

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

# 2020

Ascopiave Group



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- Statement by the appointed Manager - Certification of the Interim Financial Statements as of 30<sup>th</sup> September 2020 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 | 29/05/2020              |
| Coin Dimitri          | Indipendet Director                         | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Martorelli Giorgio**  | Indipendet Director                         | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Lillo Antonella       | Director                                    | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Pietrobon Greta       | Indipendet Director                         | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Quarello Enrico       | Indipendet Director                         | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Cecconato Nicola      | Chairman of the Board of Directors and CEO* | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Pietrobon Greta       | Indipendet Director                         | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Quarello Enrico       | Indipendet Director                         | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Bet Roberto           | Director                                    | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Geronazzo Mariachiara | Indipendet Director                         | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Vecchiato Luisa       | Director                                    | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Novello Cristian      | Indipendet Director                         | 2020-2022          | 29/05/2020 | Approval of budget 2022 |

(\*)Powers and attributions of ordinary and extraordinary administration, within the limits of the law and the Articles 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 | 29/05/2020              |
| Biancolin Luca     | Statutory Auditor                  | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Marcolin Roberta   | Statutory Auditor                  | 2017-2019          | 28/04/2017 | 29/05/2020              |
| Salvaggio Giovanni | President of the Board of Auditors | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Moro Barbara       | Statutory Auditor                  | 2020-2022          | 29/05/2020 | Approval of budget 2022 |
| Biancolin Luca     | Statutory Auditor                  | 2020-2022          | 29/05/2020 | Approval of budget 2022 |

#### 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 results

| (Thousands of Euro)                         | Nine months |               |        |               |
|---|-------------|---------------|--------|---------------|
|   | 2020        | % of revenues | 2019   | % of revenues |
| Revenues                                    | 129,347     | 100.0%        | 90,017 | 100.0%        |
| Gross operative margin                      | 45,118      | 34.9%         | 30,460 | 33.8%         |
| Operating result                            | 20,014      | 15.5%         | 13,048 | 14.5%         |
| Result for the period                       | 28,805      | 22.3%         | 8,129  | 9.0%          |
| Net result from transfer/disposal of assets |             | 0.0%          | 30,109 | 33.4%         |
| Net result for the period                   | 28,805      | 22.3%         | 38,238 | 42.5%         |

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)                       | 30.09.2020         | 31.12.2019         |
|---|--------------------|--------------------|
| Net working capital                       | 38,714             | 16,891             |
| Fixed assets and other non current assets | 1,178,955          | 1,122,433          |
| Non-current liabilities (excluding loans) | (54,022)           | (52,850)           |
| <b>Net invested capital</b>               | <b>1,163,647</b>   | <b>1,086,474</b>   |
| Net financial position                    | (316,643)          | (212,981)          |
| Total Net equity                          | (847,004)          | (873,492)          |
| <b>Total financing sources</b>            | <b>(1,163,647)</b> | <b>(1,086,474)</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     |               |
|---|-----------------|---------------|
|   | 2020            | 2019          |
| Net income of the Group   | 28,805          | 8,129         |
| Cash flows generated (used) by operating activities                                 | 16,962          | 85,758        |
| Cash flows generated/(used) by investments  | (86,013)        | (31,902)      |
| Cash flows generated (used) by financial activities                                 | 4,306           | (37,706)      |
| <b>Variations in cash</b>   | <b>(64,744)</b> | <b>16,150</b> |
| Cash and cash equivalents at the beginning of the period                            | 67,031          | 59,353        |
| Cash and cash equivalents at the beginning of the period - Companies held for sales | 0               | 7,297         |
| Cash and cash equivalents at the end of the period                                  | 2,286           | 82,800        |

## REPORT ON OPERATIONS

### Foreword

The Ascopiave Group closed the first nine months of 2020 with a net consolidated profit of Euro 28.8 million (38.2 million as of 30<sup>th</sup> September 2019), with a decrease of Euro 9.4 million as compared to the same period in the previous year.

The consolidated net assets as of 30<sup>th</sup> September 2020 amounted to Euro 847.0 million (Euro 873.5 million as of 31<sup>st</sup> December 2019), and the net capital invested to Euro 1,163.6 million (Euro 1,086.5 million as of 31<sup>st</sup> December 2019). During the first nine months of 2020 the Group accomplished investments for Euro 86.0 million (Euro 21.8 million in the same period in 2019), mainly for the purchase of stakes for Euro 60.6 million and the installation of electronic metres and the development, maintenance and modernisation of the networks and plant of gas distribution for Euro 24.2 million (Euro 19.8 million in the same period in 2019).

The process aimed at enhancing the gas sales activities and strengthening and consolidating the Group's presence in the distribution sector was completed on 19<sup>th</sup> December 2019. The business partnership approved on 17<sup>th</sup> June 2019 with Hera S.p.A. led to the establishment, through EstEnergy, of the largest Energy player in Northern-Eastern Italy to which the Ascopiave Group contributed with the sale of the gas and energy sales companies. As part of the operation, the Ascopiave Group also acquired the newly established company, consolidated on a line-by-line basis, Ap Reti Gas Nord Est S.r.l., to which the Hera Group had previously granted concessions for the distribution of gas, with approximately 188,000 users in Veneto and Friuli-Venezia Giulia.

In compliance with the provisions of accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations" the economic figures of the first nine months of 2019 of the sales companies transferred were shown separately in a single line of the income statement. The financial data were also restated in compliance with the standard above, while the balance sheets shown for comparison purposes, representing the financial position of the Group after the operation, did not require restatements.

The operating results achieved in the first nine months of 2019 by the companies involved in the partnership represent 100% of the result that the Group has consolidated, while the results achieved during the first nine months of 2020 by the Estenergy Group are recorded for the quota attributable to the Group (48%) in the item "Net result of companies consolidated using the equity method".

On 1<sup>st</sup> July 2019, the company Unigas Distribuzione S.r.l. was merged through acquisition into Ascopiave S.p.A.. Subsequent to this operation, the company Unigas Distribuzione 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, as well as in other sectors related to the core business, such as heat management and co-generation.

The Group currently holds concessions and direct assignments for the supply of the service in 268 municipalities and has a distribution network extending for over 12,880 km providing services to a catchment area of approximately 776,000 users.

### Strategic objectives

Ascopiave aims to pursue a strategy focused on the creation of value for its stakeholders, by maintaining the level of excellence in the quality of 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 in the gas sector on a local level and is trying to reach a prominent position also at the national level.

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 operative processes.

### Operating performance

The volumes of gas distributed through the networks managed by the Group were 948.2 million cubic metres, marking an increase of 25.4% compared to the same period in 2019, mainly due to the line-by-line consolidation of Unigas Distribuzione S.r.l. and the entry into the consolidation scope of Ap Reti Gas Nord-Est S.p.A..

The distribution network as of 30<sup>th</sup> September 2020 has an extension of 12,888 km, up 2,462 km compared to the same period in the previous year, a change mainly due to the line-by-line consolidation of Unigas Distribuzione S.r.l. and the entry into the consolidation scope of Ap Reti Gas Nord-Est S.p.A..

### Operating results and cash flows

In the first nine months of 2020, the consolidated revenues are equal to Euro 129.3 million, compared to Euro 90.0 million recorded in the same period in 2019. The increase in turnover is mainly explained by the extension of the scope of consolidation due to the line-by-line consolidation of Ap Reti Gas Nord Est S.r.l. and Unigas Distribuzione Gas S.r.l..

The Operating Result of the Group amounted to Euro 20.0 million, up Euro 7.0 million compared to the same period in 2019, influenced for Euro 5.8 million by the extension of the scope of consolidation.

The Net Result, equalling Euro 28.8 million, marks a decrease of Euro 9.4 million compared to the same period in 2019. The results achieved in the first nine months of 2019 by the companies involved in the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group, recorded in the item “Net result of discontinued operations”, include 100% of the result that the Ascopiave Group consolidated on 30<sup>th</sup> September 2019. Conversely, subsequent to the partnership described, the results achieved in the first nine months of 2020 by the Estenergy Group are recorded (for the portion attributable to the Ascopiave Group, 48%) in the item “Result of companies consolidated using the equity method” for Euro 11,250 thousand. This change of Euro 18.9 million measured at the end of the first nine months of the year was also influenced by the entry in the first nine months of 2019 of non-recurring components to the tune of Euro 5.9 million, relating to the recognition of the amounts deriving from the recalculation of the de-multiplication coefficient “K” which had been modified by resolution 89/10 of the Authority. This decrease was partially offset by the expansion of the scope of consolidation which resulted in the full recognition of the results achieved by Ap Reti Gas Nord Est S.r.l., acquired as part of the same partnership described above (+Euro 4.1 million) and the results achieved by Unigas Distribuzione gas S.r.l., merged through acquisition effective 1<sup>st</sup> July 2019. The results of these companies show a steady trend during the year, as they are not affected by seasonality.

The Net Financial Position of the Group as of 30<sup>th</sup> September 2020 is equal to Euro 316.6 million, an increase of Euro 103.7 million as compared to Euro 213.0 million as at 31<sup>st</sup> December 2019.

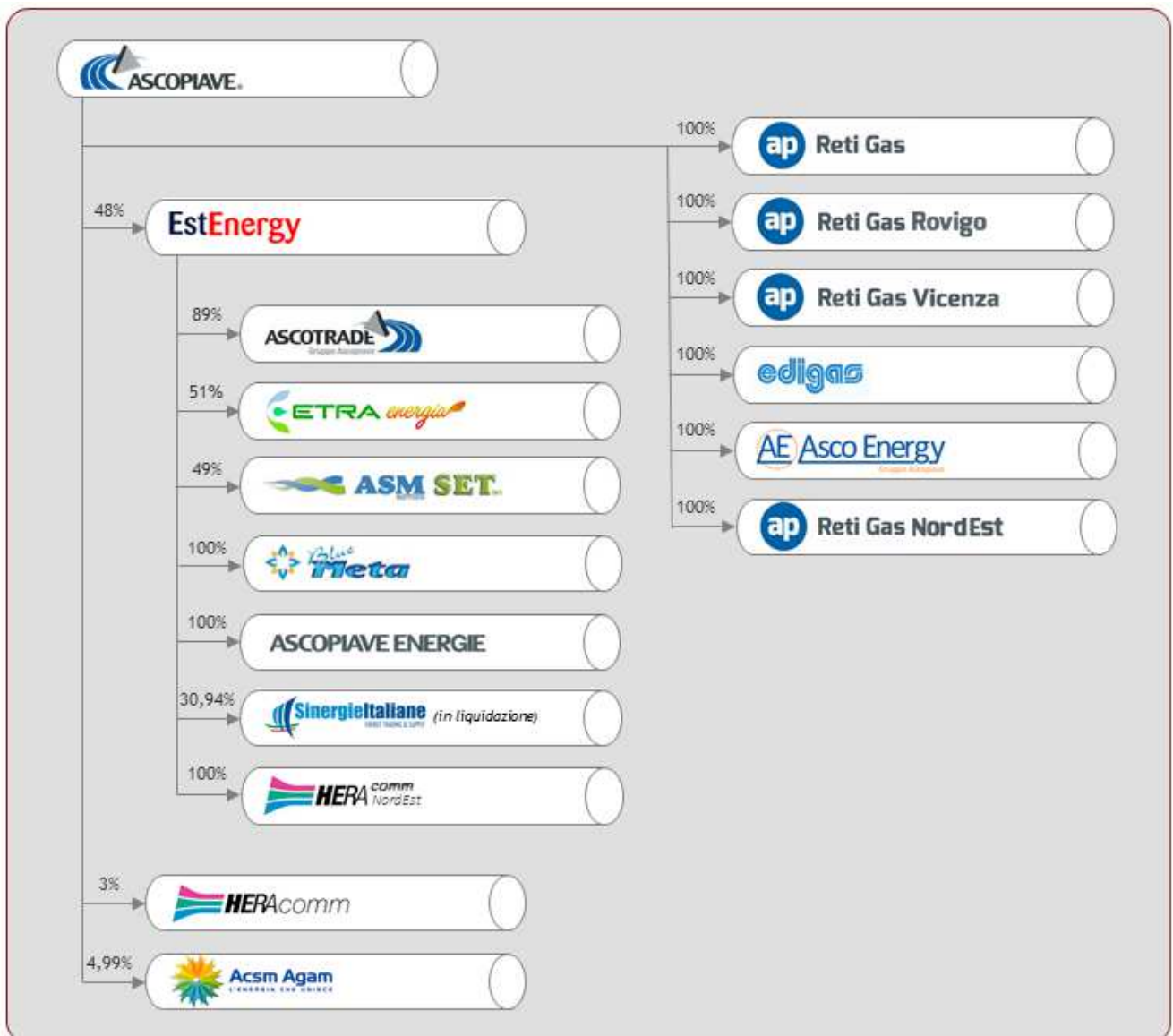
The increase in financial indebtedness is determined by the cash flow of the first nine months of 2020 (+Euro 53.9 million, given by the sum of the net result and amortisation and depreciation) and by the management of current assets, which has absorbed financial resources for Euro 37.3 million. The investment activity has absorbed financial resources for Euro 86.0 million. The management of equity (dividends distributed net of dividends received from the companies consolidated using the equity method and purchase of treasury shares) has absorbed resources for Euro 34.2 million.

