated with net equity method</b>					
ASM Set S.r.l.	(1) Rovigo (RO)	200.000	49.00%	49%	0%
Estenergy S.p.A.	(2) Trieste (TS)	1.718.096	48.999%	48.999%	0%
<b>Subsidiary company consolidated with net equity method</b>					
Sinergie Italiane S.r.l. in liquidazione	Milano (MI)	1.000.000	30.94%	30.94%	0%

(1) Joint control with ASM Rovigo S.p.A.;

(2) Joint control with AcegasApsAmga S.p.A.;

As compared to the financial statements closed at 31<sup>st</sup> December 2018, please note that subsequent to the execution of the binding Term Sheet with Hera S.p.A. the data of the companies Ascotrade S.p.A., Etra Energia S.r.l., Amgas Blu S.r.l., Blue Meta S.p.A., Ascopiave Energie S.p.A., Asm Set S.r.l., Estenergy S.p.A. and Sinergie Italiane S.r.l. in liquidation were reclassified under assets and liabilities held for sale as established by the international accounting standard IFRS 5. They were subsequently consolidated, based on the Group's stake, on a line-by-line basis or using the equity method and then reclassified.

Furthermore, commencing 1<sup>st</sup> July 2019, subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. into Ascopiave S.p.A., the company is no longer consolidated using the equity method. The results achieved by its business activities are consolidated on a line-by-line basis by means of the company to which Ascopiave S.p.A. transferred the business unit subsequent to the merger. For further information, please see the chapter "Business combinations" of this Interim Report.

## Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Amgas Blu S.r.l.	16,012	1,311	1,576	(1,135)	Ita Gaap
AP Reti Gas S.p.A.	60,231	10,935	309,674	(25,472)	IFRS
Ascopiave S.p.A.	59,468	46,305	381,471	179,521	IFRS
Ascotrade S.p.A.	254,340	14,273	28,219	(19,082)	IFRS
Blue Meta S.p.A.	49,413	4,359	9,201	(9,732)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	8,355	1,928	55,007	11,643	Ita Gaap
Estenergy S.p.A.	95,509	6,420	18,369	(15,974)	IFRS
Etra Energia S.r.l.	6,880	510	1,691	(2,041)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	13,448	(394)	17,158	15,624	Ita Gaap
Ascopiave Energie S.p.A.	101,375	5,733	13,610	(9,962)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	3,200	1,006	16,605	(390)	Ita Gaap
ASM Set S.r.l.	21,251	1,837	2,106	(1,734)	Ita Gaap
Asco Energy S.p.A.	20,078	(181)	1,001	13,879	Ita Gaap

### Information on consolidated subsidiaries with minority interests

The company Ascopiave S.p.A. holds interests in consolidated subsidiaries in which, in some cases, third parties hold minority interests. Please refer to the information table contained in the previous paragraph for the indication of the controlling interest relating to each consolidated company. The management deems that the stake that minority interests hold in the assets and financial flows of the Ascopiave Group is not significant.



## COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

### Non-current assets

#### 1. 1. Goodwill

Goodwill, equal to Euro 33,764 thousand as of 30<sup>th</sup> September 2019, decreased as compared to 31<sup>st</sup> December 2018 by Euro 46,995 thousand. The change is entirely explained, for Euro 56,362 thousand, by the reclassification of assets and liabilities related to the assets held for sale, performed in accordance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein. This change was partly offset by the goodwill recognised subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. into Ascopiave S.p.A., for Euro 9,368 thousand, better described in the chapter “Business combinations”. Net of this effect, goodwill has not changed. The amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

In accordance with International Accounting Standard 36, goodwill is not subject to depreciation, but its impairment is verified at least annually.

In order to determine the recoverable amount, the goodwill is allocated to the Cash Generating Unit composed of the natural gas distribution activity (gas distribution CGU) whereas the Cash Generating Unit consisting in the natural gas sale activity (gas sale CGU) was reclassified based on the requirements of IFRS 5 “Non-current assets held for sale and discontinued operations”. The goodwill consequently recorded at the reporting date refers only to the gas distribution CGU as shown in the following table:

(Thousands of Euro)	31.12.2018	30.09.2019
Distribution of natural gas	33,764	24,396
Sales of natural gas	0	56,362
<b>Total goodwill</b>	<b>33,764</b>	<b>80,758</b>

As of 30<sup>th</sup> September 2019, considering the outcome of the impairment tests carried out while preparing the balance sheet as of 31<sup>st</sup> December 2018, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

#### 2. Other intangible fixed assets

The changes in the historical cost and accumulated amortisation of intangible assets at the end of the each period considered are shown in the following table:

(Thousands of Euro)	30.09.2019			31.12.2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	5,661	(5,606)	55	5,653	(5,601)	52
Concessions, licences, trademarks and similar rights	15,256	(10,189)	5,067	15,256	(9,380)	5,876
Other intangible assets	9,210	(4,067)	5,143	24,676	(20,843)	3,833
Tangible assets under IFRIC 12 concession	692,055	(317,367)	374,688	622,519	(288,584)	333,934
Tangible assets in progress under IFRIC 12 concession	11,314	0	11,314	7,693	0	7,693
Intangible assets in progress	1,250	0	1,250	491	0	491
<b>Other intangible assets</b>	<b>734,746</b>	<b>(337,229)</b>	<b>397,516</b>	<b>676,287</b>	<b>(324,409)</b>	<b>351,878</b>

The changes in the inventory allowance for intangible assets in the period under examination are shown in the following table:

	31.12.2018				30.09.2019		
(Thousands of Euro)	Net value	Change for the period	Decrease	Reclassification s to tangible assets	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	52	0	45	(18)	25		55
Concessions, licences, trademarks and similar rights	5,876	0	0		809		5,067
Other intangible assets	3,833	0	4,193	(2,598)	284		5,143
Tangible assets under IFRIC 12 concession	333,934	16,043	39,676	970	14,541	(545)	374,688
Tangible assets in progress under IFRIC 12 concessio	7,693	3,543	111	32	0		11,314
Intangible assets in progress and advances payments	491	759	0		0		1,250
Other intangible assets	351,878	20,345	44,025	1,002	15,659	(545)	397,516

The investments made during the first nine months of the financial year amount to Euro 20,345 thousand and refer to costs incurred for the construction of the infrastructures for natural gas distribution.

The extension of the scope of consolidation, due to the merger through acquisition effective 1<sup>st</sup> July 2019 of the previously jointly controlled company Unigas Distribuzione Gas S.r.l, resulted in the recognition of the company's fixed assets with the consequent increase in other intangible assets of Euro 44,025 thousand.

#### Industrial patents and intellectual property rights

During the period considered, the item "Industrial patents and intellectual property rights" did not register significant changes. The reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 as described above, determined a decrease in the item of Euro 18 thousand.

#### Concessions, licences, trademarks and similar rights

This item includes costs paid to awarding entities (Municipalities) and/or outgoing operators after the award and/or the renewal of the relevant tenders for the assignment of the natural gas distribution service, rather than the costs incurred for the acquisition of licenses. During the first nine months of the year, the item did not register increases and the change is explained by amortisation. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortised with a useful life of 12 years in compliance with the period provided for by the decree.

#### Other intangible fixed assets

The reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 as described above, determined a decrease in the item of Euro 2,598 thousand. This item mainly included the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years. The analysis of customers switching performed at the end of the year has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or write-downs.

During the first nine months of the year, the item did not register investments and the variation, net of the effects related to the extension of the scope of consolidation, is explained by amortisation.

#### Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of metering and reduction groups. At the end of the first nine months of the year, net of the extension of the scope of consolidation, the overall net change amounts to Euro 1,077 thousand, mainly explained by depreciation for the period and the investments made. The investments, including the reclassifications of assets under construction, totalled Euro 16,043 thousand. Net divestments are mainly related to the mass replacement of meters.

The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the ARERA in tariff regulations. The technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

### Intangible assets under construction under concession

The item includes the costs incurred for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the first nine months of the year. The item, net of the extension of the scope of consolidation, has changed by Euro 3,543 thousand.

### Intangible assets under construction

The item includes the costs incurred for the purchase and development of management software not completed at the end of the first nine months of the year and related to the core business of natural gas distribution.

## 3. Tangible assets

The changes in the historical cost and accumulated depreciation of tangible assets at the end of each period under examination are shown in the following table:

(Thousands of Euro)	30.09.2019				31.12.2018			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	43,451	(14,425)		29,026	41,501	(12,979)		28,522
Plant and machinery	3,770	(1,676)	(995)	1,099	3,631	(1,474)	(995)	1,162
Industrial and commercial equipment	3,976	(3,372)		604	3,493	(3,001)		492
Other tangible assets	18,845	(16,012)		2,833	17,824	(15,458)		2,366
Tangible assets in progress and advance paym	496	0		496	182	0		182
	1,324	(298)		1,026	0	0		0
<b>Other tangible assets</b>	<b>71,864</b>	<b>(35,784)</b>	<b>(995)</b>	<b>35,084</b>	<b>66,631</b>	<b>(32,912)</b>	<b>(995)</b>	<b>32,724</b>

The changes in the inventory allowance for tangible assets in the period under examination are shown in the following table:

(Thousands of Euro)	31.12.2018				30.09.2019			
	Net value	Change for the period	Decrease	Reclassifications to intangible assets	Amortizations during the period	Depreciations	Net value	
Lands and buildings	28,522	0	1,419	12	904		29,026	
Plant and machinery	1,162	0	7		70		1,099	
Industrial and commercial equipment	492	133	22		43		604	
Other tangible assets	2,366	936	235		439	(265)	2,833	
Tangible assets in progress and advance payments	182	314	0		0		496	
	0	0	0	1,324	298		1,026	
<b>Other tangible assets</b>	<b>32,724</b>	<b>1,383</b>	<b>1,684</b>	<b>1,324</b>	<b>1,753</b>	<b>0</b>	<b>35,084</b>	

The extension of the scope of consolidation, due to the merger through acquisition effective 1<sup>st</sup> July 2019 of the previously jointly controlled company Unigas Distribuzione Gas S.r.l, resulted in the recognition of the company's fixed assets with the consequent increase in other tangible assets of Euro 1,684 thousand.

### Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. During the first nine months of the year, the item did not register investments and the variation is explained by depreciation. The extension of the scope of consolidation resulted in an increase in the item of Euro 1,419 thousand.

### Plants and machinery

During the first nine months of the year, the item "Plants and machinery" registered a decrease of Euro 63 thousand mainly explained by the depreciation for the period. The extension of the scope of consolidation resulted in an increase in the item of Euro 7 thousand.

### Industrial and commercial equipment

The item "Industrial and commercial equipment" in the period considered registered investments equal to Euro 133 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for metering activity. The extension of the scope of consolidation resulted in an increase in the item of

Euro 22 thousand.

#### Other assets

The investments made during the first nine months of the year are equal to Euro 936 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 835 thousand) as well as furniture and accessories (Euro 21 thousand). The extension of the scope of consolidation resulted in an increase in the item of Euro 235 thousand.

#### Tangible assets under construction and advance payments

The item basically includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the first nine months of the year, the item changed by Euro 314 thousand.

#### Rights of use

The item includes the rights of use related to the first application of IFRS 16 on 1<sup>st</sup> January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings (Euro 590 thousand), rental of vehicles (Euro 492 thousand), as well as IT equipment (Euro 242 thousand). During the first nine months of the year, the change recorded by the item, net of the first recognition at the amortised cost of the commitments, amounts to Euro 298 thousand, equal to the depreciation for the period.

## 4. Shareholdings

The following table shows the changes in the shareholdings in joint companies and in other companies at the end of each period considered:

	31.12.2018	30.09.2019
(Thousands of Euro)	Net value	Net value
Shareholdings in jointly controlled companies	68,355	0
Shareholdings in other companies	2	2
<b>Shareholdings</b>	<b>68,357</b>	<b>2</b>

#### *Shareholdings in joint companies*

Shareholdings in joint companies amounted to 0 at the end of the first nine months of the year, showing a net change of Euro 68,355 thousand.

This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, which determined a decrease in the item of Euro 44,789 thousand.

The extension of the scope of consolidation, due to the merger through acquisition effective 1<sup>st</sup> July 2019 of the previously jointly controlled company Unigas Distribuzione Gas S.r.l., determined the change in the consolidation method of the company. The consolidation of the company data with the line-by-line method, rather than with the equity method applied until 30<sup>th</sup> June, consequently cancelled the shareholding recorded.

The results achieved up to 30<sup>th</sup> June 2019 are therefore recorded under the item valuation of companies with the equity method of this Report and their income statement and balance sheet figures are shown in the section “Synthesis data as of 30<sup>th</sup> June 2019 of the jointly controlled companies consolidated through the net equity method” of the Explanatory Notes whereas the income statement and balance sheet figures accrued during the third quarter of the current year are represented by nature in the consolidated charts.

#### *Other investments*

Other equity investments relate to Banca di Credito Cooperativo delle Prealpi - Soc. Coop. for Euro 1 thousand and Banca Alto Vicentino S.p.A. for Euro 2 thousand.

## 5. Other non-current assets

The following table shows the breakdown of “Other non-current assets” at the end of each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Security deposits	1,156	61	1,095	8,917
Other receivables	1,626	39	1,587	3,127
<b>Other non-current assets</b>	<b>2,782</b>	<b>100</b>	<b>2,682</b>	<b>12,044</b>

Non-current assets recorded an overall change compared to the previous year equal to Euro 9,362 thousand. This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, which determined a decrease in the item of Euro 7,867 thousand.

The extension of the scope of consolidation resulted in an increase in the item for Euro 100 thousand.

Net of the reclassification described and the extension of the scope of consolidation the item decreased by Euro 1,395 thousand. The change is mainly explained by the reclassification under non-current and current financial assets of the receivable from the municipality of Costabissara with which a settlement agreement was entered into, better commented in the paragraph “non-current financial assets” herein.

Non-current receivables recognised at the end of the first nine months of the year refer to guarantee deposits for Euro 1,156 thousand and other receivables for Euro 1,626 thousand. The latter also include the receivable from the municipality of Santorso, equal to Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31<sup>st</sup> December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

As of 30<sup>th</sup> September 2019, there is an on-going litigation with the municipality mentioned, in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these interim financial statements.

## 6. Non-current financial assets

The table below shows the balance of non-current financial assets at the end of each reporting period:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Other receivables of a financial nature over 12 months	2,765		2,765	1,122
<b>Non-current financial assets</b>	<b>2,765</b>		<b>2,765</b>	<b>1,122</b>

Non-current financial assets increased from Euro 1,122 thousand in 2018, to Euro 2,765 thousand in the period in question, showing an increase of Euro 1,643 thousand. The change is mainly explained by the recognition of the receivable due 12 months after the reporting date from the municipality of Costabissara with which a settlement agreement was signed for assessing the value of the natural gas distribution infrastructure, which had been delivered on 1<sup>st</sup> October 2011. The parties agreed an amount of Euro 3,000 thousand, of which Euro 1,000 thousand to be paid within 30 days of signing the agreement, while the remainder will be paid in 12 annual instalments having the same

amount. The value entered under non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

## 7. Advance tax receivables

The following table highlights the balance of advance tax receivables at the end of each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Advance tax receivables	12,676	1,123	11,553	11,358
<b>Advance tax receivables</b>	<b>12,676</b>	<b>1,123</b>	<b>11,553</b>	<b>11,358</b>

Advance taxes increase from Euro 11,358 thousand to Euro 12,676 thousand, marking an increase of Euro 1,318 thousand, mainly attributable to the extension of the scope of consolidation which resulted in an increase in the item of Euro 1,123 thousand.

Net of the reclassification described and the extension of the scope of consolidation the item decreased by Euro 195 thousand.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30<sup>th</sup> September 2019 and at the time when it is estimated that any temporary differences will be carried forward.

## Current assets

### 8. Inventories

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.09.2019			31.12.2018		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	0	(0)	0	2,694	(35)	2,659
Fuels and warehouse materials	7,162	(39)	7,123	3,399	(39)	3,360
<b>Fuels and warehouse materials</b>	<b>7,162</b>	<b>(39)</b>	<b>7,123</b>	<b>6,093</b>	<b>(73)</b>	<b>6,020</b>

As of 30<sup>th</sup> September 2019, the inventories are equal to Euro 7,123 thousand, marking an increase of Euro 1,103 thousand as compared to 31<sup>st</sup> December 2018, mainly explained by the increase in the amount of material as well as the extension of the scope of consolidation which resulted in an increase in inventories of fuels and materials in stock for Euro 592 thousand.

The item Gas in stock amounts to 0 compared to Euro 2,659 thousand in the previous year, mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, which determined a decrease in the item of the same amount.

Goods in stock are used for maintenance works or for the construction of distribution plants. In the latter case materials are reclassified as Tangible Fixed Assets once installation is complete.

Inventories are entered net of the provision for loss in value of stock, equal to Euro 39 thousand, in order to adapt their value to the opportunities for their clearance or use.

## 9. Trade receivables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Receivables from customers	6,181	1,268	4,912	76,617
Receivables for invoices to be issued	14,817	478	14,339	94,046
Bad debt provisions	(506)	(39)	(468)	(3,715)
<b>Trade receivables</b>	<b>20,492</b>	<b>1,708</b>	<b>18,784</b>	<b>166,947</b>

Trade receivables decreased from Euro 166,947 thousand to Euro 20,492 thousand, marking a decrease of Euro 146,456 thousand. This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, which determined a decrease in the item of Euro 135,564 thousand. The extension of the scope of consolidation, on the other hand, determined the recognition of higher receivables for Euro 1,708 thousand.

Net of the effects described, the item decreased by Euro 12,599 thousand mainly due to the seasonality of the business. The trade receivables consist mainly in receivables from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located. The lower consumption of the end consumers in spring and summer consequently determines a decline in the receivables recognised in these months.

Receivables from customers are expressed net of the billing down payments and are payable within the following 12 months.

The provision for doubtful accounts mainly included the amounts set aside for risks on receivables suffered by the companies selling natural gas and electricity. The remainder, equal to Euro 506 thousand represents the risks of the Group distribution companies and did not require additional amounts due to the good capacity of the existing provisions. The increase recorded is ascribable to the extension of the scope of consolidation for Euro 39 thousand.

The changes in the provision for doubtful accounts during the first nine months of 2019 are shown in the following table:

(Thousands of Euro)	30.09.2019	30.09.2018
Bad debt provisions	3,715	5,358
Bad debt provisions from acquisitions	39	0
Provisions	0	1,964
Adoption IFRS 5 - Companies held for sale	(3,244)	
Use	(3)	(3,607)
<b>Final bad debt provision</b>	<b>506</b>	<b>3,715</b>

The uses shown in the table above are almost entirely explained by the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, which determined a decrease in the item of Euro 3,244 thousand.

The following table highlights the composition of accounts receivables for invoices issued based on ageing, highlighting the capacity of the allowance for doubtful accounts as compared to receivables with seniority:

(Thousands of Euro)	30.09.2019	31.12.2018
Gross trade receivable invoices issued	6,181	76,617
- allowance for doubtful accounts	(506)	(3,715)
<b>Net trade receivables for invoices issued</b>	<b>5,675</b>	<b>72,902</b>
<b>Aging of trade receivables for invoices issued</b>		
- to expire	4,356	65,052
- expired within 6 months	976	7,300
- overdue by 6 to 12 months	348	1,472
- expired more than 12 months	502	2,793

## 10. Other current assets

The following table shows the breakdown of the item at the end of the period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation	Equal consolidation	31.12.2018
Tax consolidation receivables	728	0	728	3,034
Annual pre-paid expenses	1,049	97	951	629
Advance payments to suppliers	1,748	171	1,577	2,769
annual accrued income	78	0	78	27
Receivables due from CSEA	44,137	2,850	41,286	25,029
VAT Receivables	1,650	14	1,636	2,854
UTF and Provincial/Regional Additional Tax receivables	74	0	74	8,612
Other receivables	0	0	0	159
Other receivables	2,496	449	2,047	1,948
<b>Other current assets</b>	<b>51,960</b>	<b>3,581</b>	<b>48,378</b>	<b>45,062</b>

Other current assets increase from Euro 45,062 thousand to Euro 51,960 thousand, marking an increase of Euro 6,897 thousand. The extension of the scope of consolidation resulted in an increase in other assets of Euro 3,581 thousand, influencing in particular the receivables from Cassa Servizi Energetici e Ambientali (CSEA). On the other hand, the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 4,362 thousand, affecting mainly the receivables from the Technical Offices of Finance, Regions and Provinces in relation to regional excise duties and additional taxes.

Net of the effects described, the item showed a decrease compared to 31<sup>st</sup> December 2018 of Euro 1,046 thousand mainly attributable to the higher receivables from Cassa Servizi Energetici ed ambientali in relation to energy efficiency certificates.

The other items that compose other current assets, on the other hand, decreased by Euro 4,109 thousand, partially offsetting the increase described.

At the reporting date, the national tax consolidation contract with Asco Holding S.p.A. ceased due to the lack of some necessary requirements. The receivables recorded refer to previous positions and do not relate to taxes accrued during the first nine months.

The receivables from the CSEA, equal to Euro 41,286 thousand, are calculated based on the quantities of energy efficiency certificates delivered in May 2019, but not collected at the reporting date, and the quantities accrued with respect to the 2019 target (regulatory period June 2019 - May 2020). The unit contribution used for the economic quantification of the fulfilment is equal to the final contribution communicated by the GSE for the 2019 target



(regulatory period June 2018 - May 2019) in relation to the certificates delivered, and equal to the fair value of the forecast contribution for the contributions being accrued and, at 30<sup>th</sup> September 2019, equal to Euro 250 (Euro 250 as of 30<sup>th</sup> September 2018; source STX).

## 10. Current financial assets

The following table shows the composition of current financial assets at the end of each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Associated companies	318		318	
Jointly controlled companies				844
Other financial current assets	305		305	136
<b>Current financial assets</b>	<b>623</b>	<b>0</b>	<b>623</b>	<b>981</b>

Current financial assets decreased by Euro 358 thousand, from Euro 981 thousand at 31<sup>st</sup> December 2018 to Euro 623 thousand in the period in question. At the end of the period, the item also included, in addition to the short-term portion of the receivables from the municipality of Creazzo, the short-term portion of the receivables, amounting to Euro 305 thousand from the municipality of Costabissara, with which the settlement agreement better described in the paragraph “non-current financial assets” herein was reached.

## 11. Tax receivables

The following table shows the composition of tax receivables at the end of each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Receivables related to IRAP	490		490	545
Receivables related to IRES	752		752	673
Other tax receivables	163	22	141	290
<b>Tax receivables</b>	<b>1,405</b>	<b>22</b>	<b>1,383</b>	<b>1,508</b>

Tax receivables decreased from Euro 1,508 thousand to Euro 1,405 thousand in the period in question, marking a decrease, considering the same consolidation scope, of Euro 125 thousand as compared to 31<sup>st</sup> December 2018. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 308 thousand. Net of the reclassification described, the item increased by Euro 424 thousand.

The item includes the residual credit, minus the taxes for the first nine months of 2019, of the IRAP advances paid and the IRES advances.

## 12. Cash and cash equivalents

The following table shows how the items are broken down for each period considered:

	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
<b>(Thousands of Euro)</b>				
Bank and post office deposits	82,785	1,037	81,748	66,632
Cash and cash equivalents on hand	15	0	15	18
<b>Cash and cash equivalents</b>	<b>82,800</b>	<b>1,037</b>	<b>81,763</b>	<b>66,650</b>

Cash and cash equivalents decreased from Euro 66,650 thousand to Euro 82,800 thousand in the period in question recording an increase of Euro 16,150 thousand and they mainly refer to the bank accounting balance and to the company funds. The extension of the scope of consolidation resulted in an increase in cash equivalents of Euro 1,037 thousand whereas the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 7,296 thousand.

For a better understanding of the changes in cash flows in the first nine months of the year, please refer to the statement of cash flows.

### Net financial position

At the end of the periods considered, the net financial position of the Group is the following:

	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
<b>(Thousands of Euro)</b>				
Cash and cash equivalents	82,800	1,037	81,763	66,650
Current financial assets	623		623	981
Current financial liabilities	(36,233)	0	(36,233)	(115)
Payables due to banks and financing institutions	(171,146)	(1,125)	(170,021)	(131,044)
Payables due to leasing companies within 12 months	0		0	0
<b>Net short-term financial position</b>	<b>(123,955)</b>	<b>(88)</b>	<b>(123,867)</b>	<b>(63,528)</b>
Non-current financial assets	2,765		2,765	1,122
Medium- and long-term bank loans	(71,279)		(71,279)	(55,111)
Non-current financial liabilities	(558)		(558)	0
<b>Net medium and long-term financial position</b>	<b>(69,072)</b>	<b>0</b>	<b>(69,072)</b>	<b>(53,989)</b>
<b>Net financial position</b>	<b>(193,028)</b>	<b>(88)</b>	<b>(192,940)</b>	<b>(117,517)</b>

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of the first nine months of financial year 2019" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

### 13. Current assets from derivative financial instruments

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Current assets from derivative financial instruments	0		0	123
<b>Current assets from derivative financial instruments</b>	<b>0</b>		<b>0</b>	<b>123</b>

The assets recorded at the end of 2018 for derivative contracts referred entirely to the sale of natural gas and consequently the balance was entirely reclassified under assets held for sale, in compliance with IFRS 5 as described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein.

With regard to the assets and liabilities related to assets from derivatives, please see the paragraph “Risk and uncertainty factors” herein, which illustrates their effects.

## Consolidated shareholders' equity

### 14. Shareholders' equity

Ascopiave S.p.A.'s share capital as of 30<sup>th</sup> September 2019 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

The shareholders' equity at the end of the periods considered is analysed in the following table:

(Thousands of Euro)	30.09.2019	31.12.2018
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(20,861)	(16,981)
Reserves	120,018	134,629
Group's Net Result	36,415	44,625
<b>Net equity of the Group</b>	<b>416,865</b>	<b>443,567</b>
Net equity of Others	2,633	2,428
Third parties Net Result	1,823	1,874
<b>Net equity of Others</b>	<b>4,456</b>	<b>4,303</b>
<b>Total Net equity</b>	<b>421,321</b>	<b>447,869</b>

Consolidated shareholders' equity at 30<sup>th</sup> September 2019 amounted to Euro 421,321 thousand, a decrease of Euro 26,548 thousand compared to 2018. Changes in the consolidated shareholders' equity during the first nine months of the year, excluding the result achieved, are mainly explained by the distribution of ordinary and extraordinary dividends approved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2019. In ordinary session, the Shareholders' Meeting resolved to distribute an ordinary dividend of Euro 0.125 per share and an extraordinary dividend of Euro 0.2133 for each of the 222,178,966 outstanding shares. This extraordinary dividend was paid together with the ordinary one on 8<sup>th</sup> May 2019, with ex-dividend date on 6<sup>th</sup> May 2019 and record date on 7<sup>th</sup> May 2019. The total disbursement amounted to Euro 75,163 thousand.

At the end of the first nine months of the year the company held treasury shares for a total value of Euro 20,861 thousand, up Euro 3,889 thousand compared to 31<sup>st</sup> December 2018. In fact, during the first nine months of the year,

specifically since 1<sup>st</sup> April, Ascopiave S.p.A., has purchased treasury shares on the electronic share market for a value of Euro 16,463 thousand.

During the first week of July 2019, 7,149,505 treasury shares were transferred to the company Anita S.r.l. as part of the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., the finalisation of which was communicated to the market on 25<sup>th</sup> June 2019.

As of 30<sup>th</sup> September 2019 Ascopiave S.p.A. held, subsequent to the purchases made during the period and the transfer of treasury shares to Anita S.r.l., 8,901,654 shares, equal to 3.797% of the share capital, for the value indicated above.

The hedge accounting reserve recorded at the end of 2018 was fully related to the sale of natural gas and consequently the balance was entirely reclassified under assets held for sale, in compliance with IFRS 5 as described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein. The hedge accounting reserve recorded at the end of the period represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations. Such reserve, as at 30<sup>th</sup> September 2019, shows a negative balance of Euro 395 thousand. At the reporting date, no effects were recorded in the income statement.

With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph “Risk and uncertainty factors” herein which highlights their effects.

#### *Net equity of minority interests*

This item includes the net assets and the result not attributable to the Group, and refers to third party shares of the subsidiaries Ascotrade S.p.A. and Etra Energia S.r.l..

## Non-current liabilities

### 15. Reserves for risks and charges

The following table shows how the item is broken down for each period considered:

<i>(Thousands of Euro)</i>	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Provisions for pension for gas sector employees	1,137	76	1,061	1,024
Other reserves for risks and charges	291	0	291	2,877
<b>Reserves for risks and charges</b>	<b>1,428</b>	<b>76</b>	<b>1,352</b>	<b>3,901</b>

Reserves for risks and charges decreased from Euro 3,901 thousand in 2018 to Euro 1,428 thousand in the period in question, thus recording a decrease of Euro 2,473 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 2,825 thousand; whereas the extension of the consolidation scope led to an increase in the item of Euro 76 thousand.

Net of the changes described, the item increased by Euro 275 thousand, mainly explained by the recognition of costs accrued in the period in question for long-term incentive plans. These amounts refer to the portion accrued in the first nine months of the current year and relate to the three-year period 2018-2020, as set out in the plans for the accrual of the bonus.

The changes in the period under examination are shown in the following table:

<b>(Thousands of Euro)</b>	
Reserves for risks and charges as of 1st January 2019	3,901
Reserves for risks and charges from acquisitions	76
Adoption IFRS 5 - Companies held for sale	(2,825)
Use of provisions for risks and charges	275
<b>Provisions for risks and charges 30th of September 2019</b>	<b>1,428</b>

The following table shows how the categories are broken down for each period considered:

<b>(Thousands of Euro)</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Coverage of losses associated companies	2,042	2,642
Risks on disputes with suppliers	235	235
Provision for treatment and similar obligations	968	1024
<b>Total</b>	<b>3,245</b>	<b>3,901</b>

The “retirement fund and similar obligations” item includes commitments to employees and directors regarding long-term incentive plans for the cash portion.

#### 16. Severance indemnity

Severance indemnity decreases from Euro 4,807 thousand as of 1<sup>st</sup> January 2019 to Euro 3,297 thousand as of 30<sup>th</sup> September 2019, marking a decrease of Euro 1,510 thousand. The change is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, with a decrease in the item of Euro 1,965 thousand, as well as the extension of the scope of consolidation which led to the recognition of the severance indemnity of the employees of Unigas Distribuzione Gas S.r.l. on the date of the merger through acquisition (Euro +801 thousand).

The following table shows how the item is broken down for each period considered:

<b>(Thousands of Euro)</b>	
Severance indemnity as of 1st January 2019	4,807
Values of new companies acquired	801
Retirement allowance	(1,247)
Payments for current services and work	848
Adoption IFRS 5 - Companies held for sale	(1,965)
Actuarial loss/(profits) of the period (*)	52
<b>Severance indemnity as of 30th of September 2019</b>	<b>3,297</b>

\* including the interest cost booked in the income statement.