The ratio Net financial position to Net equity as of 30<sup>th</sup> September 2020 is 0.37 (0.24 as of 31<sup>st</sup> December 2019).



## The structure of the Ascopiave Group

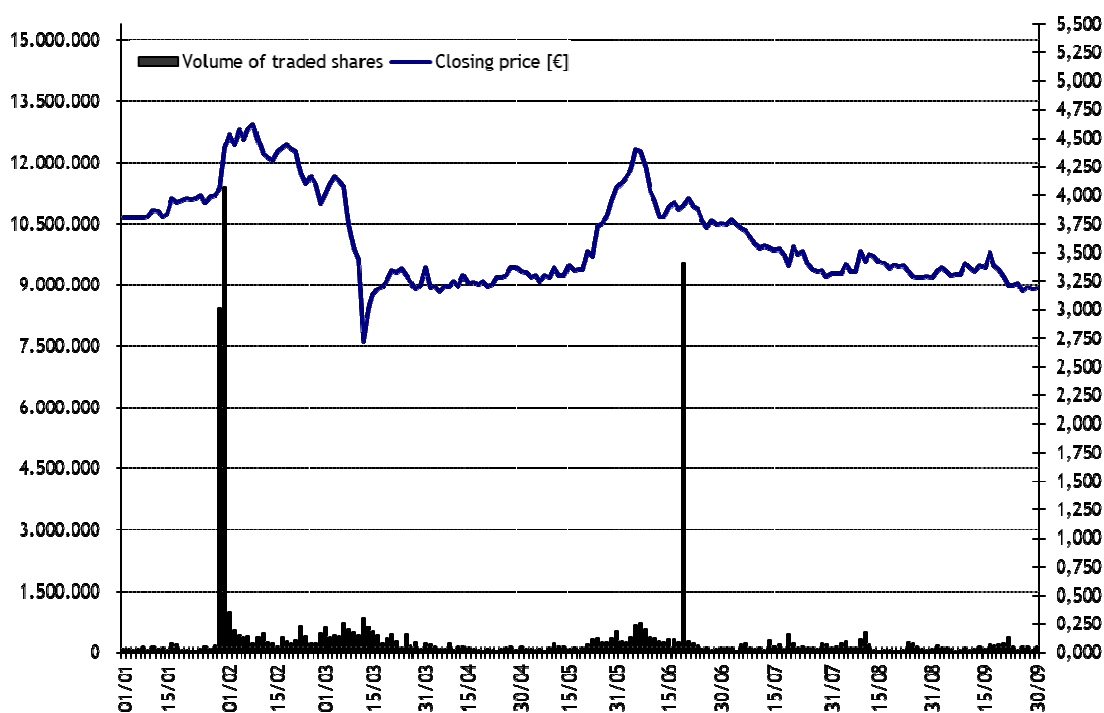
The table below shows the company structure of the Ascopiave Group as of 30<sup>th</sup> September 2020.



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

As of 30<sup>th</sup> September 2020 the Ascopiave share registered a quotation of Euro 3.185 per share, down 16.3 percentage points as compared to the listing at the beginning of 2020 (3.805 Euro per share, referred to the quotation of 2<sup>nd</sup> January 2020).

Capitalisation of the Stock Exchange as of 30<sup>th</sup> September 2020 was Euro 746.50 million<sup>1</sup> (895.61 million as of 30<sup>th</sup> December 2019).



During the first nine months of 2020, the quotation of the shares shows a decrease (-16.3%). In the same period, the FTSE Italia All Share index decreased by -19.7%, FTSE Italia Star by -0.6% and the sectorial index FTSE Italia Servizi di Pubblica Utilità increased by +0.1%.

<sup>1</sup> The Stock exchange capitalisation of the main listed companies operating in local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30<sup>th</sup> September 2020 equalled Euro 15.8 billion. Official data from Borsa Italiana's website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

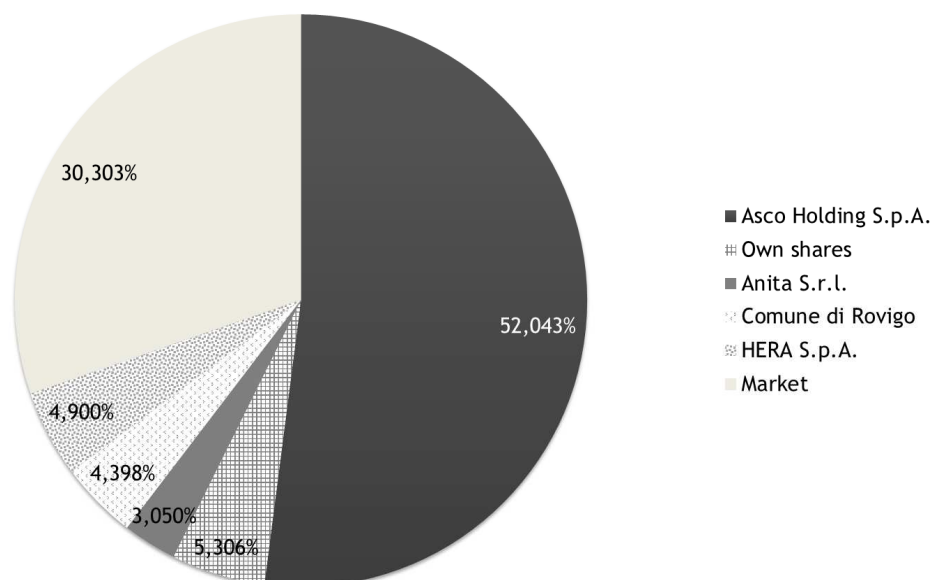
In the following table, we report the main shares and stock-exchange data as of 30<sup>th</sup> September 2020:

| Share and stock-exchange data                    | 30 <sup>th</sup> September<br>2020 | 30 <sup>th</sup> September<br>2019 |
|--|------------------------------------|------------------------------------|
| Earning per share (Euro)                         | 0.13                               | 0.15                               |
| Net equity per share (Euro)                      | 3.61                               | 1.70                               |
| Placement price (Euro)                           | 1.800                              | 1.800                              |
| Closing price (Euro)                             | 3.185                              | 3.780                              |
| Max. annual price (Euro)                         | 4.610                              | 3.820                              |
| Min. annual price (Euro)                         | 2.720                              | 3.095                              |
| Stock-exchange capitalization (Millions of Euro) | 746.50                             | 886.96                             |
| No. Of shares in circulation                     | 221,972,530                        | 220,690,969                        |
| No. Of shares in share capital                   | 234,411,575                        | 234,411,575                        |
| No. Of own share in portfolio                    | 12,439,045                         | 13,720,606                         |

## Control of the Company

As of 30<sup>th</sup> September 2020, 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 from Ascopiave S.p.A. pursuant to art. 120, Consolidated Financial Law.

## Corporate Governance and Code of Ethics

During the first nine months of 2020, Ascopiave S.p.A. continued its corporate governance development process planned during past years, strengthening its risk management system, 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 Board of Directors of the Company. In particular, 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 Manager and the Compliance Function, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for preparing financial information. To this end, the Company has adopted new tools of continuous auditing, enabling 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.

Ascopiave S.p.A. approved the "Ascopiave Group Whistleblowing Procedure", adopted by all Group subsidiaries, an integral part of the 231 Model (annex 3 of 231 Model). Complaints are handled by an "Alert Committee".

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.;
- ✓ Administrative services from the Parent company Asco Holding S.p.A..

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.;
- ✓ Administrative and staff services from Ascopiave S.p.A. to the Parent company Asco Holding S.p.A..

Subsequent to the finalisation of the partnership with the Hera Group on 19<sup>th</sup> December 2019, the gas and energy sales companies, which until that date were controlled by the Ascopiave Group, are controlled by Hera S.p.A.. The transactions with these companies, since the Ascopiave Group has a stake in the share capital of the new associate EstEnergy S.p.A., are shown as transactions with associates.

During the first nine months of 2020, the transactions with the companies involved in the partnership produced revenues in relation to the following types of service:

- ✓ Interest income accrued on credit balances of the intragroup current accounts until their closing;
- ✓ Natural gas transportation service on the local distribution network;
- ✓ Metering services performed as natural gas distributors and reading services;
- ✓ Administrative, IT, personnel and facility services.

During the first nine months of 2020 the transactions with the companies involved in the partnership produced costs in relation to the following types of service:

- ✓ Interest expense accrued on debit balances of the intragroup current accounts until their closing.

As regards the national tax consolidation agreement and the relevant transactions, in 2019 the companies of the Ascopiave Group, subsidiaries as of 31<sup>st</sup> December 2019, joined a new national tax consolidation agreement with the parent company Ascopiave S.p.A..