## 17. Medium- and long-term loans

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018	30.09.2018
Loans from Prealpi	8,029		8,029	8,611	8,803
Loans from European Investment Bank	16,750		16,750	21,500	21,500
Loans from BNL	46,500		46,500	25,000	25,000
Loans from BPM	375	375	(0)	0	0
<b>Medium- and long-term bank loans</b>	<b>71,279</b>	<b>375</b>	<b>71,279</b>	<b>55,111</b>	<b>55,303</b>
Current portion of medium- and long-term bank loans	14,774	750	14,024	8,014	8,073
<b>Medium- and long-term bank loans</b>	<b>86,428</b>	<b>1,125</b>	<b>85,303</b>	<b>63,124</b>	<b>63,376</b>

Medium and long term loans, mainly represented as of 30<sup>th</sup> September 2019 by the payables of the Parent Company to BNL for Euro 55,000 thousand and the European Investment Bank for Euro 21,500 thousand, increase from Euro 63,124 thousand to Euro 85,303 thousand with an increase of Euro 22,179 thousand, explained by the payment of the instalments in the first half of the year and a new loan taken out in August 2019 with BNL to the tune of Euro 30,000 thousand. Considering only the portion due beyond the year, the total value increases from Euro 55,111 thousand to Euro 71,279 thousand, considering the same consolidation scope.

Specifically:

- For the loan with BNL, taken out in 2019 for an amount equal to Euro 30,000 thousand, equal to the residual debt of as of 30<sup>th</sup> September 2019, Euro 6,000 thousand were recorded under due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with IFRS, which will be calculated for the first time based on data of the financial statements as at 31<sup>st</sup> December 2019.
- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt of Euro 25,000 thousand as of 30<sup>th</sup> September 2019, with the recognition of Euro 2,500 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with IFRS; as of 31<sup>st</sup> December 2018 such covenants were met.
- Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 30<sup>th</sup> September 2019 is equal to Euro 21,500 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group's consolidated data prepared in compliance with IFRS, which could not be calculated as at 30<sup>th</sup> June 2019 due to the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5.
- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt of Euro 8,867 thousand as of 30<sup>th</sup> September 2019, with the recognition of Euro 773 thousand in due to banks and short-term loans.
- the loan with Banco BPM, disbursed in 2015 to Unigas Distribuzione Gas S.r.l. (merged into Ascopiave S.p.A. on 1<sup>st</sup> July 2019) for an amount of Euro 3,000 thousand, has a residual debt of Euro 1,125 thousand as of 30<sup>th</sup> September 2019, with the recognition of Euro 750 thousand in due to banks and short-term loans.

As a guarantee of the fulfilment of the obligations associated with the loan agreements with BNL (only the one taken out in 2017) and the European Investment Bank, the Parent Company has transferred to the banks a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions of the subsidiary AP Reti Gas S.p.A..

The following table shows the deadlines of medium- and long-term loans:

(Thousands of Euro)	31.12.2018
Year 2018	567
Year 2019	14,778
Year 2020	14,042
Year 2021	14,057
After 31st December 2022	42,984
<b>Medium and long-term loans</b>	<b>86,428</b>

## 18. Other non-current liabilities

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Security deposits	426	66	360	11,350
Multi-annual passive prepayments	19,488	803	18,684	16,653
<b>Other non-current liabilities</b>	<b>19,914</b>	<b>870</b>	<b>19,044</b>	<b>28,003</b>

Other non-current liabilities decreased from Euro 28,003 thousand in the previous year to Euro 19,914 thousand in the period in question, with a decrease of Euro 8,089 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 10,792 thousand mainly due to the security deposits of gas and electricity users. The extension of the scope of consolidation, on the other hand, led to an increase in the item of Euro 870 thousand, mainly attributable to long-term deferred income.

Net of the changes described, the item increased by Euro 1,833 thousand due to the performance of long-term deferred income. Long-term deferred income was recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

Security deposits recorded at the end of the first nine months of the year refer to deposits received from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located, for the transport of the raw material.

## 19. Non-current financial liabilities

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Debts for rights of use beyond 12 months	558		558	
<b>Non-current financial liabilities</b>	<b>558</b>		<b>558</b>	<b>(0)</b>

On 1<sup>st</sup> January 2019, the Group applied IFRS 16 for the first time. The first adoption of the standard, with the “modified retrospective approach” method, led to the recognition of non-current financial liabilities equal to Euro 646 thousand. The decrease recorded at 30<sup>th</sup> September 2019 is explained by the short-term reclassification of the principal amount that will be repaid within the next twelve months.

## 20. Deferred tax payables

The following table shows the balance of the item at the end of each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Deferred tax payables	12,610		12,610	14,534
<b>Deferred tax payables</b>	<b>12,610</b>		<b>12,610</b>	<b>14,534</b>

Payables for deferred taxation decrease from Euro 14,534 thousand in the previous year to Euro 12,610 thousand, marking a decrease of Euro 1,924 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 1,503 thousand mainly due to the dynamics of amortisations in the client lists.

Net of the change described, deferred tax payables decreased by Euro 421 thousand and mainly include the tax effects deriving from the dynamics of amortisation of gas distribution networks.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30<sup>th</sup> September 2019 and the time when it is estimated that any temporary differences will be carried forward.

## Current liabilities

### 21. Amounts due to banks and current portion of medium- / long-term loans

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Payables due to banks	155,996		155,996	123,031
Current portion of medium-long-term loans	14,774	750	14,024	8,014
<b>Payables due to banks and financing institutions</b>	<b>170,771</b>	<b>750</b>	<b>170,020</b>	<b>131,044</b>

Payables to banks increase from Euro 131,044 thousand in the previous year to Euro 170,771 thousand in the period in question, marking an increase of Euro 39,726 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 24 thousand.



## 22. Trade payables

The following table shows how the item is broken down at the end of each period considered:

	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
<b>(Thousands of Euro)</b>				
Payables to suppliers	489	513	(24)	70,907
Payables to suppliers for invoices not yet received	41,404	2,465	38,938	60,278
<b>Trade payables</b>	<b>41,893</b>	<b>2,979</b>	<b>38,914</b>	<b>131,185</b>

Trade payables decrease from Euro 131,185 thousand in the previous year to Euro 41,893 thousand in the period in question, marking a decrease of Euro 89,292 thousand. The change is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, which determined a decrease in the item of Euro 97,971 thousand. The amounts reclassified are largely related to the purchase and transport of the raw materials gas and electricity. The extension of the scope of consolidation, on the other hand, led to the recognition of trade payables totalling Euro 2,979 thousand.

Net of the effects described, trade payables increased by Euro 5,700 thousand.

The item mainly includes the payables to suppliers of materials and services for the extension or maintenance of the natural gas distribution network as well as for consultancy services received during the period in question.

The item also includes the payables connected with the purchase of the energy efficiency certificates needed to achieve the energy saving objectives that the Group distribution companies must fulfil.

These are calculated by evaluating the amounts of certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit cost of certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30<sup>th</sup> September 2019 and amounting to Euro 260 (Euro 260 as of 30<sup>th</sup> September 2018).

## 23. Payables to tax authorities

The following table shows how the item is broken down at the end of each period considered:

	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
<b>(Thousands of Euro)</b>				
IRAP payables	416	9	407	169
IRES payables	2,069	83	1,986	38
<b>Tax payables</b>	<b>2,485</b>	<b>92</b>	<b>2,393</b>	<b>207</b>

Tax payables increase from Euro 207 thousand in the previous year to Euro 2,485 thousand in the period in question, marking an increase of Euro 2,278 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 143 thousand, whereas the extension of the scope of consolidation led to the recognition of payables for Euro 92 thousand.

Consequently, net of the reclassifications described, the item showed an increase of Euro 2,330 thousand.

The item includes the residual receivable, minus the taxes for the first nine months of 2019, of the IRAP advances paid and the IRES advances.

## 24. Other current liabilities

The following table shows how the item is broken down for each period considered:

	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
<b>(Thousands of Euro)</b>				
Advance payments from customers	212	21	191	505
Amounts due to parent companies for tax consolidation	17	(0)	17	551
Amounts due to social security institutions	461	100	361	1,805
Amounts due to employees	4,030	310	3,720	5,026
VAT payables	256	48	207	7,170
Payables to revenue office for withholding tax	283	83	200	1,222
Annual passive prepayments	528	22	506	452
Annual passive accruals	397	31	366	509
UTF and Provincial/Regional Additional Tax payables	0	(0)	0	572
liabilities for short-term purchase commitments	0	(0)	0	172
Other payables	10,528	3,217	7,311	9,555
<b>Other current liabilities</b>	<b>16,712</b>	<b>3,833</b>	<b>12,880</b>	<b>27,539</b>

Other current liabilities decreased from Euro 27,539 thousand in 2018 to Euro 16,712 thousand in the period in question, marking a decrease of Euro 10,827 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 12,245 thousand mainly involving VAT payable.

The extension of the scope of consolidation, on the other hand, led to the recognition of other current liabilities totalling Euro 3,833 thousand. Consequently, net of the changes described, the item showed a decrease of Euro 2,414 thousand attributable to other payables.

### Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of 30<sup>th</sup> September 2019.

### Tax consolidation payables

At the reporting date, the national tax consolidation contract with Asco Holding S.p.A. ceased due to the lack of some necessary requirements. The payables recorded refer to previous positions and do not relate to taxes accrued during the first nine months.

### Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employees and directors, accrued as 30<sup>th</sup> September 2019 but not yet paid on that date.

### Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30<sup>th</sup> September 2019 but not paid out on that date as well as social security contributions.

#### VAT payables

Payables to the tax authorities for VAT at the end of the first nine months of the year amount to Euro 256 thousand. The significant decrease recorded as against the previous year is explained by the reclassification of the balances recorded by the Group sales companies that were reclassified under liabilities held for sale.

#### Annual deferred income

They are mainly related to revenues from cogeneration/heat supply as well as contributions received for the construction of the natural gas distribution network and connections.

#### Annual accrued liabilities

Accrued liabilities refer mainly to State fees and the fees granted to local licensing bodies for the extension of the concession for the distribution of natural gas, awaiting the territorial calls for tenders.

#### UTF payables and Additional Regional/Provincial Tax

At the end of the first nine months of the year, no values were entered in the item since the payables recorded were reclassified under liabilities held for sale. Such payables were fully accrued and recorded by the Group sales companies.

#### Liabilities for forward sales

At the end of the previous year, the item represented the current value of the contractual commitments for physical deliveries for the period January - September 2019 for the raw material and for the transportation service and consequently were entirely reclassified under liabilities held for sale.

#### Other payables

As of 30<sup>th</sup> September 2019, the item amounts to Euro 10,528 thousand and records, considering the same consolidation scope, a decrease of Euro 2,244 thousand as compared to the previous year. The decrease is mainly related to lower payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport. The item also includes payables for personnel charges accrued as of 30<sup>th</sup> September 2019.

### 25. Current financial liabilities

The following table shows how the item is broken down for each period considered:

	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
<b>(Thousands of Euro)</b>				
Financial payables within 12 months	35,804	(0)	35,804	115
Payables to leasing companies within 12 months	429	(0)	429	(0)
<b>Current financial liabilities</b>	<b>36,233</b>	<b>(0)</b>	<b>36,233</b>	<b>115</b>

Current financial liabilities increase from Euro 115 thousand in 2018 to Euro 36,233 thousand in the period in question, marking an increase of Euro 36,118 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 19,281 thousand; net of this change, the item increased by Euro 55,399 thousand.

This increase is mainly explained by the balances of the cash pooling current accounts with the subsidiaries that were reclassified under assets and liabilities held for sale, totalling Euro 50.252 thousand.

As mentioned in the paragraph "Non-current financial liabilities" herein, on 1<sup>st</sup> January 2019, the financial payables related to operating leases were recognised for the first time upon the first application of IFRS 16. The first adoption of the standard led to the recognition of Euro 453 thousand of higher payables. At the end of the first half of the year,

the item did not show significant changes as the principal repayments made during the period were offset by the reclassification of the portions that will be paid within the next twelve months from the reporting date.

## 26. Current liabilities from derivative financial instruments

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.09.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
Liabilities on derivatives on raw materials	0		0	1216
Liabilities on derivatives on interest rates	395		395	0
<b>Current liabilities from derivative financial instruments</b>	<b>395</b>	<b>(0)</b>	<b>395</b>	<b>1,216</b>

The liabilities recorded at the end of 2018 for derivative contracts were entirely connected to the purchase of natural gas and consequently the balance was fully reclassified under assets held for sale, in compliance with IFRS 5 as described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein.

The balances entered at the end of the first nine months represent the current value of the derivative contracts signed by Ascopiave S.p.A. in order to hedge against interest rate fluctuations.

With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph “Risk and uncertainty factors” herein, which illustrates their effects.

#	Rif. Deal	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1		BNL	Interest Rate Swap	Euribor 6M	09-Aug-19	09-Feb-20	09-Aug-24	Vanilla: Fixed - Float	27,000,000 €	207
2		Credit Agricole	Interest Rate Swap	Euribor 6M	27-Sep-19	01-Oct-19	27-Sep-24	Vanilla: Fixed - Float	30,000,000 €	188
<b>Total</b>									<b>57,000,000 €</b>	<b>395</b>

## COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

### Revenues

#### 28. Revenues

The following table shows the composition of the item by type of activity in the fiscal periods considered:

(Thousands of Euro)	Nine months	
	2019	2018
Revenues from gas transportation	58,617	55,042
Revenues from connections	268	198
Revenues from heat supply	6	(0)
Revenues from distribution services	3,427	5,099
Revenues from services supplied to Group companies	5,431	6,850
Revenues from ARERA contributions	21,032	19,127
Other revenues	1,235	1,277
<b>Revenues</b>	<b>90,017</b>	<b>87,592</b>

At the end of the first nine months of 2019, the Ascopiave Group's revenues amounted to Euro 90,017 thousand, an increase of Euro 2,424 thousand as compared to the same period in the previous year (Euro 87,592 thousand). The increase is mainly explained by higher revenues from transportation of natural gas on the Group's distribution network (Euro +3,575 thousand) and higher contributions recorded for the achievement of energy saving targets (Euro +1.906 thousand), which were partially offset by lower revenues from services rendered as distributors (Euro -1,672 thousand), and lower revenues achieved for services rendered to other Group companies (Euro -1,419 thousand).

Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* on the distribution network generated revenues for Euro 58,617 thousand, marking an increase of Euro 3,575 thousand as compared to the same period in the previous year. The change is mainly explained by the recognition of the Restriction on total revenues related to the facilities managed by Unigas Distribuzione Gas S.r.l. subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; such revenues were previously recorded in financial income and charges under the item "profit/loss of companies measured with the equity method".

The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by ARERA. The item "revenues from gas transport" includes a positive equalisation amount of Euro 3,116 thousand, a decrease as compared to the same period in the previous year of Euro 2,521 thousand. The equalisation amount varies according to the seasonality and the temperature trend as it results from the difference between the revenues charged to the sales companies for the natural gas transport service (contracts due to lower consumption) and the Restriction on Total Revenues recognised in the period in question.

The revenues derived from *services provided by distributors*, being equal to Euro 3,427 thousand, show a decrease as compared to the same period in the previous year of Euro 1,672 thousand. The decrease is partly explained by contributions amounting to Euro 765 thousand registered in the first nine months of 2018 and related to the construction of the distribution network in parcelling.

Revenues for *services provided to Group companies* show a decrease of Euro 1,419 thousand as compared to the same period in the previous year and amount to Euro 5,431 thousand as of 30<sup>th</sup> September 2019.