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 nature 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.  | 50                | 0                 | 2              | 0              | 0        | 48           | 0        | 0        | 53            | 0        |  |
| <b>Total Parent company</b>                                    | <b>50</b>         | <b>0</b>          | <b>2</b>       | <b>0</b>       | <b>0</b> | <b>48</b>    | <b>0</b> | <b>0</b> | <b>53</b>     | <b>0</b> |  |
| <i>Affiliated companies</i>                                    |                   |                   |                |                |          |              |          |          |               |          |  |
| Asco TLC S.p.A.  | 40                | 0                 | 59             | 0              | 0        | 527          | 0        | 0        | 40            | 0        |  |
| <b>Total Affiliated companies</b>                              | <b>40</b>         | <b>0</b>          | <b>59</b>      | <b>0</b>       | <b>0</b> | <b>527</b>   | <b>0</b> | <b>0</b> | <b>40</b>     | <b>0</b> |  |
| <i>Transfer / disposal assets and subsidiary companies</i>     |                   |                   |                |                |          |              |          |          |               |          |  |
| Estenergy S.p.A.   | 0                 | 0                 | 0              | 0              | 0        | 0            | 0        | 0        | 9,517         | 0        |  |
| Ascotrade S.p.A.   | 3,741             | 0                 | 14             | 0              | 0        | 92           | 2        | 0        | 28,251        | 0        |  |
| Blue Meta S.p.A.   | 1,094             | 0                 | 43             | 0              | 0        | 87           | 2        | 0        | 8,222         | 0        |  |
| Etra Energia S.r.l.  | 182               | 0                 | 1              | 0              | 0        | 140          | 1        | 0        | 343           | 0        |  |
| Ascopiave Energie S.p.A.                                       | 1,251             | 0                 | 53             | 0              | 0        | 58           | 3        | 0        | 5,338         | 0        |  |
| ASM Set S.r.l.   | 272               | 0                 | 1              | 0              | 0        | 148          | 1        | 0        | 2,262         | 0        |  |
| <b>Total Transfer/disposal assets and subsidiary companies</b> | <b>6,541</b>      | <b>0</b>          | <b>112</b>     | <b>0</b>       | <b>0</b> | <b>524</b>   | <b>8</b> | <b>0</b> | <b>53,933</b> | <b>0</b> |  |
| <b>Total</b>   | <b>6,631</b>      | <b>0</b>          | <b>173</b>     | <b>0</b>       | <b>0</b> | <b>1,099</b> | <b>8</b> | <b>0</b> | <b>54,026</b> | <b>0</b> |  |

## Significant events during the first nine months of 2020

### Publication of information document

On 1<sup>st</sup> January 2020, Ascopiave S.p.A. announced that the information document prepared pursuant to Article 71, Consob Regulation no. 11971/99, relating to the partnership between Ascopiave S.p.A. and the Hera Group, whose completion was communicated to the stock market on 19<sup>th</sup> December 2019, is available to the public at the premises of Borsa Italiana S.p.A., at the registered office of the Company, its website [www.gruppoascopiave.it](http://www.gruppoascopiave.it), and also on the authorised storage mechanism “eMarket Storage” ([www.emarketstorage.com](http://www.emarketstorage.com)) managed by Spafid Connect S.p.A..

### Ascopiave, territorial investments on the rise: over Euro 40 million envisaged in 2020

On 16<sup>th</sup> January 2020, Ascopiave S.p.A. announced that Ascopiave’s Investment Plan, for the expansion and upgrade of its distribution network and enhancement of energy efficiency, underscores the sturdy connection between the Group and its catchment area.

Specifically, Ascopiave S.p.A. announced that, in 2020, the economic commitment of the Group - listed under the Star segment of Borsa Italiana, among the leading operators in the natural gas sector in the country - will be over Euro 40 million, against Euro 31 million in 2019. Disbursements will focus on the creation of new distribution infrastructure, extraordinary maintenance works and new allotments, in addition to the installation of smart metres, designed to help customers save by making their homes as energy sustainable as possible.

In the year just ended, the gas distribution works performed by the Ascopiave Group in Municipalities where it holds assignments involved 93 km of network, up +25% compared to 2018. Of these, over 52 km were in the Province of Treviso alone, where the subsidiary AP Reti Gas performed the works.

Again as regards this Province alone, investments already implemented or planned over the 2019-2021 three-year period concern 120 km of network, worth about Euro 16 million. The works include those in progress in Nervesa della Battaglia for approximately Euro 2.3 million, Castelfranco Veneto (about Euro 2 million), Fontanelle (approximately Euro 1.5 million), San Biagio di Callalta (approximately Euro 1.5 million) and Pederobba (little over Euro 1 million), as well as those planned in 18 Municipalities in the Marca Trevigiana Area.

### Purchase of Hera S.p.A. shares

Subsequent to the press release issued on 31<sup>st</sup> January 2020 by Hera S.p.A., informing that Hera S.p.A. had acquired a 2.5% stake in Ascopiave S.p.A., with a view to strengthening the partnership between the two companies, the Board of Directors of Ascopiave S.p.A. has approved the purchase of Hera S.p.A. shares, corresponding to approximately 0.4% of its share capital. Ascopiave will inform the market when the purchase is completed.

### Resignation of Mr Giorgio Martorelli from the Board of Directors of Ascopiave S.p.A.

On 3<sup>rd</sup> February 2020, Ascopiave S.p.A. informed that it received the resignation of Mr Giorgio Martorelli, an independent and non-executive member of the Board of Directors of Ascopiave S.p.A., as well as a member of the Control and Risks Committee. The resignation was submitted for personal reasons.

Mr Martorelli had been elected by the Shareholders’ Meeting on 28<sup>th</sup> April 2017 and was presented as a candidate jointly by Amber Capital Italia SGR S.p.A., being him the manager of the Alpha Ucits Sicav-Amber Equity Fund, and by ASM Rovigo S.p.A., a company controlled by the Municipality of Rovigo, both minority shareholders of Ascopiave S.p.A..

To the knowledge of the Company, Mr Martorelli did not hold any shares in Ascopiave S.p.A..

Subsequent to the resignation, during the next meeting, the Board of Directors will take appropriate action under the law and the Articles of Association.

### Purchase of Acsm Agam S.p.A. shares

Ascopiave S.p.A. announced that on 7<sup>th</sup> February 2020 it purchased 7,241,661 shares of Acsm Agam S.p.A., a multi-utility company based in the Region of Lombardy and active in gas, water, electricity and environmental services, representing 3.67% of the share capital.

Subsequently, Ascopiave purchased additional shares, and now holds a stake equal to 4.99% of the share capital.

This investment is aligned with the strategic goals of the Group, since the activities and services managed by Acsm Agam S.p.A are consistent with the development lines pursued by the Ascopiave Group.

## Information on Covid 19

During the first months of 2020, the whole world, starting with the Asian countries and then continuing with several other nations, including Italy, has been progressively struck by the international health emergency caused by the Covid 19 virus, the so-called Coronavirus, which spread rapidly throughout our peninsula especially in the northern regions, greatly affecting our country.

The Group has carefully and constantly monitored the evolution of the situation in the area where its activities are located, but also the development of the pandemic at an international level. In order to deal with the emergency, the Group has operated and is operating in absolute compliance with the decrees issued by the bodies in charge, both at national and local level, prioritising the health and safety of workers to such an extent that, a few days after the establishment of the lockdown by the Government, the necessary measures were quickly activated in order to enable almost all employees to work remotely in agile method, while guaranteeing business continuity in all permitted activities.

The Group's Management, by using external indicators and internally processed values, has assessed the potential impacts in terms of performance in order to be able to make any decisions aimed at mitigating any effects on the execution of the business.

During the peak of the emergency, the negative economic and financial effects did not affect the results at the reporting date, as they were offset by the positive effects deriving from the remedies implemented.

Although in the industry where the Group operates the emergency is less critical, the Management has continued to monitor the pandemic both nationally and internationally in order to promptly deal with the crisis which, after an improvement in the summer, showed a new significant recrudescence in October, with a considerable increase in infection rates throughout the national territory. In order to counteract the recent developments, the Group has decided to take preventive action by rescheduling all work activities based on a solution which is less rigid than in spring 2020, ensuring staff presence in the company headquarters, but largely resorting to work from home.

## Shareholders' agreements

Pursuant to current legal and regulatory provisions, Ascopiave disseminated to the public the extract of the shareholders' agreements sent to Ascopiave pursuant to art. 122, par. 1 of Italian Legislative Decree dated 24<sup>th</sup> February 1998, no. 58 and published by the signatories of the agreements in the national newspaper *Italia Oggi* on 18<sup>th</sup> March 2020, 8<sup>th</sup> April 2020 and 27<sup>th</sup> May 2020.

## Extraordinary and ordinary Shareholders' meeting of 29<sup>th</sup> May 2020

The Shareholders' Meeting of Ascopiave S.p.A. convened on 29<sup>th</sup> May 2020, chaired by Mr Nicola Cecconato, in extraordinary and ordinary session.

In extraordinary session, the Shareholders' Meeting resolved to amend art. 3 (Duration) of the Articles of Association as suggested by the shareholder Asco Holding S.p.A., thus extending the duration of the Company from 2030 to 2060. In accordance with the provisions of the Articles of Association, the shareholders which have not participated in the approval of such resolution are not entitled to the right of withdrawal.

The Shareholders' Meeting also approved the proposal of the Board of Directors to amend art. 6 (Shares) of the Articles of Association, adding a clarification on the mechanism for attributing increased voting rights already envisaged in the Articles of Association. This change did not entail the right of withdrawal for shareholders which have not participated in its approval.

Also in extraordinary session, the Shareholders' Meeting resolved to introduce, consistent with the suggestion of the Board of Directors, a new article 6-bis of the Articles of Association, concerning the addition of a limit to the exercise of the right to vote for shareholders which qualify (or belong to a group in which there is a subject which qualifies) as operators in the sector of production and/or distribution and/or transport and/or purchase and/or sale of natural gas and/or electricity and/or the sector of energy efficiency and/or water supply and/or network services in general. Such resolution attributed to shareholders which did not contribute to its adoption (and, therefore, to shareholders which abstained, were absent or voted against) the right of withdrawal pursuant to article 2437, paragraph 1, *lett. g*), of the Italian civil code (the "Right of Withdrawal").

The terms and conditions for exercising the Right of Withdrawal were communicated to Ascopiave's shareholders within the deadlines and with the methods set out in the law.

As resolved by the Shareholders' Meeting, the effectiveness of the resolution introducing art. 6-bis in the Articles of Association is subject to the condition that the number of shares subject to the Right of Withdrawal that have not been purchased by shareholders or third parties in the context of (i) the process of the right of subscription of the shares of the withdrawing shareholders offered to the other shareholders (the "Right of subscription"), (ii) the exercise of the right of first refusal by Ascopiave's shareholders on any unsubscribed shares (the "Right of first refusal") and (iii) a Public Offering, if any, and which therefore must be purchased by the Company, is less than 5% of the share capital (corresponding to a disbursement under the scope of the Company of less than Euro 45,771,201,21). The Company may waive this condition within 20 working days from the closing date of the Right of subscription period (or, if the Company opts for a Public Offering, within 20 working days from the closing date of the Public Offering period).

Please note that, on 1<sup>st</sup> July 2020, Ascopiave S.p.A. announced that the aforementioned conditions of validity of the Shareholders' resolution were fulfilled as regards the introduction of article 6-bis of the Articles of Association.

Finally, the extraordinary Shareholders' Meeting of the Company resolved to amend articles 14 and 15 of the Articles of Association by increasing the number of members of the Board of Directors from 6 (six) to 7 (seven) and thereby aligning the relevant provisions of the Articles of Association concerning the appointment of the Board of Directors.

The Ordinary Shareholders' Meeting approved the financial statements for the year and acknowledged the Group's consolidated financial statements as at 31<sup>st</sup> December 2019, and resolved to distribute an ordinary dividend of Euro 0.2133 per share.

The ordinary Shareholders' Meeting (i) approved with binding vote - pursuant to article 123-ter, paragraphs 3-bis and 3-ter, of TUF (Consolidated Finance Law) - the first section of the Report on the remuneration policy and on the fees paid prepared pursuant to article 123-ter of TUF (i.e. the remuneration policy for the year 2020); and (ii) expressed a favourable advisory vote - pursuant to article 123-ter, paragraph 6, of TUF - on the second section of the Report on the remuneration policy and on the fees paid prepared pursuant to article 123-ter of TUF (i.e. the report on the fees paid in 2019).

The ordinary Shareholders' Meeting resolved on the appointment of the members of the Company's Board of Directors and Board of Auditors, who will remain in office for three years and therefore until the approval of the financial statements for the year to end on 31<sup>st</sup> December 2022.

The Board of Directors appointed by the Shareholders' Meeting - which took office on 4<sup>th</sup> June 2020 upon the registration of the approved amendments to the Articles of Association in the Treviso-Belluno Companies Register - is composed of 7 directors elected from the lists of candidates submitted by the Shareholders.