The *contributions made by the Regulatory Authority for Energy, Networks and the Environment*, at the end of the period considered, amount to Euro 21,032 thousand, recording an increase of Euro 1,906 thousand as compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the distributors to which such obligations apply. The contributions recognised as of 30<sup>th</sup> September 2019 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2019 target (regulatory period

June 2019 - May 2020). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the final contribution communicated by GSE for the 2019 target (regulatory period June 2018 - May 2019) for the certificates delivered, and equal to the fair value of the forecast contribution for the contributions being accrued and, as of 30<sup>th</sup> September 2019, equal to Euro 250 (Euro 250 as of 30<sup>th</sup> September 2018; source STX).

The item “*Other revenues*” decreased from Euro 1,277 thousand in the first nine months of 2018, to Euro 1,235 thousand in the period in question, substantially in line with the previous period.

### 30. Cost of other raw materials

The following table shows the costs relating to the purchase of other raw materials during the relevant financial periods:

(Thousands of Euro)	Nine months	
	2019	2018
Purchase of other raw material	1,712	1,566
<b>Purchase costs for other raw materials</b>	<b>1,712</b>	<b>1,566</b>

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 1,712 thousand, an increase of Euro 146 thousand as compared to the same period in the previous year. The change is mainly explained by the recognition of the costs incurred upon conducting the activities in the facilities managed by Unigas Distribuzione Gas S.r.l. subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item “profit/loss of companies measured with the equity method”.

This item mainly includes costs related to the purchase of materials for the maintenance of the natural gas distribution infrastructure and odorization.

### 31. Costs for services

Costs for services for the relevant periods are analysed in the following table:

(Thousands of Euro)	2019	2018
Costs for counting meters reading	513	559
Costs for mailing bills	4	(0)
Mailing and telegraph costs	100	104
Maintenance and repairs	2,131	2,185
Consulting services	3,292	2,896
Commercial services and advertisement	65	80
Sundry suppliers	1,267	1,074
Directors' and Statutory Auditors' fees	917	612
Insurances	443	435
Personnel costs	478	513
Other managing expenses	1,157	993
Costs for use of third-party assets	13,464	12,536
<b>Costs for services</b>	<b>23,831</b>	<b>21,986</b>

The costs for *services* incurred in the first nine months increase by Euro 1,845 thousand as compared to the same period in the previous year, from Euro 21,986 thousand in the first nine months of 2018 to Euro 23,831 thousand in the period in question, mainly due to the higher costs incurred for the use of third-party assets and the greater consulting

services received.

The costs incurred for *metre reading*, amounting to Euro 513 thousand, are substantially in line with the first nine months of 2018 (Euro 557 thousand as of 30<sup>th</sup> September 2018).

The costs for *maintenance and repairs* decrease from Euro 2,185 thousand in the first nine months of 2018, to Euro 2,131 thousand in the period in question, a minor change.

At the end of the first nine months of the year, the costs incurred for consultancy amounted to Euro 3,292 thousand, an increase of Euro 397 thousand. The change is mainly related to the costs incurred for extraordinary operations initiated by the Group in the reference period and better described in the paragraph “Significant events during the first nine months of 2019” herein.

The item costs for use of third-party assets mainly includes the fees paid to the Local Authorities for the management of natural gas distribution concessions and recorded an increase of Euro 928 thousand compared to the first nine months of 2018. The change is mainly explained by the recognition of fees accrued as concerns the facilities managed by Unigas Distribuzione Gas S.r.l. subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item “profit/loss of companies measured with the equity method”.

The increase recorded was partly offset by the effects of the first application of IFRS 16. The methods for recognising operating leases led to the entry of lower costs for the use of third-party assets totalling Euro 185 thousand, such as lower fees recorded for rentals of branch offices, company vehicles and printers.

### 32. Costs for staff

The following table shows the breakdown of personnel costs in the years considered:

(migliaia di Euro)	Nine months	
	2019	2018
Wages and salaries	11,369	12,916
Social security contributions	3,581	3,873
Severance indemnity	848	871
Other costs	56	25
<b>Total personnel costs</b>	<b>15,854</b>	<b>17,685</b>
Capitalized personnel costs	(4,875)	(5,047)
<b>Personnel costs</b>	<b>10,979</b>	<b>12,278</b>

The cost for staff is net of costs capitalised by the companies of natural gas distribution as against increases in intangible assets for works performed on a time and material basis, which are directly attributed to the implementation of facilities for the distribution of natural gas and recorded as an asset.

Costs for staff decrease from Euro 17,685 thousand in the first nine months of 2018 to Euro 15,854 thousand in the period in question, showing a decrease of Euro 1,831 thousand. The change is mainly explained by the non-recurring items recorded in 2018 in relation to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year. The agreements signed with them led to the recognition of higher costs totalling Euro 2,411 thousand. Net of the effect described, personnel costs increased by Euro 580 thousand, mainly due to the extension of the consolidation scope subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. which took place on 1<sup>st</sup> July 2019. At the end of the first nine months, costs for long-term incentive plans were recognised totalling Euro 322 thousand.

In accordance with IFRS 2, the cost of the long-term incentive plans had an offsetting item in the shareholders’ equity reserves for Euro 48 thousand for the portion to be paid in shares and in the retirement funds for Euro 274 thousand for the cash portion. The amounts recorded for long-term incentive plans refer to the first year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

Capitalised personnel cost registered a decrease of Euro 531 thousand, from Euro 5,407 thousand in the previous period, to Euro 4,875 thousand in the period in question.

Personnel costs consequently decreased by Euro 1,299 thousand.

The table below shows the average number of Group employees in continuing operations by category at the end of the indicated periods:

Description	30.09.2019	30.09.2018	Variation
Managers (average)	13	13	0
Office workers (average)	234	216	18
Manual workers (average)	123	120	3
<b>No. of persoal employed</b>	<b>370</b>	<b>349</b>	<b>21</b>

Description	30.09.2019	30.09.2018	Variation
Managers (average)	4	4	0
Office workers (average)	182	182	-1
Manual workers (average)	0	0	0
<b>No. of persoal employed of the companies hel for sale</b>	<b>186</b>	<b>186</b>	<b>-1</b>
<b>No. of persoal employed</b>	<b>555</b>	<b>535</b>	<b>-1</b>

### 33. Other operating costs

The following table shows the breakdown of other operating costs in the periods considered:

(Thousands of Euro)	Nine months	
	2019	2018
Membership and ARERA fees	397	445
Capital losses	450	648
Extraordinary losses	32	885
Other taxes	553	511
Other costs	258	407
Costs of contracts	340	157
Energy efficiency certificates	22,448	16,561
<b>Other management costs</b>	<b>24,477</b>	<b>19,618</b>

Other operating costs, increasing from Euro 19,618 in the first nine months of 2018 to Euro 24,477 thousand in the period in question, show an increase of Euro 4,859 thousand; this change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +5,887 thousand).

The costs recognised as of 30<sup>th</sup> September 2019 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30<sup>th</sup> September 2019 and amounting to Euro 260 source STX (Euro 260 as of 30<sup>th</sup> September 2018).

The increase is partly explained by the extension of the scope of consolidation subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. effective 1<sup>st</sup> July 2019, which resulted in the recognition of costs related to the objectives applicable to such company. The increase in the costs booked for efficiency and energy saving objectives was only partially offset by lower contingent liabilities recognised during the period under examination. In the first nine months of 2018, Euro 821 thousand were recorded due to the alignment of non-current deferred income with the amount of contributions deducted from the assets.



### 34. Other operating revenues

The following table shows a breakdown of other operating income in the periods considered:

(Thousands of Euro)	Nine months	
	2019	2018
Other income	1,443	300
<b>Other income</b>	<b>(1,443)</b>	<b>(300)</b>

At the end of the period considered, the item “other operating income” shows an increase of Euro 1,143 thousand, from Euro 300 thousand on 30<sup>th</sup> September 2018, to Euro 1,443 thousand in the period considered.

The change is mainly explained by the recognition of the surplus value connected with the settlement agreement signed with the municipality of Costabissara, described in the paragraph “Non-current financial assets”, and concerning the value of the sale of the distribution facilities on 1<sup>st</sup> October 2011.

### 35. Amortisation, depreciation and write-downs

Amortisation and depreciation for the relevant periods are analysed in the following table:

(Thousands of Euro)	Nine months	
	2019	2018
Intangible fixed assets	15,659	14,066
Tangible fixed assets	1,753	1,600
<b>Amortization and depreciation</b>	<b>17,412</b>	<b>15,666</b>

Amortisation and depreciation show an increase of Euro 1,745 thousand as compared to the same period in the previous year, from Euro 15,666 thousand on 30<sup>th</sup> September 2018, to Euro 17,412 thousand in the period in question.

The increase is partly explained by the extension of the scope of consolidation subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. effective 1<sup>st</sup> July 2019, which resulted in the recognition of amortisation and depreciation related to the assets previously managed by the company.

The recognition method of operating leases led to the entry of higher amortisation and depreciation costs totalling Euro 239 thousand for the rental of peripheral headquarters, company cars and printers.

## Financial income and expense

### 36. Financial income and expense

The following table shows a breakdown of financial income and expenses in the periods considered:

(Thousands of Euro)	Nine months	
	2019	2018
Interest income on bank and post office accounts	52	11
Other interest income	55	70
<b>Financial income</b>	<b>107</b>	<b>82</b>
Interest expense on banks	69	46
Interest expense on loans	642	680
Other financial expenses	166	201
<b>Financial charges</b>	<b>878</b>	<b>927</b>
Evaluation of subsidiary companies with net equity method	648	671
<b>Evaluation of subsidiary companies with the net equity method</b>	<b>648</b>	<b>671</b>
<b>Total net financial expenses</b>	<b>122</b>	<b>174</b>

At the end of the first nine months of 2019, the balance between financial income and expenses showed a loss of Euro 771 thousand, a decrease as compared to the same period in the previous year of Euro 75 thousand. The change is mainly explained by the lower financial charges paid to the Group companies held for sale and higher interest income. Subsequent to the first application of IFRS 16, the payment of operating lease fees determines the decrease in current financial liabilities for lease payables for the principal amount and the entry of financial charges. At the end of the first nine months of the year, this led to the recognition of Euro 20 thousand.

The item "Result quota from jointly controlled companies" includes the net results achieved by the jointly controlled companies in the reference period; they decreased slightly and amount to Euro 648 thousand. This result corresponds to the profit achieved by Unigas Distribuzione Gas S.r.l. as of 30<sup>th</sup> June 2019 and is unchanged with respect to the result consolidated upon preparing the Consolidated half-year financial statements. On 1<sup>st</sup> July 2019, the merger through acquisition approved by the shareholders of the companies took effect. The items that made up this net change are consequently fully recorded in the Group's consolidated financial statements effective that date.

## Taxes

### 37. Taxes in the reference period

The table below shows the breakdown of income taxes over the periods considered, distinguishing the current component from the deferred and advance ones:

(Thousands of Euro)	Nine months	
	2019	2018
IRES current taxes	5,167	5,569
IRAP current taxes	802	1,158
(Advance)/Deferred taxes	(1,057)	(940)
Taxes previous years	(116)	
<b>Taxes for the period</b>	<b>4,797</b>	<b>5,787</b>

Taxes accrued decreased from Euro 5,787 thousand in the first nine months of the previous year, to Euro 4,797 thousand in the period in question, recording a decrease of Euro 990 thousand mainly due to a decrease in result before tax.

The table below shows the incidence of tax on the result before tax for the periods considered:

(Thousands of Euro)	Nine months	
	2019	2018
Earnings before tax	12,926	16,604
Taxes for the period	4,797	5,787
<b>Percentage of income before taxes</b>	<b>37.1%</b>	<b>34.9%</b>

The tax-rate as of 30<sup>th</sup> September 2019 is 37.1% an increase of 2.3% as compared to the same period in the previous year.

## Net result of assets held for sale

The following table shows the details of the net result of the companies held for sale in the periods considered:

(Thousands of Euro)	Nine months	
	2019	2018
Net Result of companies held for sale	30,109	20,461

The net result of the companies held for sale at 30<sup>th</sup> September 2019 is equal to Euro 30,109 thousand, marking an increase of 47.2% as compared to the same period in the previous year. For a better understanding of the operating results, balance sheet and cash flows of the companies reclassified in accordance with IFRS 5, please refer to the paragraph “Operating results, balance sheet and cash flows of companies held for sale”.

## Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005, we inform you that on 31<sup>st</sup> July 2019, with reference to the resolution 32/2019/R/GAS issued by the Regulatory Authority for Energy Networks and the Environment on 29<sup>th</sup> January 2019, Cassa per i Servizi Energetici Ambientali (CSEA) communicated to the Group’s sales companies the amount to be received deriving from the recalculation of the de-multiplication coefficient K, which was modified with Authority resolution 89/10. The Group’s sales companies had adopted the mechanism proposed by the Authority and submitted the requests for reimbursement within the time prescribed by current regulations. At the end of the first nine months of the year, the item “result of the companies consolidated with the equity method” consequently includes Euro 5,896 thousand (Euro 8,178 thousand of higher revenues from natural gas sales, net of the relevant tax effect), related to such payment and which are non-recurring.

The item “Cost for staff” includes costs to the tune of Euro 2,411 thousand related to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year.

The item “result of the companies held for sale” in 2018 shows revenues amounting to Euro 8,737 thousand and costs totalling Euro 10,818 thousand respectively, related to the so-called Gas Settlement. In June 2018, Snam Rete Gas published the volumetric differentials connected to the settlement of the volumes allocated in the station for the years 2013-2016 as well as the volumetric differential introduced by means of resolutions 670/2017/R/gas and 782/2017/R/gas which envisaged the neutralisation of the in-output delta for users of the distribution network. The settlement of the volumes in the station led to the recognition of higher costs for Euro 2,668 thousand and higher revenues for Euro 3,565 thousand. The differential related to the quantity of gas injected into the local distribution network and withdrawn by the end customers, on the other hand, led to the recognition of higher costs for Euro 8,149 thousand and higher revenues for Euro 5,172 thousand. These income components, due to their long-term effects, were not recurrent.

## Transactions deriving from unusual and/or atypical operations

Pursuant to CONSOB communication no. DEM/6064296 dated 28<sup>th</sup> July 2006, we report that, during the first nine months of the year, no unusual and/or atypical operations occurred.

## Operating results, balance sheet and cash flows of companies held for sale

### Operating results of the companies held for sale

The table below shows the income statement of the first nine months of the year of the companies held for sale reclassified pursuant to IFRS 5, compared with the results achieved by the same companies in the first nine months of 2018.

(Thousands of Euro)	Nine months	
	2019	2018
<b>Revenues</b>	<b>387,982</b>	<b>360,152</b>
<b>Total operating costs</b>	<b>351,087</b>	<b>336,342</b>
Purchase costs for raw material (gas)	228,103	220,042
Costs for services	113,793	107,446
Costs for personnel	7,463	7,058
Other management costs	1,728	1,730
Other income	0	66
Amortization and depreciation	1,534	1,690
<b>Operating result</b>	<b>35,360</b>	<b>22,119</b>
Financial income	193	256
Evaluation of subsidiary companies with the net equity method	4,645	4,467
<b>Earnings before tax</b>	<b>40,198</b>	<b>26,843</b>
Taxes for the period	10,089	6,382
<b>Result for the period</b>	<b>30,109</b>	<b>20,461</b>

In the first nine months of 2019, the revenues of the Group companies held for sale amounted to Euro 387,982 thousand, marking an increase of 7.7% as compared to the same period in the previous year.

The gross operating margin achieved during the first nine months of the year amounted to Euro 38,219 thousand, marking an increase of Euro 13,162 thousand, mainly attributable to the non-recurrent items that caused higher margins achieved by the sale of natural gas and electricity.

The increase in the **first margin on the activity of gas sale** (from Euro 40,258 thousand to Euro 49,443 thousand) was mainly influenced by the recognition of the amounts deriving from the recalculation of the coefficient “k” with a positive effect on the margin equal to Euro 8,178 thousand better described in the paragraph “Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29<sup>th</sup> January 2019” herein. The margin was also significantly influenced by the effects of the so-called gas settlement, which negatively affected the gas margins in the first nine months of 2018 for Euro -2,080 thousand, while it showed an opposite effect in the period in question equal to Euro 2,121 thousand, resulting in an overall change of Euro 4,201 thousand. Net of the effects described, better illustrated in the paragraph “Evolution of the adjustment sessions of natural gas allocations”, the margin of the gas sales activity recorded a decrease, mainly explained by the lower amounts of gas sold in the period in question due to the mild temperatures recorded in the first quarter of the year.

The **first margin resulting from gas trading** at the end of the first nine months of 2019 was Euro 86 thousand, marking an increase of Euro 69 thousand as compared to the same period in the previous year. The margin represents the economic effects deriving from the contracts signed for the purchase and sale on the PSV Italian market and Austrian VTP market, as well as the transport and export capacity from the Austrian raw material market. The revenue and cost components related to physical deliveries during the period as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period

October - March 2019 for the raw material and October 2019 - September 2020 for transport, since these are forward transactions, at the reporting date were booked at current value.

The increase in the **first margin on the activity of electricity sales**, from Euro 3,950 thousand to Euro 6,690 thousand, is mainly explained by the higher volumes of electricity sold during the first nine months of the year, due to the higher number of customers. The margin is also influenced by the review of the estimate conducted at the end of the first nine months of 2018 of receivables and payables for invoices to be issued and received relating to previous years, which led to the recognition of a greater charge equal to Euro 1,374 thousand. Sales are estimated based on data communicated by the national and local operators of the distribution networks. The verification of the actual customer consumption can determine corrections and consequent adjustments up to five years later.

The **operating result** of the Group companies held for sale in the first nine months of 2019 amounted to Euro 35,360 thousand, recording an increase of Euro 13,240 thousand (+59.9%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the first margin on the activity of gas sales, equal to Euro 9,254 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 2,741 thousand;
- positive change in other items of cost and revenues, equal to Euro 1,246 thousand.

The positive change in the item **other costs and revenues** of the Group companies held for sale, amounting to Euro 1,246 thousand, is due to:

- lower other revenues for Euro 326 thousand;
- lower material and service costs and other charges equalling Euro 1,898 thousand;
- an increase in personnel cost for Euro 405 thousand;
- a decrease in amortisation and depreciation of fixed assets for Euro 156 thousand;
- higher bad debts provisions for Euro 77 thousand.

The **net consolidated profit** of the Group companies held for sale in the first nine months of 2019 amounts to Euro 30,109 thousand, an increase of Euro 9,648 thousand (+47.2%) as compared to the same period in the previous year.

This change is due to the following factors:

- an increase in the operating result, as previously stated, for Euro 13,240 thousand;
- higher result of companies consolidated through the equity method for Euro 178 thousand;
- a decrease in the balance financial revenues/charges for Euro 63 thousand;
- an increase in taxes for Euro 3,707 thousand, due to the higher taxable income in the period in question.

The tax rate of the Group companies held for sale, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreased from 28.5% in the first nine months of 2018 to 28.4%.

## Balance sheet

The table below shows the balance sheets at 30<sup>th</sup> September 2019 of the companies held for sale reclassified in accordance with IFRS 5 as compared with the equity stocks as of 31<sup>st</sup> December 2018.

(Thousands of Euro)	30.09.2019	31.12.2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	56,362	56,362
Other intangible assets	1,471	2,608
Tangible assets	1,670	265
Shareholdings	44,789	46,809
Other non-current assets	7,867	7,841
Advance tax receivables	544	351
<b>Non-current assets</b>	<b>112,703</b>	<b>114,237</b>
<b>Current assets</b>		
Inventories	2,422	2,659
Trade receivables	92,136	159,416
Other current assets	10,231	9,217
Current financial assets	34,918	19,395
Tax receivables	305	308
Cash and cash equivalents	7,445	7,297
Current assets from derivative financial instrument	82	123
<b>Current assets</b>	<b>147,539</b>	<b>198,416</b>
<b>ASSETS</b>	<b>260,242</b>	<b>312,653</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions for risks and charges	2,368	2,825
Severance indemnity	1,804	1,965
Other non-current liabilities	10,508	10,792
Non-current financial liabilities	816	0
Deferred tax payables	1,257	1,503
<b>Non-current liabilities</b>	<b>16,752</b>	<b>17,085</b>
<b>Current liabilities</b>		
Payables due to banks and financing institutions	9	25
Trade payables	63,507	126,624
Tax payables	6,993	143
Other current liabilities	21,092	12,298
Current financial liabilities	893	5,406
Current liabilities from derivative financial instrument	734	1,216
<b>Current liabilities</b>	<b>93,210</b>	<b>145,712</b>
<b>Liabilities</b>	<b>109,963</b>	<b>162,796</b>
<b>Net equity</b>	<b>150,279</b>	<b>149,857</b>
<b>Net equity and liabilities</b>	<b>260,242</b>	<b>312,653</b>

The main changes recorded during the period are highlighted by the items connected with the working capital which showed a significant decrease due to the seasonal nature of the raw material marketing business. The net balance of current assets and liabilities increased from Euro 52,704 thousand on 31<sup>st</sup> December 2018, to Euro 54,329 thousand in the period in question.

Current assets amount to Euro 147,539 thousand, a decrease of Euro 50,877 thousand compared to the previous year, mainly explained by the lower receivables from end customers for gas consumption, which is particularly influenced by the thermal trend as consumption is concentrated in winter. This decrease was partly offset by the increase in current financial assets for Euro 15,523 thousand, which represent the balances of the cash pooling current accounts signed with the parent company Ascopiave S.p.A..

Current liabilities amount to Euro 93,210 thousand, a decrease of Euro 52,502 thousand compared to the previous year, mainly explained by the lower payables to suppliers and distributors of natural gas, due to the seasonality of consumption. This decrease was partly offset by the increase of Euro 8,794 thousand in other current liabilities, mainly explained by the higher payables for indirect taxes (VAT) accrued during the quarter and the change recorded with respect to 31<sup>st</sup> December 2018 is explained by the advances paid by the end of the year as per current legislation. The first adoption of IFRS 16 on 1<sup>st</sup> January 2019 determined the recognition of greater fixed assets for rights of use for Euro 1,696 thousand and financial payables for leases having the same amount segmented between current and non-current.

The net financial position increased from Euro 21,262 thousand in 2018, to Euro 40,663 thousand in the period in question. For further details, please see the next paragraph "financial position".

## Financial position

The table below shows the cash flows generated and used by the companies held for sale reclassified pursuant to IFRS 5 as compared with the flows in the first nine months of 2018.

(Thousands of Euro)	Nine months	
	2019	2018
<b>Net income of the Group</b>	<b>28,286</b>	<b>19,153</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>		
Third-parties operating result	1,823	1,308
Amortization	1,534	1,690
Bad debts	1,325	1,248
Variations in severance indemnity	(161)	142
Current assets / liabilities on financial instruments	(441)	1,720
Net variation of other funds	0	(387)
Evaluation of subsidiaries with the net equity method	4,645	4,467
Taxes for the period	10,089	6,382
Interests for the period	66	52
Interests paid	(56)	(52)
Taxes paid	(718)	(3,119)
Inventories	238	(1,888)
Accounts payable	65,955	71,018
Other current assets	(1,014)	7,406
Trade payables	(63,127)	(41,942)
Other current liabilities	(1,918)	2,151
Other non-current assets	(26)	(14)
Other non-current liabilities	(284)	(263)
<b>Total adjustments and variations</b>	<b>17,931</b>	<b>49,918</b>
<b>Cash flows generated (used) by operating activities</b>	<b>46,217</b>	<b>69,071</b>
<b>Cash flows generated (used) by investments</b>		
Investments in tangible assets	(105)	(298)
Disposals / (Acquisitions) of equity investments and advances	0	(3,618)
<b>Cash flows generated/(used) by investments</b>	<b>(105)</b>	<b>(3,915)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in short-term bank borrowings	(34)	(95)
Net variation in current financial assets and liabilities	(45,930)	(58)
<b>Cash flows generated (used) by financial activities</b>	<b>(45,964)</b>	<b>(66,688)</b>
<b>Variations in cash</b>	<b>148</b>	<b>(1,532)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,297</b>	<b>4,673</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,445</b>	<b>3,141</b>

The cash flow generated by operations, equal to Euro 47,217 thousand, was determined by self-financing for Euro 32,968 thousand and by other positive financial changes totalling Euro 13,249 thousand, related to the management of the working capital.

The management of the net working capital generated financial resources for Euro 9,515 thousand and was essentially influenced by the change in trade payables and receivables.



## BUSINESS COMBINATIONS

### **Merger through acquisition of Unigas Distribuzione Gas S.r.l. into Ascopiave S.p.A. and simultaneous transfer of the gas distribution business to the fully controlled subsidiary Edigas Esercizio Distribuzione Gas S.p.A.**

As of 31<sup>st</sup> December 2018, Ascopiave S.p.A. held 48.86% of the share capital of Unigas Distribuzione S.r.l., a jointly controlled entity. The remainder, 51.14%, was held by Anita S.r.l..

On 25<sup>th</sup> June 2019, the deed of merger through acquisition of Unigas Distribuzione Gas S.r.l. was signed, with the simultaneous transfer of the assets and liabilities of Unigas Distribuzione S.r.l. to Edigas Esercizio Distribuzione Gas S.p.A. thus allowing the acquisition of the management of the entire gas distribution business of Unigas Distribuzione S.r.l..

The operation took effect on 1<sup>st</sup> July 2019, when the treasury shares of Ascopiave S.p.A. were transferred to the former shareholders of Unigas Distribuzione Gas S.r.l..

In exchange for the incorporated assets and liabilities of Unigas Distribuzione S.r.l., the former shareholder of the company (Anita S.r.l.) was assigned 7,149,505 Ascopiave S.p.A.'s treasury shares, for an equivalent value of Euro 26,975 thousand leading to, together with the fees previously paid for the acquisition of 48.86% of Unigas Distribuzione S.r.l. amounting to Euro 20.652, a total payment of Euro 47.627 thousand for the total acquisition of the gas distribution unit of Unigas Distribuzione S.r.l..

The evaluation of an independent expert confirmed the fair value of the incorporated assets and led to the recognition of a merger deficit of Euro 9,367 thousand.

At the same time as the merger through acquisition, the business unit of Unigas Distribuzione S.r.l. was transferred to Edigas Esercizio Distribuzione Gas S.r.l. for a value of Euro 42,773 thousand with financial settlement of the different value transferred with respect to the fair value.

The costs of the acquisition pursuant to "IFRS 3 Revised - Business combinations" were recognised in the consolidated income statement for a value of Euro 300 thousand.

The stake acquired was assessed by an external independent party in order to determine the allocation of the higher value paid with respect to the carrying amounts of the shareholders' equity at 30<sup>th</sup> June 2019. The business combination was provisionally recognised as of 30<sup>th</sup> September 2019 in accordance with the international accounting standard IFRS 3.62.

Specifically, the fair value attributed to the identifiable assets and liabilities of Unigas Distribuzione S.r.l. and to the business unit transferred to Edigas Esercizio Distribuzione Gas S.p.A. at the acquisition date are as follows:

(Thousands of Euro)	Accounting value at the acquisition date without elisions	IFRS Effects	Allocation	Fair value at the acquisition date without elisions	Equalization	Total transfer of business unit
<b>Assets</b>						
<b>Non-current assets</b>						
Goodwill	174	(174)	9,367	9,367		9,367
Other intangible assets	44,025			44,025		44,025
Tangible assets	1,684			1,684		1,684
Shareholdings						
Other non-current assets	100			100		100
Advance tax receivables	1,123			1,123		1,123
<b>Non-current assets</b>	<b>47,105</b>	<b>(174)</b>	<b>9,367</b>	<b>56,299</b>		<b>56,299</b>
<b>Current assets</b>						
Inventories	593			593		593
Trade receivables	1,708			1,708		1,708
Other current assets	3,581			3,581		3,581
Tax receivables	22			22		22
Cash and cash equivalents	1,037			1,037		1,037
<b>Current assets</b>	<b>6,941</b>			<b>6,941</b>		<b>6,941</b>
<b>Assets</b>	<b>54,046</b>	<b>(174)</b>	<b>9,367</b>	<b>63,240</b>		<b>63,240</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Provisions for risks and charges	(281)			(281)		(281)
Severance indemnity	(801)			(801)		(801)
Other non-current liabilities	(870)			(870)		(870)
Deferred tax payables						
<b>Non-current liabilities</b>	<b>(1,952)</b>			<b>(1,952)</b>		<b>(1,952)</b>
<b>Current liabilities</b>						
Payables due to banks and financing institutions	(1,125)			(1,125)		(1,125)
Trade payables	(2,979)			(2,979)		(2,979)
Tax payables	(92)			(92)		(92)
Other current liabilities	(3,833)			(3,833)		(3,833)
Current financial liabilities	(5,500)			(5,500)	(4,986)	(10,486)
<b>Current liabilities</b>	<b>(13,528)</b>			<b>(13,528)</b>	<b>(4,986)</b>	<b>(18,515)</b>
<b>Liabilities</b>	<b>(15,480)</b>			<b>(15,480)</b>	<b>(4,986)</b>	<b>(20,467)</b>
<b>Total assets / liabilities of acquired companies</b>						
	<b>38,566</b>	<b>174</b>	<b>9,367</b>	<b>47,759</b>		<b>42,773</b>
capital gain				132		
<b>Total fair value of acquisition</b>				<b>47,627</b>		
<b>Payments</b>						
Cash Payment				20,652		
Delivery of treasury shares				26,975		
<b>Total Payments</b>				<b>47,627</b>		

The residual capital gain of Euro 9,367 thousand was recorded as goodwill and attributed to the gas distribution CGU relating to the company Edigas Esercizio Distribuzione Gas S.p.A..

## OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30<sup>TH</sup> SEPTEMBER 2019

### Commitments and risks

#### Guarantees given

As of 30<sup>th</sup> September 2019, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30.09.2019	31.12.2018
On execution of works (letter of comfort)	1,452	991
On UTF offices and regions for taxes on gas (letter of comfort)	150	150
On distribution concession (letter of comfort)	6,076	5,864
On purchase/sale of shares (letter of comfort)	500	500
On lease agreements	6	0
On service contracts	0	0
On agreements for transport of gas (letter of comfort)	679	1,569
On participation in the tender	75	0
<b>Total</b>	<b>8,938</b>	<b>9,074</b>

Guarantees to the jointly controlled companies and affiliate companies assessed with the equity method:

(Thousands of Euro)	30.09.2019	31.12.2018
On distribution concession (letter of comfort)	0	178
<b>Total</b>	<b>0</b>	<b>178</b>

Guarantees to the companies held for sale:

(Thousands of Euro)	30.09.2019	31.12.2018
Guarantees on credit lines (letter of comfort)	32	95
Agreements on incentives art. 4 of Law no. 92/2012	242	242
On UTF offices and regions for taxes on gas (letter of comfort)	3,673	2,113
On UTF offices and regions for taxes on electricity (letter of comfort)	363	233
On agreements for transport of gas (letter of comfort)	7,372	7,142
On agreements for transport of electricity (letter of comfort)	3,027	1,000
On storage of natural gas service	1,010	410
On leases agreements	55	55
<b>Totale</b>	<b>15,774</b>	<b>11,290</b>

Guarantees issued by the parent company to companies held for sale:

(Thousands of Euro)	30.09.2019	31.12.2018
On credit lines	2,550	8,400
Patronage on derivative financial instruments	23,400	23,400
Guarantees on credit lines (letter of comfort)	115	115
On agreements for transport of gas (letter of comfort)	3,827	5,387
On agreements for transport of electricity (letter of comfort)	119	249
On agreements for transport of gas (letter of comfort)	2,837	2,894
On agreements for transport of electricity (letter of comfort)	14,700	16,727
On purchase of gas agreements (letter of comfort)	126	0
On purchase of electricity agreements (letter of comfort)	6,849	3,000
<b>Totale</b>	<b>54,523</b>	<b>60,172</b>

Guarantees issued by the parent company to companies held for sale with the equity method:

(Thousands of Euro)	30.09.2019	31.12.2018
On credit lines	25,332	25,332
<b>Totale</b>	<b>25,332</b>	<b>25,332</b>

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation as of 30<sup>th</sup> September 2019 amount to Euro 25,332 thousand, unchanged since 31<sup>st</sup> December 2018.