Given the outcome of the votes, out of 177,301,187 shares attending the Shareholders' Meeting, list no. 1 presented by Asco Holding S.p.A. obtained 121,994,222 votes equal to 68.806% of the shares represented at the Shareholders' Meeting and 52.043% of the share capital; list no. 2 presented by ASM Rovigo S.p.A. obtained 41,101,839 votes equal to 23.182% of the shares represented at the Shareholders' Meeting and 17.534% of the share capital; list no. 3 presented by the Municipality of Spresiano together with 7 Municipalities obtained 14,205,126 votes equal to 8.012% of the shares represented at the Shareholders' Meeting and 6.060% of the share capital.

Therefore, in accordance with article 15.12 of the Articles of Association, from the list presented by the majority shareholder Asco Holding S.p.A., holding 52.043% of the share capital, Greta Pietrobon, Nicola Ceconato, Roberto Bet, Mariachiara Geronazzo, Enrico Quarello and Luisa Vecchiato were elected directors. From the list presented by ASM Rovigo S.p.A., second in terms of number of votes obtained, Cristian Novello was elected director, the first candidate of the same list. The Shareholders' Meeting also appointed Mr Nicola Ceconato as the Chairman of the Board of Directors.

Furthermore, the Shareholders' Meeting resolved on the total annual remuneration of the Board of Directors, to the tune of Euro 380,000, to be paid, in compliance with the current legislation, for Euro 80,000 to the Chairman and for Euro 50,000 to each of the other directors, with effect from the date of taking office and until the expiry of the mandate, without prejudice to the faculty of the Board to determine a further compensation for directors holding particular offices in accordance with the Articles of Association pursuant to article 2389, paragraph 3, Italian civil code.

Given the outcome of the votes for the appointment of the Board of Auditors, out of 177,301,187 shares attending the Shareholders' Meeting, list no. 1 presented by Asco Holding S.p.A. obtained 121,994,222 votes equal to 68.806% of the shares represented at the Shareholders' Meeting and 52.043% of the share capital; list no. 2 presented by ASM Rovigo



S.p.A. obtained 41,308,493 votes equal to 23.298% of the shares represented at the Shareholders' Meeting and 17.622% of the share capital.

Therefore, the Board of Auditors appointed by the Shareholders' Meeting was elected from the lists of candidates presented by the Shareholders. Pursuant to article 22.5 of the Articles of Association, from the list submitted by the majority shareholder Asco Holding S.p.A., holding 52.043% of the share capital, which obtained the highest number of votes, Luca Biancolin and Barbara Moro were elected standing auditors, and Matteo Cipriano as alternate auditor. From the list presented by the shareholder ASM Rovigo S.p.A., holding 4.399% of the share capital, Giovanni Salvaggio was elected standing auditor and Chairman of the Board of Auditors and Marco Bosso as alternate auditor.

The Shareholders' Meeting also determined the remuneration of the Board of Auditors, pursuant to article 2402 of the Italian civil code, in the amount of Euro 40,000 gross per year for the Chairman of the Board of Auditors and Euro 27,000 gross per year for each standing auditor.

Furthermore, the ordinary Shareholders' Meeting resolved to approve certain changes to the regulation of the "Share-based long-term incentive plan - 2018-2020 LTI", as regards specifically the existing procedures for the review of the Plan and the possible technical methods for paying the bonus to terminated beneficiaries, mainly aimed at ensuring the correct operation of the Plan subsequent to any extraordinary transactions and/or events having a significant impact.

The Shareholders' Meeting of Ascopiave S.p.A., in ordinary session, approved a new plan to purchase and sell own shares, replacing the authorisation to purchase and sell own shares issued by the Shareholders' Meeting on 23<sup>rd</sup> April 2019, which was revoked for the non-executed portions.

#### **Methods and terms for exercising the right of withdrawal for the shareholders of Ascopiave S.p.A.**

On 4<sup>th</sup> June 2020, Ascopiave S.p.A. published clarifications regarding the methods and terms for exercising the right of withdrawal granted to the entitled shareholders in accordance with the terms and methods set out in the law.

#### **Appointment of the Managing Director and Internal Committees**

The Board of Directors of Ascopiave S.p.A., convened on 8<sup>th</sup> June 2020, appointed the Chairman Nicola Ceconato as the Company's Managing Director, conferring on him the appropriate powers. Furthermore, on the basis of the statements received from the persons concerned and the information in its possession, the Board ascertained, pursuant to the provisions of the Consolidated Finance Law and Implementation Criterion 3.C of the Code of Self-conduct for Listed Companies, that the directors Greta Pietrobon, Mariachiara Geronazzo, Cristian Novello and Enrico Quarello fulfil the independence requirements set out in art. 148, paragraph 3 of the Consolidated Finance Law and art. 3 of the Code of Self-conduct for Listed Companies and that therefore the composition of the Board of Directors complies with the provisions of art. 147-ter of the Consolidated Finance Law and art. IA.2.10.6 of the Instructions to the Regulations of Borsa Italiana regarding STAR issuers.

The Board of Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Furthermore, on the same date, the Board of Auditors ascertained that its members fulfil the independence requirements set out in art. 148, paragraph 3 of the Consolidated Finance Law on the basis of the information received from the persons concerned. The composition of the Board of Auditors therefore complies with the provisions of article 148 of the Consolidated Finance Law.

The Board of Directors has also set up the Control and Risk Committee, appointing:

- Cristian Novello (Chairman), independent director;
- Roberto Bet, non-executive director;
- Mariachiara Geronazzo, independent director.

In addition, the Board of Directors has established the Remuneration Committee, appointing:

- Greta Pietrobon (Chairwoman), independent director;
- Enrico Quarello, independent director;
- Luisa Vecchiato, non-executive director.

The CV of each director and auditor, as well as the information relating to the lists of origin, can be consulted on Ascopiave's website, at [www.gruppoascopiave.it](http://www.gruppoascopiave.it).

### **Information on the purchase of own shares and launch of the programme for purchasing and selling treasury share approved by the Shareholders' Meeting held on 29<sup>th</sup> May 2020**

Ascopiave announces the purchase on the electronic share market, in accordance with the authorisation to purchase treasury shares approved by the Shareholders' Meeting of 23<sup>rd</sup> April 2019 in the period between 1<sup>st</sup> January 2020 and 11<sup>th</sup> March 2020, of 1,538,580 ordinary shares at the average unit price of Euro 4.223, for a total value of Euro 6,497,910.18.

On 17<sup>th</sup> June 2020, Ascopiave S.p.A. resumed the purchases in implementation of the programme for purchasing and selling treasury shares approved by Ascopiave S.p.A.'s Shareholders' Meeting on 29<sup>th</sup> May 2020, and purchased on the electronic share market, in accordance with the same authorisation to purchase treasury shares, in the period between 29<sup>th</sup> May 2020 and 30<sup>th</sup> September 2020, 444,440 ordinary shares at the average unit price of Euro 3.488, for a total value of Euro 1,550,036.87.

As a result of the purchases made, Ascopiave S.p.A. holds 12,439,045 ordinary shares, equal to 5.306% of the share capital.

### **Final results of the exercise of the right of withdrawal**

On 1<sup>st</sup> July 2020, Ascopiave S.p.A. announced that on 19<sup>th</sup> June 2020 the period for exercising the right of withdrawal granted to holders of Ascopiave S.p.A. shares who did not participate in the approval of the resolution introducing art. 6-bis of the Articles of Association of Ascopiave S.p.A. terminated.

The number of shares for which the withdrawal was exercised was less than 5% of the share capital, and therefore the resolution of the Shareholders' meeting concerning the introduction of the new art. 6-bis in the Articles of Association of Ascopiave S.p.A. was fully effective.

### **Notice to the Shareholders - Rights issue pursuant to article 2437-quater, Italian Civil Code**

On 3<sup>rd</sup> July 2020, within the terms and in compliance with the methods set out in the law, Ascopiave S.p.A. published the notice to the shareholders pursuant to article 84 of Consob Regulation no. 11971/1999 announcing that the rights issue of 5,334,329 ordinary shares for which the right of withdrawal was exercised was filed with the Treviso Company Register, pursuant to art. 2437-*quater*, paragraph 2, Italian Civil Code.

## **Other significant events**

### **Efficiency and energy saving**

As regards the objectives applicable to the Group's natural gas distribution companies in relation to energy efficiency certificates (EEC), the 2018 objective will be completed and the 2019 minimum objective will be achieved for all the relevant companies upon delivery at the end of November 2020. The natural deadline for delivering the efficiency certificates, normally set on 31<sup>st</sup> May of each year, was postponed in 2020 to November 2020 due to the health emergency caused by the pandemic in progress.

As regards the 2020 objective, the sum of the objectives assigned to the three relevant Group companies amounts to 145,846 EEC. As concerns the objective of the newly consolidated company AP Reti Gas Nord Est S.r.l., since ARERA has not attributed the obligation yet, the quantities of the certificates to be delivered have been estimated in-house.

### **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 governed 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 pursuant to 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 Entity) 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 laws 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 has often led to administrative and civil/arbitral litigations.

The situation of the Municipalities shareholders of Asco Holding S.p.A. was even more peculiar because, with the latter, there is not a real concession deed in an “accepted” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds have 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 shareholder Municipalities, Ascopiave signed a convention, which implied hiring a renowned independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

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 served 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 Entities by City Council Resolution.

In 2013, Ascopiave submitted the work progress report 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;
- Euro 5,482 thousand in 2019

were paid for a total amount of Euro 51,235 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 - 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 stated in the legislation. The Authority 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 2020, 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 conclusions on 27<sup>th</sup> May 2021.

Negotiations are well underway to reach a settlement agreement (an understanding has been reached and a first draft agreement has been circulated among the lawyers). The Municipality will be contacted in order to define details.

### LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 30<sup>th</sup> September 2020 no litigations are pending.

### ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS

As of 30<sup>th</sup> September 2020, 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. There are no further significant procedural events.

The reply briefs were filed in February 2020.

There are no further significant procedural events.

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.

Immediately after the appeal, negotiations were initiated with the law firm appointed by the Municipalities (and by the Province of Varese, the contracting authority of the territorial area "Varese 1"). As regards the latter, an

agreement has been reached and formalised in a proposal by the Company, sent on 26<sup>th</sup> June 2020). All the Municipalities accepted the proposal, with a specific City Council resolution (which revoked the previous resolutions challenged). By virtue of the agreement reached, the pending proceedings will be abandoned.

#### **MUNICIPALITY OF FOSSALTA DI PORTOGRUARO**

An administrative judgment, just terminated, before the Regional Administrative Court of Veneto, brought by AP Reti Gas for the appeal of City Council Resolution no. 52/2019, by which the Municipality of Fossalta di Portogruaro intended to launch a tender procedure for the sale of the sections of the distribution network owned by the Municipality, in violation of the principle of unitary circulation of the ownership of the distribution facilities with the management of the service (to be considered latent, in the Company's opinion, in the current regulatory framework). In addition to this aspect (already in itself invalidating), the Provision also appeared flawed in two further aspects:

1. the source bid was a value (RAB) that is not current, but merely prospective, resulting solely from the approval of the tariff application submitted some time ago by the Municipality (through AP), but not yet examined by ARERA;
2. assumed the existence of economic obligations (payment of royalties or similar fees) under the scope of AP Reti, in violation of the agreement in force.

The appeal was notified on 18<sup>th</sup> December 2019 (the deadline for the submission of bids was 19<sup>th</sup> December 2019).

No bids were received.

AP therefore waived the application for interim relief (the Regional Administrative Court, at the hearing of 8<sup>th</sup> January 2020, acknowledged the waiver), but decided to file the appeal in any case.

With Judgement no. 830/2020 the Regional Administrative Court of Veneto, after ascertaining that no bids were received for the invitation to tender launched by the Municipality of Fossalta di Portogruaro, acknowledged the lack of interest of the complaints by which AP Reti Gas had challenged the call for tenders and its rules.