## Risk and uncertainty factors

### Information on agreements not disclosed in the balance sheet

Pursuant to art. 2427, first paragraph, point 22-ter, Italian Civil Code, introduced by Legislative Decree 173 on 23<sup>rd</sup> November 2008, it is noted that the company has not entered into agreements not disclosed in the balance sheet.

### Management of financial risk: objectives and criteria

The investments in the operative activities of the Group mainly consist of short-term and medium/long-term bank loans, lease contracts with the possibility of purchase and short-term bank deposits at sight. The recourse to such forms of investment, which partly feature a variable rate, exposes the Group to the risk connected with the fluctuation of interest tax rate, that successively determine possible variations on financial costs.

Operations put the Group on the position of possible receivable risks with the counterparties.

The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

The Board of Directors re-examines and agrees the policies for risk management, described hereinafter.

### Interest rate risks

Because of the seasonality of the natural gas business cycle, the Group aims to manage the need for cash by means of temporary credit lines and short-term loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Furthermore, the Group manages medium-long term loans at variable rates with primary bank institutions, with an outstanding debt as of 30<sup>th</sup> September 2019 of Euro 86,428 thousand and due dates between 1<sup>st</sup> October 2019 and 28<sup>th</sup> February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2019 and 2025, with residual balance as of 30<sup>th</sup> September 2019 of Euro 52.625 thousand (Euro 2,250 thousand as of 31<sup>st</sup> December 2018), represented exclusively by the loan granted in August 2013 by the European Investment Bank for Euro 21,500 thousand, by the loan disbursed in August 2019 by BNL for Euro 30,000 thousand (the latter is hedged through a financial derivative

instrument effective February 2020, and therefore its interest rate risk is neutralised) and by the loan taken out in 2015 by Unigas Distribuzione with BPM, now transferred to Edigas, for Euro 1,125 thousand.

On the other hand, the loan taken out with BNL in August 2017, with a residual debt as of 30<sup>th</sup> September 2019 of Euro 25,000 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 30<sup>th</sup> September 2019 of Euro 8,803 thousand, are not exposed to interest rate risks, as they envisage the application of a fixed rate.

The loan taken out with BNL is subject to annual covenants that as of 31<sup>st</sup> December 2018 were met, whereas the loan taken out with the European Investment Bank envisages the fulfilment of financial covenants to be checked twice a year; as of 31<sup>st</sup> December 2018, such covenants were met, however, they could not be calculated as at 30<sup>th</sup> June 2019 due to the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5.

The yearly covenants of the loan taken out with BNL in August 2019 will be calculated for the first time on the data as at 31<sup>st</sup> December 2019.

Please refer to Paragraph no. 18 “*Medium and Long Term Loans*” for additional details.

### Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Group’s Pre-tax result of the possible variations in interest rates in a reasonably possible interval.

(Thousands of Euro)	March	June	September	
Net Financial Position 2018	(127,833)	(178,675)	(193,028)	
Borrowing rates of interest	0.12%	0.12%	0.06%	
Lending rates of interest	0.52%	0.52%	0.53%	
Borrowing rate of interest plus 200 basis points	2.12%	2.12%	2.06%	
Lending rates of interest plus 200 basis points	2.52%	2.52%	2.53%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.02%	0.02%	0.03%	
Net Financial Position recalculated with the increase of 200 basis points	(128,463)	(179,566)	(194,001)	
Net Financial Position recalculated with decrease of 50 basis points	(127,675)	(178,452)	(192,785)	<b>Total</b>
Effect on pre-tax result of the increase of 200 basis points	(630)	(891)	(973)	(2,494)
Effect on pre-tax result of the decrease of 50 basis points	158	223	243	624

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 2,494 thousand or positive for Euro 624 thousand.

### Receivable risk

The operating activity involves possible receivable risks for the Group due to failure to fulfil trading obligations between the counterparties.

The Group constantly monitors this type of risk through an appropriate credit management procedure, helped in that sense also by the division of a significant component of accounts receivable. The policy prescribes to fully write down the receivables whose due date is older than the year (that is to say which have expired for over a year) and in any case all the existing receivables from insolvent customers or customers subject to bankruptcy proceedings, and to apply write-down percentages determined by historical series on the most recent receivables, checking the capacity of the allowance for bad debts, so that it can entirely cover all receivables having an ageing higher than 12 months and most receivables expired between 6 and 12 months. The companies mainly exposed to this type of risk were reclassified under assets and liabilities held for sale pursuant to IFRS 5.

### **Liquidity risk**

The liquidity risk consists in the lack of available and sufficient financial resources in order to meet the Group's financial obligations, in the forecast terms and deadlines, due to the impossibility of raising new funds or selling assets on the market, affecting the income statement if the Group is obliged to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

The Group constantly aims at highest balance and flexibility of financing sources and uses, minimising that risk. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

### **Risk of prices of raw materials**

The Group is exposed to the risk of fluctuation of the cost of the raw material due to the misalignment between the baskets of tariff index of natural gas sale and the basket of purchase costs index, which can be different.

In order to reduce the afore-stated risk, the company subscribed contracts of provisioning that envisage the almost full coverage of the indexing clauses of cost in the raw material purchase portfolio and of the indexing clauses of price in the sale portfolio, in addition to derivative hedging contracts aimed at aligning the different purchase/sale formulas.

The risk is therefore connected to possible volume mismatches between the amounts in the final balance underlying the various indexing formulas and the related amounts budgeted on the basis of which the purchase portfolio has been structured. The companies mainly exposed to this type of risk were reclassified under assets and liabilities held for sale pursuant to IFRS 5.

### **Risk management and control policy**

Since September 2015, the Group has been adopting the "Energy and Financial Risk Management and Control" policy, aimed at containing the volatility implied by energy risks on overall margins and at stabilising cash flows, as well as at maintaining the balance between funding sources and uses and containing funding costs.

In accordance with the provisions of the Policies, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks, following the "Compliance with EMIR Regulation" Procedure, which defines the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 - European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market. The companies mainly exposed to this type of risk were reclassified under assets and liabilities held for sale pursuant to IFRS 5.

### **Price risk management and methods of accounting presentation**

The Group is exposed to commodity price risk due to its operations in the gas and electricity sectors; the overall objective of risk management is to reduce the impact on the company's Income statement of the effects arising from the portfolio purchases and sales as a result of changes in market prices.

For the purpose of monitoring the risks arising from the raw material trend, two separate portfolios are identified, the Industrial Portfolio and the Trading Portfolio.

In particular, the Industrial Portfolio includes physical and financial contracts directly related to the Group's ordinary activities (sales segment), aimed at enhancing the wholesale and retail marketing production capacity of gas and electricity. The Trading Portfolio consists of physical and financial contracts aimed at obtaining an additional profit other than the one obtainable through the management of the Industrial Portfolio alone or not necessary for the management of the latter.

The risk exposure is currently defined in terms of volumetric gap between the different indexing formulas of contracts in portfolio and taking into consideration, therefore, any natural hedging situations in the portfolio; as concerns risk management activities, the Group uses derivative financial instruments and specifically Swap transactions in order to reduce the overall exposure of the portfolio, through a reduction in the gaps detected between the different formulas.

The derivative instruments that may be used by the Group are Commodity swaps on the price of gas and/or Contracts For Difference on the price of electricity which involve the periodic swap of a differential between a fixed price and a variable price indexed to a specific market benchmark.

As of 30<sup>th</sup> September 2019, the existing derivative instruments, detailed in sections no. 14 "*Current assets from*

derivative financial instruments” and no. 27 “Current liabilities from derivative financial instruments” whose mark to market totals Euro -652 thousand (Euro -1,093 thousand as of 31<sup>st</sup> December 2018), are prospectively and retrospectively effective.

As concerns trading activities in the gas market, the result achieved and the prospective value of forward purchase and sales contracts that cannot be defined as hedging contracts pursuant to IFRS 9, calculated using fair value, are recognised in the financial statements above the Gross Operating Margin. The companies mainly exposed to this type of risk were reclassified under assets and liabilities held for sale pursuant to IFRS 5.

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	31646351	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	02-Sep-19	01-Jan-20	31-Dec-20	BUY [Pay Fixed Rec Floating]	4,729 MWh	5
<b>Total</b>									<b>4,729</b>	<b>5</b>

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	22353481	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	15-Mar-19	01-Jan-20	29-Feb-20	SELL [Rec Fix Pay Floating]	32,664 MWh	33
2	31344860	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	30-Jul-19	01-Sep-19	30-Sep-19	SELL [Rec Fix Pay Floating]	28,800 MWh	19
3	31344938	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	30-Jul-19	01-Sep-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	21,600 MWh	15
4	67737276	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	23-Aug-19	01-Jan-20	29-Feb-20	BUY [Pay Fixed Rec Floating]	14,400 MWh	10
<b>Total</b>									<b>97,464</b>	<b>77</b>

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	190718-2014	UniCredit	Commodity Swap	Gas TTF Day Ahead	19-Jul-18	01-Oct-18	30-Sep-19	BUY [Pay Fixed Rec Floating]	8,552 MWh	11
2	22155980	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	14-Jun-18	01-Oct-18	30-Sep-19	BUY [Pay Fixed Rec Floating]	12,193 MWh	2
3	22175430	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	31-Jul-18	01-Oct-18	30-Sep-19	BUY [Pay Fixed Rec Floating]	4,970 MWh	1
4	22197873	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	20-Sep-18	01-Jan-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	21,060 MWh	9
5	27859920	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-Oct-18	01-Apr-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	43,920 MWh	93
6	27990520	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	25-Oct-18	01-Apr-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	43,920 MWh	89
7	28132464	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	09-Nov-18	01-Feb-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	12,705 MWh	22
8	28209121	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	19-Nov-18	01-Jul-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	10,259 MWh	48
9	28292894	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	27-Nov-18	01-Dec-18	30-Sep-19	BUY [Pay Fixed Rec Floating]	5,304 MWh	2
10	28630601	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	10-Jan-19	01-Feb-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	2,049 MWh	2
11	28642753	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	11-Jan-19	01-Feb-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	8,280 MWh	1
12	29377012	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	22-Jan-19	01-May-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	17,869 MWh	37
13	29426245	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	28-Jan-19	01-Apr-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	3,980 MWh	7
14	29573148	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	11-Feb-19	01-Mar-19	31-Dec-19	BUY [Pay Fixed Rec Floating]	28,622 MWh	64
15	22323203	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	18-Feb-19	01-Apr-19	01-Oct-19	BUY [Pay Fixed Rec Floating]	7,523 MWh	7
16	270219-2019	UniCredit	Commodity Swap	Gas TTF Day Ahead	27-Jan-19	01-Mar-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	1,519 MWh	2
17	30046157	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	27-Mar-19	01-May-19	31-Dec-19	BUY [Pay Fixed Rec Floating]	1,314 MWh	2
18	22298322	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	23-Jan-19	01-Apr-19	01-Oct-19	BUY [Pay Fixed Rec Floating]	6,479 MWh	7
19	22361935	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	26-Mar-19	01-Apr-19	01-Jan-20	BUY [Pay Fixed Rec Floating]	924 MWh	1
20	30153526	Intesa Sanpaolo	Commodity Swap	Gas TTF Quarter Ahead	05-Apr-19	01-Aug-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	6,279 MWh	9
21	100419-2003	UniCredit	Commodity Swap	Gas TTF Day Ahead	10-Apr-19	01-Oct-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	4,255 MWh	19
22	120419-2020	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	12-Apr-19	01-Jul-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	4,998 MWh	3
23	140519-2015	UniCredit	Commodity Swap	Gas TTF Day Ahead	14-May-19	01-Oct-19	31-Dec-19	BUY [Pay Fixed Rec Floating]	17,791 MWh	72
24	30593158	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	22-May-19	01-Jul-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	15,456 MWh	10
25	30717834	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	04-Jun-19	01-Jul-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	11,040 MWh	3
26	22381262	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	15-Apr-19	01-Jul-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	2,885 MWh	3
27	22377109	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	10-Apr-19	01-Oct-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	19,979 MWh	86
28	31081257	Intesa Sanpaolo	Commodity Swap	Gas TTF Quarter Ahead	04-Jul-19	01-Nov-19	31-Mar-20	BUY [Pay Fixed Rec Floating]	60,894 MWh	3
29	040719-2010	UniCredit	Commodity Swap	Gas TTF Day Ahead	04-Jul-19	01-Aug-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	678 MWh	0
30	31216949	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	17-Jul-19	01-Oct-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	4,255 MWh	6
31	31299014	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	25-Jul-19	01-Oct-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	2,255 MWh	2
32	31389528	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	02-Aug-19	01-Sep-19	30-Sep-19	BUY [Pay Fixed Rec Floating]	21,600 MWh	26
33	31488355	Intesa Sanpaolo	Commodity Swap	Gas TTF Quarter Ahead	13-Aug-19	01-Oct-19	31-Dec-19	BUY [Pay Fixed Rec Floating]	15,463 MWh	6
34	22508162	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	17-Sep-19	01-Jan-20	30-Sep-20	BUY [Pay Fixed Rec Floating]	5,780 MWh	4
35	31852250	Intesa Sanpaolo	Commodity Swap	Gas TTF Quarter Ahead	18-Sep-19	01-Jan-20	30-Apr-20	BUY [Pay Fixed Rec Floating]	55,302 MWh	26
36	120919-2012	UniCredit	Commodity Swap	Gas TTF Day Ahead	12-Sep-19	01-Oct-19	31-Dec-19	BUY [Pay Fixed Rec Floating]	1,381 MWh	3
37	22445686	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	04-Jul-19	01-Nov-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	16,941 MWh	1
38	22446149	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	05-Jul-19	01-Oct-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	11,681 MWh	2
39	28033520	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	17-Jul-19	01-Oct-19	30-Sep-20	BUY [Pay Fixed Rec Floating]	19,979 MWh	29
40	22508157	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	17-Sep-19	01-Jan-20	30-Sep-20	BUY [Pay Fixed Rec Floating]	15,097 MWh	12
<b>Total</b>									<b>555,431</b>	<b>734</b>

## Specific risks in the business sectors in which the Group operates

### Regulations

The activities carried out by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the Regulatory Authority for Energy, Networks and the Environment can have a significant impact on the operations, the operating results and the financial balance. Future changes in the regulatory policy adopted by the European Union or at a national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the Group.

### Risk of volumetric variations deriving from gas settlement

The Group is exposed to volumetric changes deriving from the schedule and methods for determining the allocations of cubic metres of natural gas attributed to the various sales companies and, specifically (i) to the adjustment sessions of natural gas allocations with closure of the station, which determine the volumes under the scope of the various sales companies (ii) to the differential between the annual quantities injected into the distribution network and the amounts supplied to the end users connected thereto.