The ruling, which also ordered each party to pay its own legal costs, although rejecting the complaints filed, appears however positive, since the Regional Administrative Court specified that "a relaunch of the tender procedure, if any, after the definitive closure of the procedure notified on 18<sup>th</sup> December 2019 by the Municipality, would basically result in a completely new procedure, supported by an independent preliminary inquiry, at the end of which a new exercise of administrative power would be produced, and this would allow the appellant to bring a new appeal".

#### **MUNICIPALITIES OF ALBIGNASEGO AND CADONEGHE**

Two administrative proceedings, pending before the Regional Administrative Court of Veneto, initiated by AcegasApsAmga (assignor of AP Reti Gas Nord Est), against the Municipalities of Albignasego and Cadoneghe, relating to the ownership of the networks in the parcelled areas.

At present there is no legal activity. AP Reti Gas Nord Est is considering whether to continue or abandon the aforementioned disputes.

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

As of 30<sup>th</sup> September 2020, 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 Lazio 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 (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”.

On 3<sup>rd</sup> December 2019, the Company was notified of the imminent expiration of the proceedings. The Company has consequently filed the request for scheduling a hearing, within the deadlines set.

#### **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 Lazio - 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 filed an appeal.

Furthermore, as a merely prudential measure, essentially in order to avoid objections due to lack of interest, the Company also challenged ANAC Resolution 570/2019 (which approved the updated text of the Guidelines 11, although basically identical to the previous one).

#### **Press release of ANAC's Chairman issued on 16<sup>th</sup> October 2019**

An appeal before the Regional Administrative Court of Lazio - Rome was brought by AP Reti Gas (together with other primary operators of gas and electricity distribution services), for the cancellation of the Press Release of ANAC's Chairman dated 16<sup>th</sup> October 2019. Such provision basically intended to extend the obligations of the contracts under Legislative Decree 50/2016 (e.g. acquisition of CIG - Contract Reference Number - and payment of ANAC contribution) also to those contracts which are excluded from and even unrelated to the application of the Code.

After consulting other leading operators belonging to Utilitalia, AP Reti Gas, as the largest distribution company of the Ascopiave Group, for merely prudential reasons (as Press releases are not considered sources of mandatory rules), decided to file an appeal, notified on 24<sup>th</sup> December 2019.

#### **ARERA RESOLUTION ARG/GAS 570/2019**

AP Reti Gas (together with other primary operators of gas distribution services) filed an appeal with the Regional Administrative Court of Lombardy - Milan against ARERA, for the cancellation of Resolution 570/2019/R/gas, illustrating the "*tariff regulation of gas distribution and metering services for the 2020-2025 period*". The new regulatory framework envisages a strong and unjustified reduction in the tariff items covering the operating costs recognised to distributors. The appeal was filed on 25<sup>th</sup> February 2020.

Subsequent to the appeal by Italgas Reti, the Regional Administrative Court of Lombardy ordered ARERA to submit the documents used for determining the rate of return on invested capital (beta parameter) and allow anonymous access to accounting and other documents transmitted to ARERA.

#### **ASCO ENERGY - CONTARINA - PROJECT FINANCING**

On 15<sup>th</sup> December 2019, Asco Energy S.p.A. filed an appeal with the Regional Administrative Court of Veneto for the cancellation of the resolution by which Contarina S.p.A. did not accept (in the opinion of Asco Energy S.p.A., without justification and in contrast with the conduct adopted by the company up to the presentation of the project) the project financing proposal submitted for the construction of a plant for the production of biomethane from wet waste. Due to the supplementary documentation acquired, additional grounds were brought.

To date there are no further procedural documents.

#### **AWARD OF THE "BELLUNO" TERRITORIAL TENDER**

AP Reti Gas S.p.A. filed an appeal with the Regional Administrative Court of Veneto against the award to Italgas Reti of the "Belluno" territorial tender, notified on 29<sup>th</sup> June 2020.

The main reasons essentially concern anomalies, therefore the concrete sustainability of Italgas Reti's bid. Certain irregularities of the procedure are also contested.

Subsequent to the outcome of the accesses to the procedure documents performed on two different occasions, two appeals were filed for additional grounds.

In turn, Italgas Reti filed a cross-appeal against AP Reti Gas.

The appeal filed by AP Reti Gas pursuant to art. 116 of the Administrative Procedure Code, in order to access the parts of the tender indicated by Italgas as covered by secrecy, was accepted by order dated 16<sup>th</sup> October 2020.

With respect to the main appeal, on 2<sup>nd</sup> September 2020 the parties waived the discussion of the interim measure on the basis of the Municipality's commitment not to sign the Contract until the outcome of the dispute.

Please note that the entire administrative process that led to the territorial tender was appealed by the Municipalities belonging to the Area against the Contracting Authority. Specifically, the municipalities intend to reset the entire procedure. At present, the outcome of such appeal, still pending before the Regional Administrative Court of Veneto,

is unknown.

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

As of 30<sup>th</sup> September 2020, the following are pending:

##### **REQUEST FOR DAMAGES DUE TO SUPPLY INTERRUPTION AGAINST AP RETI GAS VICENZA**

A case before the Court of Vicenza, initiated against AP Reti Gas Vicenza for compensation for damages resulting from plant downtime, for the temporary interruption of the supply (which occurred during activities on the distribution network, entrusted to the contractor Costruire e Progettare in Lombardia), brought by Ariston Cavi S.p.A..

The Company regularly entered an appearance and, exercising the negotiation indemnity, impleaded the contractor.

The next hearing is scheduled for 12<sup>th</sup> November 2020.

Please note that, for the same episode and for the same reasons, the initiation of a similar dispute by Microfilm S.R.L. is probable.

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

In order to obtain compensation for damages to the entrance floor of the “Unit B” (belonging to the headquarters in Pieve di Soligo), Ascopiave S.p.A., following the pre-trial technical investigation, filed a civil judgment before the Court of Treviso (RG 6941/2013) against: Bandiera Architetti S.r.l. (Progettisti), Mr Mario Bertazzon (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) and Euro 208 thousand (estimate of a Third-party firm).

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 regulatory obligation (specifically Art. 40.2 letter A of the Integrated Text for the Sale of Gas - TIVG), the Group distribution companies (AP Reti Gas S.p.A., AP Reti Gas Vicenza S.p.A., AP Reti Gas Rovigo S.r.l., AP Reti Gas Nord Est S.r.l. and Edigas Esercizio Distribuzione Gas S.p.A.), obtain forced entry to private property in order to disconnect utilities (when the metre is located in a private property) of Default Service (SDD) customers that are in default. As a rule, the Group proceeds pursuant to Art. 700 of the Italian Civil Procedural Code (but may also appeal pursuant to Article 703 of the Civil Procedural Code).

Appeals are made against final customers (or utility users), or, more rarely, against the owners of the property served.



For this purpose (and to meet provisions of the regulations), the company has created a management procedure that starts with the activation of the Default Service and ends with the termination (for any reason) of the Default Service. 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 (or art. 703 Civil Procedural Code).

The status of the procedures (with annual consumption >500 Scm/year, those for which there is an obligation to sue) is as follows:

- 0 procedures have been sent to the Legal Office and await filing;
- 9 procedures have been filed (hearings already scheduled/under scrutiny);
- 18 procedures are in execution of judgment (16 referring to appeals previously filed by AcegasApsAmga, a distribution company taken over by AP Reti Gas Nord Est S.R.L.);
- appeal rejected for 2 procedures;
- 1 procedure for which, after the appeal was rejected, the resulting complaint was also rejected;
- 25 procedures are being managed (an appeal could be necessary);
- 404 procedures have been completed (in various stages), but the amount is 511 if we also consider procedures with annual consumption <500 Scm/year.

Between 50 and 70 procedures for which legal action is likely to be taken are expected every year for all Group companies. From 2014 to 30<sup>th</sup> September 2020, the total legal fees (including taxes), for the procedures forwarded to the Law firms, amount to approximately Euro 414 thousand.

For these expenses, the law envisages partial tariff compensation (up to € 5,000 per procedure).

## 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 implicit/express refusal to reimburse the additional IRES tax (so-called Robin Tax).

The Companies involved in the afore-mentioned litigations are: Ascopiave, Ap Reti Gas Rovigo, Edigas Esercizio Distribuzione Gas, Unigas Distribuzione (merged into Ascopiave), Asco Energy (former Veritas Energia).

Since 2008, the additional IRES tax stated in Art. 81 of Law Decree 112/2008 applies to these companies.

Subsequently, in 2015, the Constitutional Court 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 were 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 acceptance of the claim would cause a massive financial burden for the entire country. As regards the time expected to settle this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. So far, only the appeals relating to the companies Ascopiave, Edigas Esercizio Distribuzione Gas and Unigas Distribuzione S.r.l. have been discussed.

With reference to the outcome of the litigations in progress, the result of the first instance was favourable to Agenzia delle Entrate and the companies decided to appeal against the judgement of the provincial tax commission. Currently, some regional tax commissions have already confirmed the first instance judgements (Ascopiave, Edigas Esercizio Distribuzione Gas). The other tax commissions, on the other hand, 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., a company sold on 19<sup>th</sup> December 2019 to the Hera Group, for which Ascopiave issued a specific guarantee. The company presented its briefs against the Report on Findings. Subsequent to the submission of the briefs, on 31<sup>st</sup>

December 2019, Agenzia delle Entrate issued the tax demand to Ascotrade relating to the disputed matters for the years mentioned above, following which the company, on 27<sup>th</sup> February 2020, filed an appeal with the Provincial Tax Commission of Venice, deeming that the conduct of the Company is entirely legitimate.

On 29<sup>th</sup> September 2020, the Veneto Regional Direction of Agenzia delle Entrate issued a Report regarding Ascotrade S.p.A., as part of the same audit, containing findings on direct and indirect taxes related to subsequent years from 2015 to 2018.

The company, aided by the tax advisor, considers the risk as “possible” or “remote” and therefore has not made any provision.

## 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 regulations concerning the criteria to be applied to calls for tenders and the evaluation of the bid for assigning the gas distribution service were 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 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) 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 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 provisions 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 stated 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 (effective date 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 inconsistent 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 Lazio). As part of 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 Entity 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 Contracting Authorities, 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 stated 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, was 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) introduces 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 group, 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 entities 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 29<sup>th</sup> May 2020, the Shareholders' meeting approved the financial statements and the distribution of the ordinary dividend, to the tune of Euro 0.2133 per share, with ex-dividend date on 8<sup>th</sup> June 2020, record date on 9<sup>th</sup> June 2020 and payment on 10<sup>th</sup> June 2020.

## Treasury shares

Pursuant to Article 40, Legislative Decree 127 par. 2 d), as of 30<sup>th</sup> September 2020 the value of own shares held by the company is equal to Euro 34,821 thousand (Euro 26,774 thousand as of 31<sup>st</sup> December 2019), recognised as a reduction in other reserves as shown in the Net Equity changes.

As of 30<sup>th</sup> September 2020, Ascopiave S.p.A. held 12,439,045 own shares, equal to 5.306% of the share capital, for the value above.

## Outlook for the Year

As far as the gas distribution activities are concerned, in 2020 the Group will continue its normal operations and service management and perform preparatory activities for the next invitations to tender for awarding concessions, which involve, among other things, updating the estimates of the reimbursement values of the plants currently managed and sharing them with the local authorities, as well as providing the contracting authorities with the data and information required by law.

Most Municipalities currently managed belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders has expired. Only the contracting authorities in the Territorial areas of Vicenza 3 and Vicenza 4 have published the call, for which the application for participation should be submitted respectively within 31<sup>st</sup> December 2020 and 31<sup>st</sup> March 2021. In the light of the time required to submit bids and evaluate and select them, it is believed that possible transfers of management to potential new operators may be executed only in subsequent years.

As regards the economic results, in 2019 the Authority adopted the new tariff regulation for the 2020-2025 five-year period. The new provisions envisage a significant reduction in the revenue components intended to cover operating costs.

In this regard, the Group has appealed to the Regional Administrative Court of Lombardy - Milan together with other leading distribution operators. As regards energy efficiency obligations, it is presumable that the economic margin achievable in 2020 will be consistent with that achieved in 2019, due to the effect of the current regulations that control the purchase prices of the certificates and contributions granted.

The health emergency caused by the Covid 19 virus, in light of the Ascopiave Group's focus on the distribution business, had a minor effect on profitability in the first nine months of 2020 and, as the peak of the emergency is behind us, limited impacts are currently expected also on future profitability, since adequate credit risk hedging mechanisms are contained in the Grid Code, which governs the activity of distributors. Although the industry where the Group operates is less critical, the Management has continued to monitor the pandemic at the national and international level so as to promptly respond to the emergency which, after an improvement in the summer, showed a new significant recrudescence in October, with a considerable increase in infection rates throughout the national territory.

As regards electricity and gas sales, Ascopiave will obtain the benefits of the consolidation of its quota of the result of the minority stake in EstEnergy and the dividends distributed by Hera Comm - both companies are controlled by the Hera Group. Ascopiave has put options on these investments and it is possible that they will be exercised, in whole or in part, with a consequent impact on the Group's income statement and financial structure.

The actual results of 2020 could differ from those outlined above depending on various factors amongst which: the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, the evolution of the on-going health emergency, success in the development and application of new technologies, changes in stakeholder expectations and other changes in business conditions.

## Evolution of the COVID 19 emergency

In February/March 2020, the health emergency caused by Covid-19 involved the entire territory where the Ascopiave Group operates and entailed a full-scale review of work organisation in order to take all the necessary preventive measures to ensure employees' safety and operational continuity for all Group companies.

After the first case of infection in Italy, on 21<sup>st</sup> February, which was followed by an urgent meeting of the Council of Ministers on 23<sup>rd</sup> February for the first important action by the government, on the same day, Sunday 23<sup>rd</sup> February, at the Ascopiave Group headquarters in Pieve di Soligo, as requested and directed by the Chairman Nicola Ceconato, a specific Crisis Unit was set up to handle the emergency, composed of: Roberto Zava (HR Director and Operational Coordinator of the Crisis Unit), Antonio Vendraminelli (Distribution SBU Director), Alberto Tomasoni (Health and Safety Officer), Romeo Ghizzo (IT), Luisa Bedin (Assets), Gabriele Kaserer (Organisation), Manlio Boscheratto (Staff). The task entrusted to the Crisis Unit was to provide operational instructions aimed at supporting the activities of the Group companies by ensuring all the necessary measures to protect workers' health.

As regards communication, informative posters concerning a series of obligations imposed on employees, visitors or guests were posted at the entrance and in the most visible places of the company premises, and frequent notifications were sent by email to all employees.

The company ensured the daily cleaning and periodic sanitation of the premises, environments, workstations and common areas. It also stressed the importance of personal hygiene, providing workers with suitable detergents for frequent hand cleaning. It also equipped each worker with masks as airways protection devices and PPE (masks, gloves, goggles, coveralls, caps, gowns, etc...) compliant with the indications of the Health Authority.

Initially, the attention was focused on an operational office in Lombardy (province of Bergamo), the first region to adopt important restrictive measures in some areas, then extended to all headquarters. The Management has constantly monitored the evolution of the events, quickly identifying the most appropriate measures to support workers, safety and services, providing all employees with continuous information and always guaranteeing the continuity of the service.

The Crisis Unit immediately began working by promoting the implementation of all the precautionary measures issued by the Authorities to avoid contacts between people and disseminating widely in the company offices all the indications released, both for social distancing and for personal hygiene. The emergency procedures for the protection and health of employees and for the fight against the spread of the virus in the various offices were implemented through:

- ✓ adoption of all of the safety protocols,
- ✓ posting of the behavioural rules issued by the Ministry and the Italian Institute of Health and their diffusion to all workers through specific communications,
- ✓ transmission to all employees of communications, ordinances and Prime Minister Decrees,
- ✓ implementation of measures for distancing and avoiding the simultaneous presence of staff in offices and in common areas,
- ✓ activation of shifts for accessing the canteen with tables and chairs arranged in order to respect distances, initially, then the canteen service was suspended,
- ✓ minimisation of meetings and use of audio- or videoconferences,
- ✓ cancellation of meetings with third parties, consultants and collaborators and exclusion of their presence on site,
- ✓ reduction of all business trips and travels,



- ✓ review of criteria for accessing Group offices (the entrances were closed and access was limited to couriers for deliveries to the warehouse, respecting protocols),
- ✓ rescheduling of operations for all technical, administrative and secretarial areas,
- ✓ strengthening of cleaning services,
- ✓ maximisation of agile work where possible with implementation of technological equipment,
- ✓ promotion of the use of holidays or other possibilities given by collective bargaining tools,
- ✓ increase in purchases of material for personal hygiene, distributed in the various areas, and for cleaning,
- ✓ increase in requests for PPE stocks,
- ✓ more frequent sanitisation of the premises.

In compliance with article 13 of the protocol signed on 15<sup>th</sup> March 2020 between the Government and the employers' and workers' associations, on 17<sup>th</sup> March, after reaching an agreement with the company representatives, a so-called Central Committee was established, concerning the Ascopiave Group as a whole, with the main task of evaluating the "Shared protocol for regulating the measures to fight and contain the spread of the Covid-19 virus in the workplace", and the interventions that may be necessary in consideration of the activity and presence of the Ascopiave Group as a whole. Such Committee is composed of 8 people (4 representing the Company, 4 representing the internal trade unions). Four so-called Local Committees were also convened, relating to the companies AP Reti Gas Nord Est, AP Reti Gas Vicenza, AP Reti Gas Rovigo and Edigas, with the same task as the Central Committee but focused on the individual headquarters, consisting of 2/3 representatives appointed by the Company and 2/3 by the trade unions.

As regards the distribution activities, operations were rescheduled and the activities were gradually postponed where possible. In particular, all construction sites and operating activities not directly related to the safety and continuity of the service were gradually suspended; all essential services were therefore guaranteed, specifically emergency intervention, facility surveillance and the operations aimed at ensuring the use of the service, such as activations and reactivations of end customers and the creation of connections for the activation of supplies. Together with the competent doctor, the risks deriving from the possible presence of infected or quarantined people were analysed, and the correct precautions to be adopted were identified, which envisage the use of specific personal protective equipment, distributed to all operating personnel.

In general, business continuity was guaranteed in all companies, although the employees were encouraged in all ways to leave the workplaces; at the offices, staff could only be present with the authorisation of their manager for emergency reasons. In total, this exodus has involved over 95% of the employees of the Pieve di Soligo headquarters (usually around 200 units are present), and an equal or higher percentage in other headquarters, through the use of work from home for white-collar workers or the decision not to have external distribution personnel work at the headquarters, or through the use of holidays, leaves or other measures.

The meetings of the Central Committee and the Local Committees were held regularly with discussions that concerned not only the aspects relating to company safety and the protection of workers, with updates on the arrivals and distribution of personal protective equipment, but that also covered general issues because the company's representatives reported a natural drop in activities, especially for some functions, and therefore the need to resort to the tools and contractual measures set out in the provisions (work from home, revision of production levels, shift plans, rescheduling, use of holidays, accumulated holidays, leaves, reduced working hours) aimed at enabling absence from work without losing remuneration. The meetings did not reveal any non-compliance with the ordinances issued.

A voluntary "Hour Bank" was specifically set up in agreement with the trade unions, in order to avoid using social security measures and support employees with a negative holiday balance who are currently inactive: the Ascopiave Group contributed with 480 working days, which made it possible to establish the fund to start the initiative, which was followed, in order to conclude a lagging trade union agreement on a particular issue relating to the increased payment of overtime work to employees in order to recover hours subsequent to the emergency, by a direct measure by Chairman Ceconato and a massive participation of employees who donated over 600 days of holidays; in this way the offer of days exceeded the demand, reaching over 1,100 days.

Overall as of 30<sup>th</sup> September, over 15 official and informal meetings of the Central Committee were convened and regularly held, while communications to employees throughout the Ascopiave Group on the emergency, always on the same date, were 35, demonstrating a continuous, complete and far-reaching information.

The first stage of the emergency for the Company ended on 18<sup>th</sup> May when a slow and planned return of almost all (about 85-90%) employees was coordinated, with the exception of the categories entitled to be absent from work pursuant to the Prime Minister Decrees or in the case of parents with children under the age of 14, who may request to work from home until 31<sup>st</sup> July (extended subsequent to the publication of Legislative Decree 83 dated 30<sup>th</sup> July

2020), with the obligation to comply with a rigid protocol that involves a series of responsibilities on the part of employees before accessing the office including, before leaving their home, the measurement of their body temperature in order to prevent any person with a temperature above 37.5° from accessing the workplace.

The management of the first stage enabled a safe organisation of the second stage, “almost back to normal”, with employees back to the offices, also thanks to constant communication about incessant regulatory evolutions. The staff is constantly invited to comply with all preventive measures to avoid infection. The experience of the emergency has made clear that decisions must be taken quickly, especially in the workplaces, because the scenario can be compromised if no action is taken at the slightest issue.

No employee of the Ascopiave Group tested positive before 30<sup>th</sup> September 2020.

Subsequently, however, after school reopening and the more extensive use of public transport, a surge of infections was recorded throughout Italy and the employees of the Ascopiave Group underwent more and more serological tests or nasopharyngeal swabs and home isolation. As a consequence, on 21<sup>st</sup> October, after consulting Mr Ceconato, Chairman, the Company decided to move to stage three, less rigid than stage one but still requiring a rearrangement of all the work activity, with the involvement of executives and function managers, ensuring presence in the offices but largely resorting to work from home for tasks that can be performed remotely, minimising stays in the headquarters. For statistical purposes, 7 employees of the Ascopiave Group tested positive at 31<sup>st</sup> October 2020: 5 from AP Reti Gas, 1 from Ascopiave, 1 from Edigas; none of them was hospitalised and they all followed the preventive measures stated in health protocols. The premises visited by the employees were sanitised according to the procedures.

## Goals and policies of the group and risk description

### Credit and liquidity risk

The main financial instruments used by our Group consist of liquidity, bank debt and other forms of financing.

It is maintained that the Group is not exposed to credit risks greater than the industry average, considering that it provides its business services to a limited number of operators in the gas sector, whose rules for accessing the services offered are established by the Regulatory Authority for Energy, Networks and the Environment and set out in the Grid codes, which dictate contractual clauses that reduce the risks of default by customers. The Codes envisage, in particular, the release of suitable guarantees to partially cover the obligations assumed if the customer does not have a credit rating issued by leading international bodies.

To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 6.04% (2.67% as of 31<sup>st</sup> December 2019) 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.

### Risks relating to bids for assigning new concessions for gas distribution

As of 30<sup>th</sup> September 2020 the Ascopiave Group holds a portfolio of 268 natural gas distribution concessions (268 as of 31<sup>st</sup> December 2019). 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 operations and the operating results, financial position and cash flows, it being understood that, if the company is not awarded 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 calculation of the 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 from 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 thereof 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, please note that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, stated 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 transferred for consideration to the new operator in the second period of concession based on the redemption value, pursuant to 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 stated 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.

### **OPERATIONAL RISKS**

Ascopiave oversees company processes and activities, respecting the health and safety of workers, protecting the environment, quality and energy saving in the services offered and complying with anti-bribery laws.