During the year, the settlement manager, Snam Rete Gas, performs the first monthly allocation of the quantities of natural gas to the various sales companies. These allocations are subsequently re-benchmarked in the following year during the annual and multi-year adjustment sessions where, in the case of the latter, the volumes of an entire five-year period are revised. In 2017, with Resolution 670/2017/R/Gas dated 5<sup>th</sup> October 2017 and 782/2017/R/Gas dated 23<sup>rd</sup> November 2017, the Regulatory Authority for Energy Networks and Environment approved the first provisions regarding Gas Settlement specifically as concerns the method to be used for the determination of the physical and economic adjustment items for the previous period, from 2013 until the coming into effect of the new regulations (2020). In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply with the closure of the station. The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas). The adjustment sessions enable the definition of the injection volumetric data (input) useful for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the final consumers (delta in-output), of which the above-mentioned resolutions introduced neutralisation for users of the distribution network, net of an allowance of 0.4%.

In the context of the regulatory framework described, the Group deems it appropriate, until the first annual adjustment session, to settle the cubic metres sold with the cubic metres allocated by the Settlement Manager upon first allocation. At the reporting date, it is not feasible to determine the value of the possible positive or negative volumetric and economic adjustment deriving from the in-output differential for 2018.

The volumetric differences for the 2018 financial year were announced by Snam Rete Gas on 31<sup>st</sup> October 2019. At the reporting date, the data received are still being processed and consequently the economic effects related to the volumetric differentials analysed will be recognised during the fourth quarter of the current year.



## Management of Capital

The primary objective of the management of the Group's capital is to guarantee that a solid credit rating is maintained, as well as suitable levels of the capital indicator. The Group can adapt the dividends paid to shareholders, reimburse capital or issue new shares.

The Group checks its capital by means of a debt/capital ratio.

The Group includes loans, and other financial payables in its net debt, net of liquid funds and equivalents.

(Thousands of Euro)	30.09.2019	31.12.2018	30.09.2018
Financial position in the short term	(123,955)	(63,528)	(75,713)
financial position in the medium-long term	(69,072)	(53,989)	(54,328)
<b>Financial gross debt</b>	<b>193,028</b>	<b>117,517</b>	<b>130,041</b>
Share capital	234,412	234,412	234,412
Own shares	(20,861)	(16,981)	(16,981)
Reserves	171,356	185,814	185,964
Undistributed net profit	36,415	44,625	29,971
<b>Total Net equity</b>	<b>421,321</b>	<b>447,869</b>	<b>433,365</b>
<b>Total capital and gross debt</b>	<b>614,349</b>	<b>565,386</b>	<b>563,406</b>
Debt/Net assets ratio	0.46	0.26	0.30

The debt/net equity ratio as of 30<sup>th</sup> September 2019 is 0.46, a worsening as compared to 31<sup>st</sup> December 2018, when it amounted to 0.26.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which worsened by Euro 75,511 thousand during the first nine months of 2019, and the Shareholders' equity, which decreased by Euro 26,548 thousand, changes due, in addition to the normal flow of the period, to the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5.

## Representation of financial assets and liabilities by categories

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 30<sup>th</sup> September 2019 and 31<sup>st</sup> December 2018 is as follows:

(Thousands of Euro)					30.09.2019	
	A	B	C	D	Total	Fair value
Other non-current assets			1,905		1,905	1,905
Trade receivables and Other current assets	0		69,654		69,654	69,654
Current financial assets			623		623	623
Cash and cash equivalents			82,800		82,800	82,800
Current assets from derivative financial instruments						
Medium- and long-term bank loans				71,279	71,279	71,279
Other non-current liabilities				426	426	426
Non-current financial liabilities				558	558	558
Payables due to banks and financing institutions				171,146	171,146	171,146
Trade payables and Other current liabilities	395			57,470	57,864	57,864
Current financial liabilities				36,233	36,233	36,233
Current liabilities from derivative financial instruments		395			395	395

(Thousands of Euro)					31.12.2017	
	A	B	C	D	Total	Fair value
Other non-current assets			11,869		11,869	11,869
Attività non correnti su strumenti finanziari derivati		1,122			1,122	1,122
Trade receivables and Other current assets	597		203,389		203,985	203,985
Cash and cash equivalents			66,650		66,650	66,650
Current assets from derivative financial instruments		123			123	123
Medium- and long-term bank loans				55,111	55,111	55,111
Other non-current liabilities				16,673	16,673	16,673
Non-current financial liabilities				0	0	0
Payables due to banks and financing institutions				131,044	131,044	131,044
Trade payables and Other current liabilities	611			153,739	154,349	154,349
Current financial liabilities				115	115	115
Current liabilities from derivative financial instruments		1,216			1,216	1,216

### Legend

- A - Assets and liabilities at fair value directly recognised in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognised in Equity (including hedging derivatives)
- C - Assets for granted loans and receivables (including cash equivalents)
- D - Financial liabilities recognised at amortised cost

## Business segment reporting

The sector information is provided with reference to the business sectors in which the Group operates. Business sectors are identified as primary segments of activities. The criteria used for identifying the activity segments have been inspired by the methods whereby management runs the Group and assigns managerial responsibilities.

Based on the information required by the IFRS 8 “Business Segment Reporting, Operative segments”, the company has identified as segments subjects of the reporting the activities of gas and electricity sales and distribution. Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.

The following tables show the information on revenues concerning the business segments of the Group for the first nine months of 2019 and the first nine months of 2018.

9M 2019 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	84,222	0	0	0	5,794		90,017
Intra-group revenues among the segments	1,011	0	0	0	22,233	(23,243)	(0)
<b>Segment revenues</b>	<b>85,233</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,027</b>	<b>(23,243)</b>	<b>90,017</b>
<b>Result before taxes</b>	<b>18,859</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,933)</b>		<b>12,926</b>
<b>Net result of activities held for sale</b>	<b>0</b>	<b>22,733</b>	<b>86</b>	<b>6,690</b>	<b>600</b>		<b>30,109</b>

9M 2018 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	81,152	0	0	0	6,441		87,592
Intra-group revenues among the segments	7,082	0	0	0	3,729	(10,811)	(0)
<b>Segment revenues</b>	<b>88,233</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,170</b>	<b>(10,811)</b>	<b>87,592</b>
<b>Result before taxes</b>	<b>3,477</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,127</b>		<b>16,604</b>
<b>Net result of activities held for sale</b>	<b>0</b>	<b>15,738</b>	<b>17</b>	<b>3,950</b>	<b>756</b>		<b>20,461</b>

## Transactions with related parties

The transactions with related parties in the financial period considered are detailed in the following table:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	0	784	0	0	0		0	0	52	0
<b>Total parent company</b>	<b>0</b>	<b>784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>0</b>
<i>Affiliated companies</i>										
Asco TLC S.p.A.	47	0	136	0	0	536	143	0	245	40
<b>Total affiliated companies</b>	<b>47</b>	<b>0</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>536</b>	<b>143</b>	<b>0</b>	<b>245</b>	<b>40</b>
<i>Subsidiary companies</i>										
Estenergy S.p.A.	7	0	6	7	0	0	0	0	0	0
ASM Set S.r.l.	752	0	7	880	0	114	1	3,467	2,927	3
Unigas Distribuzione S.r.l.	0	0	0	0	0	5,540	0	50	140	0
Sinergie Italiane S.r.l. in liquidazione	0	7,510	3,165	0	38,504	0	0	0	36	0
<b>Total subsidiary companies</b>	<b>759</b>	<b>7,510</b>	<b>3,179</b>	<b>873</b>	<b>38,504</b>	<b>5,654</b>	<b>1</b>	<b>3,517</b>	<b>3,105</b>	<b>3</b>
<b>Total</b>	<b>806</b>	<b>8,293</b>	<b>3,315</b>	<b>873</b>	<b>38,504</b>	<b>6,190</b>	<b>145</b>	<b>3,517</b>	<b>3,401</b>	<b>43</b>

Relationships deriving from the tax consolidation with Asco Holding S.p.A.:

Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and Asco Energy S.p.A. had joined the consolidation of tax relations held by the Parent company Asco Holding S.p.A.. The tax consolidation ceased due to the lack of some necessary requirements during the year. Consequently, the current assets and liabilities recorded refer only to previous positions, while the debit balances accrued vis-à-vis the tax authorities are recorded under tax receivables and payables.

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
  - o The revenues for services are connected to services of gas transportation from AP Reti Gas S.p.A.;
- ASM Set S.r.l. :
  - o The other receivables: are related to intragroup current account agreements with Ascopiave S.p.A.;
  - o The costs for assets are related to the purchase of Gas with AP Reti Gas Rovigo S.r.l.;
  - o The costs for assets are related to the purchase of Electricity with Asco Energy S.p.A. (Former Veritas Energia S.p.A.);
  - o The costs for services are connected to administrative services provided to Ascopiave S.p.A.;
  - o The other costs relate to interest payable on the current account with Ascopiave S.p.A.;
  - o The revenues for services are connected to gas transportation revenues and distribution services with AP Reti Gas Rovigo S.r.l.;
  - o The other revenues relate to interests accrued on the current account with Ascopiave S.p.A..
- Unigas Distribuzione S.r.l.;
  - o The costs for services are connected to gas transportation costs and distribution services until the merger through acquisition with Blue Meta S.p.A.;
  - o The revenues for assets concern gas sales until the merger through acquisition with Blue Meta S.p.A..

The revenues recorded vis-à-vis the parent company Asco Holding S.p.A. pertain mainly to administration, treasury management and staff services.

Costs for services to the associate Asco TLC S.p.A. refer to a rental fee for the servers. Revenues for the aforementioned associate derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

The costs for assets due to Sinergie Italiane S.r.l. in liquidation relate to the purchase of natural gas by Ascotrade S.p.A. while costs and revenues for services relate to service contracts between the parties and re-invoicing of

consultancy.

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 30<sup>th</sup> September 2019 to Euro 25,332 thousand (Euro 25,332 thousand as of 31<sup>st</sup> December 2018).

Furthermore:

- the economic relations between the companies of the Group and the subsidiary and associate companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with correlated parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998, no operations were carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

On 24<sup>th</sup> November 2010, the Board of Directors approved a procedure for operations with related parties (the "Procedure"). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12<sup>th</sup> March 2010 and subsequent modifications.

The Procedure was implemented on 1<sup>st</sup> January 2011 and replaced the previous regulation governing transactions with related parties, approved by the Board of Directors of the Company on 11<sup>th</sup> September 2006 (and subsequent amendments).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the afore-mentioned transactions.

## Financial statements representation pursuant to Consob resolution 15519/2006

Please find below the Financial statements representation showing the effects of the transactions with related parties pursuant to Consob resolution no. 15519 dated 27<sup>th</sup> July 2006:

### Consolidated assets and liabilities statement

(Thousands of Euro)	30.09.2019	Of which related parties						31.12.2018	Of which related parties								
		A	B	C	D	Total	%		A	B	C	D	Total	%			
<b>ASSETS</b>																	
<b>Non-current assets</b>																	
Goodwill	33.764							80.758									
Other intangible assets	397.516							351.878									
Tangible assets	35.084							32.724									
Shareholdings	2			0		0	0,0%	68.357			68.355			68.355	100,0%		
Other non-current assets	2.782							12.044			7.510			7.510	62,4%		
Non current financial assets	2.765							1.122									
Advance tax receivables	12.676							11.358									
<b>Non-current assets</b>	<b>484.589</b>			<b>0</b>		<b>0</b>	<b>0,0%</b>	<b>558.240</b>			<b>75.865</b>			<b>75.865</b>	<b>13,6%</b>		
<b>Current assets</b>																	
Inventories	7.123							6.020									
Trade receivables	20.492	0	5	200		205	1,0%	166.947	42	63	2.026			2.131	1,3%		
Other current assets	51.960	728				728	1,4%	45.062	3.034					3.034	6,7%		
Current financial assets	623							981			844			844	86,1%		
Tax receivables	1.405							1.508									
Cash and cash equivalents	82.800							66.650									
Current assets on derivative financial instruments	0							123									
<b>Current assets</b>	<b>164.402</b>	<b>728</b>	<b>5</b>	<b>200</b>		<b>933</b>	<b>2,4%</b>	<b>287.291</b>	<b>3.076</b>	<b>63</b>	<b>2.870</b>			<b>6.009</b>	<b>94,1%</b>		
Non-current assets disposal of assets	260.242	57		8.269		8.325	3,2%										
<b>ASSETS</b>	<b>909.233</b>	<b>785</b>	<b>5</b>	<b>8.469</b>		<b>9.258</b>	<b>1,0%</b>	<b>845.530</b>	<b>3.076</b>	<b>63</b>	<b>78.735</b>			<b>81.874</b>	<b>9,7%</b>		
<b>Net equity and liabilities</b>																	
<b>Total Net equity</b>																	
Share capital	234.412							234.412									
Own shares	(20.861)							(16.981)									
Reserves	203.315							226.136									
<b>Net equity of the Group</b>	<b>416.865</b>							<b>443.567</b>									
<b>Net equity of Others</b>	<b>4.456</b>							<b>4.303</b>									
<b>Total Net equity</b>	<b>421.321</b>							<b>447.869</b>									
<b>Non-current liabilities</b>																	
Provisions for risks and charges	1.428							3.901									
Severance indemnity	3.297							4.807									
Medium- and long-term bank loans	71.279							55.111									
Other non-current liabilities	19.914							28.003									
Non-current financial liabilities	558							0									
Deferred tax payables	12.610							14.534									
<b>Non-current liabilities</b>	<b>109.085</b>							<b>106.536</b>									
<b>Current liabilities</b>																	
Payables due to banks and financing institutions	171.146							131.044									
Trade payables	41.893		136	0		136	0,3%	131.185		176	5.469			5.645	4,3%		
Tax payables	2.485							207									
Other current liabilities	16.712							27.539	1.523					1.523	5,5%		
Current financial liabilities	36.233			887		887	2,4%	115									
Current liabilities from derivative financial instruments	395							1.216									
<b>Current liabilities</b>	<b>268.864</b>		<b>136</b>	<b>886</b>		<b>1.023</b>	<b>0,4%</b>	<b>291.305</b>	<b>1.523</b>	<b>176</b>	<b>5.469</b>			<b>7.168</b>	<b>2,5%</b>		
Passività non correnti destinate alla dismis	109.963			3.179		3.179	2,9%										
<b>Liabilities</b>	<b>487.912</b>		<b>136</b>	<b>4.065</b>		<b>4.201</b>	<b>0,9%</b>	<b>397.661</b>	<b>1.523</b>	<b>176</b>	<b>5.469</b>			<b>7.168</b>	<b>1,8%</b>		
<b>Net equity and liabilities</b>	<b>909.233</b>		<b>136</b>	<b>4.065</b>		<b>4.201</b>	<b>0,5%</b>	<b>845.530</b>	<b>1.523</b>	<b>176</b>	<b>5.469</b>			<b>7.168</b>	<b>0,8%</b>		