#### **Risks of malfunctioning and/or interruption of the distribution service**

Unexpected fortuitous events such as accidents, failure of equipment or control systems, drop in plant yield and exceptional events such as explosions, fires, or other similar circumstances, lead to risks of infrastructure malfunctioning including the possible unexpected interruption of the distribution service. Such events could entail a reduction in revenues and cause significant damage to people, property or the environment. The Group has entered into specific insurance agreements to cover the risks described. Although the insurance policies taken out are in line with the best practices, they may be insufficient to cover all the losses that the Group could suffer due to possible increases in expenses and/or compensation for damages to be paid.

#### **Risks related to the protection of the environment, health and safety**

The Group conducts its business in compliance with Italian and European Union legislation on environmental protection, observing the laws that govern and regulate the environment and safety. Despite the attention paid to this topic, it is not possible to exclude with certainty that the Group incurs costs or liabilities, even of a significant amount. In fact, the economic and financial repercussions of any environmental damage are difficult to predict, also considering the possible effects of new legislative and regulatory provisions for environmental protection, the impact of any technological innovations for environmental remediation, the possibility of disputes and the difficulty of determining their possible consequences, also in relation to the responsibility of third parties. The Group is

remediating contaminated sites substantially due to the removal and disposal of waste (mainly for the demolition of obsolete facilities).

#### **Risk associated with the installation of Smart Metres**

A few years ago, the Group launched a plan to replace traditional metres with smart metres, which first of all involved metres of a class higher than G6 and subsequently also those of lower classes. In the first replacement stage, the new remotely read metres represented an emerging technology. The construction features set by the Authority urged manufacturers to design and build a product dedicated solely to the Italian market within the deadlines set by the ARERA. Moreover, the applicable technical legislation prepared by the CIG (Italian Gas Committee, regulatory body affiliated with UNI) was fully available only after 2015. The Group has started the installation of these appliances according to the schedules defined by the ARERA (only the company of the AP Reti Gas Nord Est Group is behind the planned programme); therefore there is a risk that malfunction levels will be higher than the historical performances recorded for traditional metres and that the company will incur greater maintenance costs.

#### **Risks associated with energy efficiency certificates**

Pursuant to art. 16.4 of Italian Legislative Decree no. 164/2000, natural gas distribution companies must pursue energy saving objectives in end uses and in the development of renewable sources; based on the results achieved, distributors are assigned the so-called Energy Efficiency Certificates, whose cancellation involves a reimbursement by Cassa per i Servizi Energetici e Ambientali financed through the funds established through the RE (Energy Saving) component of the distribution tariffs. The ARERA determines the specific energy saving objectives applicable to electricity and natural gas distributors taking into account the annual national quantities of saving that must be pursued through the white certificate mechanism. There is a potential risk of economic loss for the Group due to any negative difference between the average purchase value of the certificates and the tariff contribution granted and/or any failure to achieve the assigned objectives.

#### **Risk related to the implementation of the investment plan set forth in the concessions**

Under the concessions for the distribution of natural gas, the concessionaire must fulfil some obligations, including commitments related to investments to be made over the duration of the concession. It is not possible to exclude that, even due to delays in obtaining authorisations and permits, such investments exceed the deadlines set, with the risk of charges being imposed on the Group.

#### **Regulatory risk**

The Group conducts its business in a regulated sector. The directives and regulatory provisions issued on the subject by the European Union and the Italian Government, the decisions of the ARERA and more generally any changes in the reference regulatory context may affect the operations, economic results and financial balance of the Group.

The evolution of the criteria for determining the reference tariff is particularly important. Future amendments to the regulations adopted by the European Union or at national level cannot be excluded, with unforeseen repercussions on the applicable regulatory framework and, consequently, on the Group's business and results.

#### **Legal and non-compliance risk**

The legal and non-compliance risk consists in the failure to comply, in whole or in part, with the European, national, regional and local regulations which the Group must observe upon conducting its activities. Breaching the rules may result in criminal, civil and/or administrative penalties as well as financial, economic and/or reputational damage. Specifically, among other things, the violation of the legislation protecting workers' health and safety and the environment and the breach of the regulations for the fight against bribery may result in penalties, even of a significant amount, imposed on the Group pursuant to the legislation on the administrative liability of entities (Italian Legislative Decree no. 231/01).

## Additional information

### Seasonal nature of the activity

Since the execution of the partnership agreement with the Hera Group, finalised on 19<sup>th</sup> December 2019 with the transfer of the sales companies, the activity of the Ascopiave Group is not significantly affected by seasonality. The natural gas distribution business is in fact less influenced by the thermal trend recorded during the year, except for some minor items.

The Group is exposed to the effects of seasonality in relation to investments in associates which will be valued using the equity method and which are significantly exposed to seasonality, as they work in the natural gas sales sector.

Gas consumption changes considerably on a seasonal basis, with a greater demand in winter in relation to higher consumptions for heating. This seasonality influences 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. 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 2020

### 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 the traditional performance indicators set by the International Accounting Standards IAS/IFRS, the Group considers that the use of other performance indicators is helpful to monitor its business. Even if they do not appear in the afore-stated standards, they have a considerable importance. In particular, we introduced the following indicators:

- **Gross operating margin (Ebitda):** defined by the Group as the result before 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 contingent assets and liabilities, capital gains and losses for disposal of assets, insurance reimbursements, contributions and other less relevant positive and negative components.
- **Tariff revenues from gas distribution:** defined by the Group as the amount of revenue generated by the Group distribution companies 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.

## General operational performance and indicators

| NATURAL GAS DISTRIBUTION   | Nine months |         | Var.    | Var. %  |
|--|-------------|---------|---------|---------|
|  | 2020        | 2019    |         |         |
| <b>Companies consolidated with full consolidation method</b>       |             |         |         |         |
| Number of concessions  | 268         | 228     | 40      | 17.5%   |
| Length of distribution network (km)                                | 12,888      | 10,426  | 2,462   | 23.6%   |
| Number of PDR  | 775,986     | 586,979 | 189,007 | 32.2%   |
| Volumes of gas distributed (cm/mln)                                | 948.2       | 713.4   | 234.8   | 32.9%   |
| <b>Companies consolidated with net equity consolidation method</b> |             |         |         |         |
| Number of concessions  | 0           | 0       | 0       | n.a.    |
| Length of distribution network (km)                                | 0           | 0       | 0       | n.a.    |
| Number of PDR  | 0           | 0       | 0       | n.a.    |
| Volumes of gas distributed (cm/mln)                                | 0.0         | 87.1    | -87.1   | -100.0% |
| <b>Ascopiave Group</b>   |             |         |         |         |
| Number of concessions  | 268         | 228     | 40      | 17.5%   |
| Length of distribution network (km)                                | 12,888      | 10,426  | 2,462   | 23.6%   |
| Number of PDR  | 775,986     | 586,979 | 189,007 | 32.2%   |
| Volumes of gas distributed (cm/mln)                                | 948.2       | 756.0   | 192.2   | 25.4%   |

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.

As far as the activity of gas distribution is concerned, in the first nine months of 2020, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 948.2 million cubic metres, marking an increase of 32.9% as compared to the same period in the previous year, a change mainly affected by the line-by-line consolidation of the company Unigas Distribuzione Gas S.r.l. commencing 1<sup>st</sup> July 2019 and the entry in the consolidation scope of the company Ap Reti Gas Nord-Est S.r.l..

As of 30<sup>th</sup> September 2020 the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 776.0 thousand and showed an increase of 189.0 thousand units compared to the previous year, mainly explained by the entry in the consolidation scope of Ap Reti Gas Nord-Est S.r.l..

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

The economic data shown for comparison purposes, referring to the first nine months of 2019, were restated in compliance with IFRS 5. The results achieved in the same period by the companies involved in the partnership with the Hera Group were isolated in the item "Result of discontinued/divested operations" of the income statement.

| (Thousands of Euro)   | Nine months   |               |               |               |
|---|---------------|---------------|---------------|---------------|
|   | 2020          | % of revenues | 2019          | % of revenues |
| Revenues  | 129,347       | 100.0%        | 90,017        | 100.0%        |
| Total operating costs   | 84,229        | 65.1%         | 59,557        | 66.2%         |
| <b>Gross operative margin</b>                                 | <b>45,118</b> | <b>34.9%</b>  | <b>30,460</b> | <b>33.8%</b>  |
| Amortization and depreciation                                 | 25,105        | 19.4%         | 17,412        | 19.3%         |
| Provision for risks on credits                                |               | 0.0%          | 0             | 0.0%          |
| <b>Operating result</b>                                       | <b>20,014</b> | <b>15.5%</b>  | <b>13,048</b> | <b>14.5%</b>  |
| Financial income  | 3,554         | 2.7%          | 107           | 0.1%          |
| Financial charges   | 1,256         | 1.0%          | 878           | 1.0%          |
| Evaluation of subsidiary companies with the net equity method | 11,250        | 8.7%          | 648           | 0.7%          |
| <b>Earnings before tax</b>                                    | <b>33,562</b> | <b>25.9%</b>  | <b>12,926</b> | <b>14.4%</b>  |
| Taxes for the period  | 4,756         | 3.7%          | 4,797         | 5.3%          |
| Group's Net Result  | 28,805        | 22.3%         | 8,129         | 9.0%          |
| Companies held for sale's Net Result                          |               | 0.0%          | 30,109        | 33.4%         |
| <b>Net result for the period</b>                              | <b>28,805</b> | <b>22.3%</b>  | <b>38,238</b> | <b>42.5%</b>  |
| Group's Net Result  | 28,805        | 22.3%         | 36,415        | 40.5%         |
| Third parties Net Result                                      |               | 0.0%          | 1,823         | 2.0%          |

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

In the first nine months of 2020, the Group incomes amounted to Euro 129,347 thousand, up 43.7% as compared to the same period in the previous year. The following table reports the details of income.

| (Thousands of Euro)                                | Nine months    |               |
|--|----------------|---------------|
|  | 2020           | 2019          |
| Revenues from gas transportation                   | 82,672         | 58,617        |
| Revenues from connections                          | 403            | 268           |
| Revenues from heat supply                          | (0)            | 6             |
| Revenues from distribution services                | 2,884          | 3,427         |
| Revenues from services supplied to Group companies | 6,065          | 5,431         |
| Revenues from ARERA contributions                  | 35,884         | 21,032        |
| Other revenues                                     | 1,308          | 1,235         |
| <b>Revenues</b>                                    | <b>129,347</b> | <b>90,017</b> |

The increase in turnover is mainly due to the extension of the scope of consolidation for the line-by-line consolidation of AP Reti Gas Nord Est S.r.l. and as a result of the merger through acquisition of the company Unigas Distribuzione S.r.l. consolidated using the equity method until 30<sup>th</sup> June 2019.

The **tariff revenues from gas distribution** (from Euro 58,174 thousand to Euro 81,555 thousand) increased by Euro 23,381 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 21,032 thousand to Euro 35,884 thousand) increased by Euro 14,852 thousand as compared to the same period in the previous year, mainly due to the extension of the consolidation scope.

The **operating result** in the first nine months of 2020 amounted to Euro 20,014 thousand, recording an increase of Euro 6,965 thousand (+53.4%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 23,381 thousand;
- lower margin on energy efficiency certificates for Euro 161 thousand;
- negative change in other items of cost and revenues, equal to Euro 16,255 thousand.

The negative change in other items of cost and revenues, equal to Euro 16,255 thousand, is due to:

- higher other revenues for Euro 292 thousand, mainly due to the extension of the consolidation scope;
- higher material and service costs and other charges equalling Euro 6,084 thousand, mainly due to the extension of the consolidation scope and specifically the concession fees accrued by the company Ap Reti Gas Nord Est S.r.l. and the distribution business unit managed by Unigas Distribuzione S.r.l.;
- higher staff costs for Euro 2,769 thousand, mainly due to the extension of the consolidation scope which led to the recognition of the personnel costs of AP Reti Gas Nord Est and Unigas Distribuzione starting from the date of the merger;
- an increase in amortisation and depreciation of fixed assets for Euro 7,693 thousand, mainly due to the extension of the consolidation scope.