**Legend for the Related parties column heading:**

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

**Income statement and comprehensive consolidated income statement**

(Thousands of Euro)	Nine months 2019	Of which related parties						Nine months 2018	Of which related parties				
		A	B	C	D	Total	%		A	B	C	D	Total
Revenues	90,017	52	67	2,794		2,912	3.2%	87,592	62	149	2,787		2,998
Total operating costs	59,557		679	38	1,157	1,875	3.1%	55,148		475	76	4,038	4,589
Purchase costs for other raw materials	1,712							1,566					
Costs for services	23,831		536	38	676	1,250	5.2%	21,986		442	6,429	426	7,298
Costs for personnel	10,979				481	481	4.4%	12,278				3,611	3,611
Other management costs	24,477		143			143	0.6%	19,618		33			33
Other income	1,443							300					
Amortization and depreciation	17,412							15,666					
<b>Operating result</b>	<b>13,048</b>	<b>52</b>	<b>(613)</b>	<b>2,756</b>	<b>(1,157)</b>	<b>1,037</b>	<b>8.0%</b>	<b>16,778</b>	<b>62</b>	<b>326</b>	<b>2,711</b>	<b>4,038</b>	<b>1,590</b>
Financial income	107			3		3	2.6%	82			1		1
Financial charges	878			1		1	0.2%	927			3		3
Evaluation of subsidiary companies with the net equity method	(648)				648	648	100.0%	(671)			671		
<b>Earnings before tax</b>	<b>12,926</b>	<b>52</b>	<b>(613)</b>	<b>2,758</b>	<b>(509)</b>	<b>1,687</b>	<b>110.7%</b>	<b>16,604</b>	<b>62</b>	<b>326</b>	<b>3,380</b>	<b>4,038</b>	<b>921</b>
Taxes for the year	4,797							5,787					
<b>Result of the period</b>	<b>8,129</b>							<b>10,818</b>					
Net result from transfer/disposal of assets	30,109	0	138	44,158		44,021	-146.2%	20,461	11,416	137	53,751		65,030
<b>Net Result of the period</b>	<b>38,238</b>							<b>31,278</b>					

**Legend for the Related parties column heading:**

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

## Consolidated statement of cash flows

( Thousands of Euro )	Nine months	Of which related parties					Nine months	Of which related parties				
	2019	A	B	C	D	Totale	2018	A	B	C	D	Totale
<b>Net income of the Group</b>	<b>8,129</b>						<b>10,818</b>					
<b>Cash flows generated (used) by operating activities</b>												
<b>Adjustments to reconcile net income to net cash</b>												
Third-parties operating result of the companies held for sale	1,823					0	1,308					0
Operating result of the companies held for sale	28,286						19,153					
Amortization	17,412					0	15,666					0
Variations in severance indemnity	38					0	56					0
Current assets / liabilities on financial instruments	395					0	0					0
Net variation of other funds	71					0	(1,629)					0
Evaluation of subsidiaries with the net equity method	(648)	0		(648)		(648)	(671)	0	(3,648)			(3,648)
Interests paid	(971)					0	(937)					0
Imposte pagate	(888)					0	(7,769)					0
Interest expense for the period	828					0	911					0
Taxes for the period	4,797					0	5,787					0
<b>Variations in assets and liabilities</b>												
Inventories	(3,170)					0	(2,284)					0
Accounts payable	12,599	(0)	(5)	(200)	0	(205)	1,629	(18)	14	(244)	0	(248)
Other current assets	(7,837)	(728)	0	0	0	(728)	(1,556)	1,085	0	0	0	1,085
Current and non-current financial assets	(209)					0	0					0
Crediti tributari e debiti tributari												
Trade payables	5,700	0	136	(0)	0	136	3,339	0	257	(124)	0	133
Other current liabilities	(57)	0	0	0	0	0	(10,210)	4,671	0	0	0	4,671
Other non-current assets	2,768	0	0	0	0	0	1,682	0	0	0	0	0
Other non-current liabilities	1,832	0	0	0	0	0	3,921	0	0	0	0	0
Operating flows from discontinued assets / liabilities	16,108			4,645		4,645	48,610			4,467		4,467
<b>Total adjustments and variations</b>	<b>77,629</b>	<b>(728)</b>	<b>131</b>	<b>65,843</b>	<b>0</b>	<b>65,246</b>	<b>77,006</b>	<b>5,737</b>	<b>271</b>	<b>(4,016)</b>	<b>0</b>	<b>1,993</b>
<b>Cash flows generated (used) by operating activities</b>	<b>85,758</b>	<b>(728)</b>	<b>131</b>	<b>65,843</b>	<b>0</b>	<b>65,246</b>	<b>87,824</b>	<b>5,737</b>	<b>271</b>	<b>(4,016)</b>	<b>0</b>	<b>1,993</b>
<b>Cash flows generated (used) by investments</b>												
Investments in intangible assets	(19,127)					0	(15,744)					0
Realisable value of intangible assets	457					0	499					0
Investments in tangible assets	(1,581)					0	(1,072)					0
Realisable value of tangible assets	0					0	8					0
Disposals / (Acquisitions) of equity investments and advances	(11,546)					0						0
Investment flows from discontinued assets / liabilities	(105)					0	(3,915)					0
<b>Cash flows generated/(used) by investments</b>	<b>(31,902)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,224)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash flows generated (used) by financial activities</b>												
Net variation in non-current financial assets and liabilities	558	0	0	0	0	0	0	0	0	0	0	0
Net changes in short-term bank borrowings	(2,332)					0	(4,000)					0
Net variation in current financial assets and liabilities	15,553	0	0	(568)	0	(568)	(216)	0	0	(616)	0	(616)
Purchase / sale of own share	(3,880)					0	540					0
Ignitions loans and mortgages	292,000					0	150,000					0
Redemptions loans and mortgages	(229,000)					0	(132,166)					0
Disbursements relating to rights of use	(356)					0	(132,166)					0
Dividends distributed to shareholders Ascopiave S.p.A.	(75,163)					0	(40,016)					0
Dividends distributed to third party shareholders	(1,761)					0	(2,054)					0
Dividends jointly controlled companies	2,311			2,311		2,311	684		7,274			7,274
Cash flows from discontinued assets / liabilities	(35,636)					0	6,427					0
<b>Cash flows generated (used) by financial activities</b>	<b>(37,706)</b>	<b>0</b>	<b>0</b>	<b>1,743</b>	<b>0</b>	<b>1,743</b>	<b>(20,800)</b>	<b>0</b>	<b>0</b>	<b>6,658</b>	<b>0</b>	<b>6,658</b>
<b>Variations in cash</b>	<b>16,150</b>						<b>0</b>					<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>59,353</b>						<b>0</b>					<b>10,928</b>
<b>Cash and cash equivalents at the beginning of the period of the companies held for sale</b>	<b>7,297</b>											<b>4,673</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>82,800</b>						<b>0</b>					<b>62,400</b>

### Legend for the Related parties column heading:

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*



## Consolidated net debt

(Thousands of Euro)	30.09.2019	Of which related parties						31.12.2018	Of which related parties						
		A	B	C	D	Total	%		A	B	C	D	Total	%	
Cash and cash equivalents on hand	15							18							
Bank and post office deposits	82,785							66,632							
<b>Liquid assets (A) + (B) + (C)</b>	<b>82,800</b>							<b>66,650</b>							
Current financial assets	623							981		844			844	86.0%	
Payables due to banks	(156,371)							(123,031)							
Current portion of medium-long-term loans	(14,774)							(8,014)							
Current financial liabilities	(36,233)			(887)		(887)	2.4%	(115)							
<b>Current financial indebtedness (F) + (G) + (H)</b>	<b>(207,378)</b>			<b>(887)</b>		<b>(887)</b>	<b>0.4%</b>	<b>(131,159)</b>							
<b>Net current financial indebtedness (I) - (E) - (D)</b>	<b>(123,955)</b>			<b>(887)</b>		<b>(887)</b>	<b>0.7%</b>	<b>(63,528)</b>		<b>844</b>			<b>844</b>	<b>-1.3%</b>	
Medium- and long-term bank loans	(71,279)							(55,111)							
Non current financial assets	2,765							1,122							
Non-current financial liabilities	(558)							0							
<b>Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(69,072)</b>							<b>(53,989)</b>							
<b>Net financial indebtedness (J) + (N)</b>	<b>(193,027)</b>			<b>(887)</b>		<b>(887)</b>	<b>0.5%</b>	<b>(117,517)</b>		<b>844</b>			<b>844</b>	<b>-0.7%</b>	

### Legend for the Related parties column heading:

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

The values reported in the tables above refer to the related parties listed below:

#### Group A - Parent companies:

- Asco Holding S.p.A.

#### Group B - Affiliates and Jointly controlled companies:

- Asco TLC S.p.A.

#### Group C - Associates:

- Estenergy S.p.A.
- ASM Set S.r.l.
- Sinergie Italiane S.r.l. in liquidation

#### Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

## Significant events subsequent to the end of the first nine months of 2019

### Disclosure on the purchase of treasury shares

Ascopiave announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2018, in the period between 1<sup>st</sup> October 2019 and 4<sup>th</sup> November 2019, of 540,951 ordinary shares at the average unit price of Euro 4.139, for a total value of Euro 2,238,888.06.

As a result of the purchases made so far, Ascopiave holds 9,457,105 ordinary shares, equal to 4.034% of the share capital.

### Goals and policies of the Group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership.

As for the segment of gas sale, the Group signed a binding agreement for the establishment of a commercial partnership with the Hera Group through the creation of a primary entity in northern-eastern Italy which will involve over one million energy customers, as well as the reorganisation of the respective gas distribution activities.

With this operation, Ascopiave implements its strategic repositioning plan, entering into an agreement on the commercial areas with a leading player and strengthening its presence in the core business of gas distribution.

On 31<sup>st</sup> July 2019, the Boards of Directors of Hera S.p.A. and Ascopiave S.p.A. approved the execution of the framework agreement that will initiate the commercial partnership through the joint venture Estenergy.

The operation will be subject to the usual conditions applicable to this type of procedure and all notices and approvals by the competent authorities and bodies, as well as, as regards only the stakes involved, the non-exercise of the right of pre-emption and the approval by the other shareholders in the case of investments held by Ascopiave S.p.A. in the joint ventures ASM Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation.

The parties expect to complete the operation by 31<sup>st</sup> December 2019.

## Synthesis data as of 30<sup>th</sup> September 2019 of jointly controlled companies consolidated through the equity method

### Estenergy S.p.A.

The Group holds a 48.999% stake in Estenergy S.p.A., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Estenergy S.p.A. is recognised in the consolidated financial statements through the net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

#### Balance sheet - summary data

(Thousands of Euro)	30.09.2019	31.12.2018
<b>Current assets</b>	<b>42,652</b>	<b>61,604</b>
of which		
Cash and cash equivalents	17,164	15,262
<b>Non-current assets</b>	<b>69,299</b>	<b>67,898</b>
<b>Current liabilities</b>	<b>36,013</b>	<b>36,915</b>
of which		
Current financial liabilities	605	1
<b>Non - current liabilities</b>	<b>4,854</b>	<b>4,354</b>
	<b>84,428</b>	<b>88,234</b>
Group interest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>0</b>	<b>43,234</b>

#### Income Statement - summary data

(Thousands of Euro)	Nine months 2019	Nine months 2018
Revenues	95,509	88,284
Total operating costs	86,103	79,037
<b>Gross operative margin</b>	<b>9,406</b>	<b>9,247</b>
Amortization and depreciation	447	26
<b>Operating result</b>	<b>8,959</b>	<b>9,221</b>
Financial income	123	159
Financial charges	44	1
<b>Earnings before tax</b>	<b>9,037</b>	<b>9,379</b>
Taxes of the period	2,618	2,674
<b>Result of the period</b>	<b>6,420</b>	<b>6,705</b>
Group interest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>3,146</b>	<b>3,285</b>

#### Asm Set S.r.l.

The Group holds a 49% stake in Asm Set S.r.l., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Asm Set S.r.l. is recognised in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

#### Balance sheet - summary data

(Thousands of Euro)	30.09.2019	31.12.2018
<b>Current assets</b>	<b>5,998</b>	<b>11,280</b>
of which		
Cash and cash equivalents	845	801
<b>Non-current assets</b>	<b>5,014</b>	<b>4,900</b>
<b>Current liabilities</b>	<b>3,583</b>	<b>8,490</b>
of which		
Current financial liabilities	35	844
<b>Non - current liabilities</b>	<b>449</b>	<b>393</b>
	<b>6,980</b>	<b>7,297</b>
<b>Group interest</b>	<b>49.000%</b>	<b>49.000%</b>
<b>Net profit for the period attributable of the Group</b>	<b>0</b>	<b>3,756</b>

Income Statement - summary data

(Thousands of Euro)	Nine months 2019	Nine months 2018
Revenues	21,251	18,767
Total operating costs	18,664	17,546
<b>Gross operative margin</b>	<b>2,587</b>	<b>1,221</b>
Amortization and depreciation	28	4
<b>Operating result</b>	<b>2,559</b>	<b>1,217</b>
Financial income	17	21
Financial charges	7	3
<b>Earnings before tax</b>	<b>2,569</b>	<b>1,234</b>
Taxes of the period	732	364
<b>Result of the period</b>	<b>1,836</b>	<b>870</b>
Group inteterest	49.00%	49.00%
<b>Net profit for the period attributable of the Group</b>	<b>900</b>	<b>426</b>

### Sinergie Italiane S.r.l. in liquidation

The Group has shareholdings in the affiliate Sinergie Italiane S.r.l., company in liquidation, which meets part of the needs for natural gas amounting to 30.94%. The associate closes its financial year on 30<sup>th</sup> September.

The scope of activity of the associate company during the financial year 2018-2019 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised before to the liquidation.

During the month of August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the "Take or pay" agreements with the supplier "Gazprom Export LLC"; the economic benefit resulting from the renegotiation will be extended to the two-year periods 2013-2014 and 2014-2015.

In September 2015, the affiliate signed the second renegotiation of the long-term agreement with the same supplier, mainly focused on the renegotiation of the raw material purchase price. At the same time, it was possible to achieve a significant reduction in the minimum contractual amounts. The economic effects of this renegotiation will extend until the natural expiry of the contract.

Based on the results of the accounting situation for the first half of the year 2018-2019, restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 5,976 thousand, of which Euro 1,849 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31<sup>st</sup> December 2018 amounted to Euro 8,358 thousand, of which Euro 2,586 thousand attributable to the Ascopiave Group, the Directors have used the related provision for risks and charges allocated against the capital deficit of the affiliate company for the difference accrued in the period and corresponding to Euro 600 thousand with a positive impact on the profit and loss account (Euro 756 thousand as of 30<sup>th</sup> June 2018).

Below are the key figures of the investment in the associate company as at 30<sup>th</sup> June 2019, as at 31<sup>st</sup> December 2018 and as at 30<sup>th</sup> June 2018:

(Values referred to pro-rata participation in Million of Euro)	First nine months	First quarter as of 31/12/2018	First half as of 30/09/2018
	as of 30/06/2019		
Non-current assets	1.20	1.46	1.86
Current assets	11.29	11.60	9.75
Net equity	(1.85)	(2.44)	(2.98)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	14.33	14.37	13.61
Revenues	50.81	18.32	33.58
Costs	49.63	(18.00)	(32.82)
Gross operative margin	1.18	0.33	0.76
Amortization and depreciation	(0.97)	(0.13)	(0.27)
Operating result	0.21	0.19	0.50
Net result	0.79	0.19	0.46
NFP	6.11	4.70	3.67

Pieve di Soligo, 11<sup>th</sup> November 2019

The Chairman of the Board of Directors  
Nicola Ceconato

## DECLARATION

*(Translation from the original issued in Italian)*

### **CERTIFICATION OF THE QUARTERLY REPORT as of 30<sup>th</sup> September 2019**

**Pursuant to Article 154-bis paragraph 5, part IV, section III, sub-section II, heading V-bis, Legislative Decree n. 58, dated 24<sup>th</sup> February 1998: Consolidated Law on Finance compliant with Articles 8 and 21, Law 52 dated 6<sup>th</sup> February 1996**

The undersigned, dr. Riccardo Paggiaro, in his position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declares, to the best of his knowledge, pursuant to the provisions of Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting information stated in the Quarterly Report as of 30<sup>th</sup> September 2019 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 11<sup>th</sup> November 2019

Ascopiave S.p.A.

*signature*

dr. Riccardo Paggiaro

**Gruppo Ascopiave**

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