The **net consolidated profit** in the first nine months of 2020, equal to Euro 28,805 thousand, records a decrease of Euro 9,433 thousand (-24.7%) 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 6,965 thousand;
- increase in financial revenues for Euro 3,448 thousand, deriving from dividends received from minority interests;
- increase in financial charges for Euro 379 thousand;
- decrease in taxes for Euro 40 thousand;
- higher result of companies consolidated through the equity method for Euro 10,601 thousand, due to the inclusion in the consolidation scope of Estenergy, a company that included the sales companies of the group sold;
- lower net result from discontinued operations for Euro 30,109 thousand.

With regard to the change recorded by the result achieved by the companies consolidated using the equity method and the net result of discontinued operations:

- the measurement of the companies consolidated using the equity method as of 30<sup>th</sup> September 2020 is representative of the equity investment held by Ascopiave, equal to 48%, in the EstEnergy Group, established subsequent to the partnership with the Hera Group,
- the results achieved in the first nine months of 2019 by the companies involved in the partnership represent 100% of the profit produced by the companies that were consolidated by the Ascopiave Group as of 30<sup>th</sup> September 2019,
- the results achieved by the same companies in the first nine months of 2019 benefitted from the recognition of net positive non-recurring items, equal to Euro 5.9 million. This positive effect was related to the recognition of the amounts deriving from the redetermination of the de-multiplication coefficient "K" which had been modified by Authority resolution 89/10.

Subsequent to the operation with the Hera Group, the result of the sales companies previously consolidated on a line-by-line basis was replaced by the portion of profit from the EstEnergy Group, by the dividends from the latter and from Hera Comm S.p.A. and by the margin produced by the fully acquired company, and consolidated on a line-by-line basis, AP Reti Gas Nord Est S.r.l..

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 39.1% in the first nine months of 2019 to 25.3%.

## 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)   | 30.09.2020       | 31.12.2019       |
|---|------------------|------------------|
| A Cash and cash equivalents on hand                         | 18               | 14               |
| B Bank and post office deposits                             | 2,268            | 67,017           |
| <b>D Liquid assets (A) + (B) + (C)</b>                      | <b>2,286</b>     | <b>67,031</b>    |
| E Current financial assets                                  | 803              | 6,993            |
| F Payables due to banks                                     | (155,705)        | (106,025)        |
| G Current portion of medium-long-term loans                 | (37,044)         | (30,778)         |
| H Current financial liabilities                             | (927)            | (17,156)         |
| <b>I Current financial indebtedness (F) + (G) + (H)</b>     | <b>(193,676)</b> | <b>(153,959)</b> |
| <b>J Net current financial indebtedness (I) - (E) - (D)</b> | <b>(190,586)</b> | <b>(79,935)</b>  |
| K Medium- and long-term bank loans                          | (127,860)        | (135,083)        |
| L Non current financial assets                              | 2,513            | 2,478            |
| M Non-current financial liabilities                         | (709)            | (441)            |
| <b>N Non-current financial indebtedness (K) + (L) + (M)</b> | <b>(126,056)</b> | <b>(133,046)</b> |
| <b>O Net financial indebtedness (J) + (N)</b>               | <b>(316,643)</b> | <b>(212,981)</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 212,981 thousand as of 31<sup>st</sup> December 2019 to Euro 316,643 thousand as of 30<sup>th</sup> September 2020, reporting an increase of Euro 103,661 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)                    | 30.09.2020       | 31.12.2019       |
|--|------------------|------------------|
| Net financial indebtedness             | (316,643)        | (212,981)        |
| Non current financial assets           | (2,513)          | (2,478)          |
| <b>Net financial indebtedness ESMA</b> | <b>(319,155)</b> | <b>(215,459)</b> |

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

| (Thousands of Euro)   | Nine months      |                  |
|---|------------------|------------------|
|   | 2020             | 2019             |
| Group's net income  | 28,805           | 38,238           |
| Amortizations   | 25,105           | 17,412           |
| <b>(a) Auto-financing</b>   | <b>53,910</b>    | <b>55,650</b>    |
| <b>(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:</b> | <b>(37,322)</b>  | <b>36,646</b>    |
| <b>(c) Variation in financial position generated by operating activities = (a)+ (b)</b>                                   | <b>16,587</b>    | <b>92,295</b>    |
| <b>(d) Variation in financial position generated by investments</b>   | <b>(86,013)</b>  | <b>(32,939)</b>  |
| <b>(e) Other variation in financial position</b>  | <b>(34,235)</b>  | <b>(134,867)</b> |
| <b>Net variation in financial position = (c) + (d) + (e)</b>  | <b>(103,661)</b> | <b>(75,511)</b>  |

The cash flow generated by operations (letters a + b), equal to Euro 16,587 thousand, was mainly due to self-financing for Euro 53,910 thousand and other negative financial variations amounting to Euro 37,322 thousand, related to the management of the net circulating capital for Euro -26,073 thousand and the measurement of companies consolidated through the equity method for Euro -11,250 thousand.

The management of net circulating capital absorbed financial resources amounting to Euro 26,073 thousand and was influenced mainly by the negative variation in the net operating capital which absorbed financial resources for Euro 21,810 thousand, the negative variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro -3,772 thousand and the positive variation in the VAT position for Euro 446 thousand.

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

| (Thousands of Euro)                        | Nine months     |               |
|--|-----------------|---------------|
|  | 2020            | 2019          |
| Inventories                                | (24,256)        | (3,170)       |
| Trade receivables and payables             | 67,122          | 18,299        |
| Operating receivables and payables         | (64,676)        | (532)         |
| Loss / (Gains on disposal of fixed assets) | 0               | (1,247)       |
| Severance pay fund and other found         | 208             | 108           |
| Current taxes                              | 4,756           | 4,797         |
| Taxes paid                                 | (9,335)         | (888)         |
| Tax receivables and payables               | 108             | 4,027         |
| <b>Change in net working capital</b>       | <b>(26,073)</b> | <b>21,394</b> |

Investment activities generated a cash requirement of Euro 86,013 thousand, of which Euro 25,712 thousand in tangible and intangible assets, mainly for works and developments of natural gas distribution facilities (Euro 24,150 thousand).

The subscription of the capital increase in Estenergy, the purchase of the stake in Acsm Agam S.p.A. and the payment of the contractual adjustment for the purchase of AP Reti Gas Nord Est S.r.l., described in the paragraph "Significant



events during the first nine months of 2020”, absorbed resources totalling Euro 60,598 thousand.

Additional variations in the Net financial position concern the distribution of dividends, which absorbed resources for Euro 47,442 thousand, and dividends received from associates, which generated resources for Euro 21,254 thousand. During the first nine months of 2020, Ascopiave S.p.A. purchased treasury shares on the electronic share market, generating a financial requirement of Euro 8,048 thousand.

The following table shows in detail the other changes in the financial position in the first nine months of 2020:

| (Thousands of Euro)  | Nine months     |                 |
|--|-----------------|-----------------|
|  | 2020            | 2019            |
| Purchase of own shares   | (8,048)         | (3,880)         |
| Dividends distributed to Ascopiave S.p.A. shareholders'                | (47,442)        | (75,163)        |
| Dividends distributed to other shareholders                            | 0               | (1,761)         |
| Dividends / (loss coverage) associated or jointly controlled companies | 21,254          | 2,311           |
| <b>Other changes in financial position</b>                             | <b>(34,235)</b> | <b>(78,493)</b> |

## General operational performance - Investments

During the first nine months of the year, the Group made investments in tangible and intangible assets for Euro 26,171 thousand, an increase as compared to the same period in the previous year of Euro 4,338 thousand. The increase is mainly explained by the expansion of the consolidation scope which involved the addition of the investments made by AP Reti Gas Nord Est S.r.l. (equal to Euro 4,552 thousand) and the investments made in the areas where the distribution unit previously managed by Unigas Distribuzione Gas S.r.l. is located.

With the same consolidation scope, investments decreased compared to the data shown for comparative purposes, a decline explained by the health emergency that occurred during the year and which led for a large part of the period to a significant slowdown in activities and, in some periods, a total interruption.

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 24,150 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 10,772 thousand, the creation of connections for Euro 6,899 thousand and the installation of metres for Euro 6,480 thousand.

The other investments made during the period amounted to Euro 2,021 thousand, an increase of Euro 51 thousand compared to the first nine months of 2019, concerning mainly the purchase of software licences used by the Group's distribution companies for the management of remote metering for Euro 1,506 thousand.

| INVESTMENTS (thousands of Euro)                   | Nine months   |               |
|---|---------------|---------------|
|   | 2020          | 2019          |
| Connecting a gas users                            | 6,899         | 4,885         |
| Expansions, reclamations and network upgrades     | 9,661         | 7,053         |
| Flowmeters  | 6,480         | 6,480         |
| Maintenance                                       | 1,110         | 1,340         |
| <b>Raw material (gas) investments</b>             | <b>24,150</b> | <b>19,758</b> |
| Land and buildings                                | 159           | 44            |
| Industrial and commercial equipment               | 63            | 148           |
| Forniture   | 13            | 21            |
| Vehicles  | 280           | 162           |
| Hardware e Software                               | 1,506         | 1,594         |
| <b>Other investments</b>                          | <b>2,021</b>  | <b>1,970</b>  |
| <b>Investments</b>                                | <b>26,171</b> | <b>21,727</b> |
| <b>Investments of the discontinued operations</b> | <b>0</b>      | <b>106</b>    |
| <b>Total Investments</b>                          | <b>26,171</b> | <b>21,834</b> |

# Ascopiave Group

Schedules of the interim financial report  
as of 30<sup>th</sup> September 2020

## Consolidated assets and liabilities statement

| (Thousands of Euro)                                       |      | 30.09.2020       | 31.12.2019       |
|---|------|------------------|------------------|
| <b>ASSETS</b>   |      |                  |                  |
| <b>Non-current assets</b>                                 |      |                  |                  |
| Goodwill  | (1)  | 49,272           | 47,914           |
| Other intangible assets                                   | (2)  | 568,716          | 567,194          |
| Tangible assets   | (3)  | 33,951           | 34,694           |
| Shareholdings   | (4)  | 502,670          | 449,945          |
| Other non-current assets                                  | (5)  | 4,155            | 3,296            |
| Non current financial assets                              | (6)  | 2,513            | 2,478            |
| Advance tax receivables                                   | (7)  | 20,192           | 19,390           |
| <b>Non-current assets</b>                                 |      | <b>1,181,467</b> | <b>1,124,910</b> |
| <b>Current assets</b>                                     |      |                  |                  |
| Inventories   | (8)  | 32,388           | 8,132            |
| Trade receivables   | (9)  | 16,645           | 43,124           |
| Other current assets                                      | (10) | 97,286           | 46,830           |
| Current financial assets                                  | (11) | 803              | 6,993            |
| Tax receivables   | (12) | 2,231            | 1,263            |
| Cash and cash equivalents                                 | (13) | 2,286            | 67,031           |
| <b>Current assets</b>                                     |      | <b>151,640</b>   | <b>173,373</b>   |
| <b>ASSETS</b>   |      | <b>1,333,107</b> | <b>1,298,283</b> |
| <b>Net equity and liabilities</b>                         |      |                  |                  |
| <b>Total Net equity</b>                                   |      |                  |                  |
| Share capital   |      | 234,412          | 234,412          |
| Own shares  |      | (34,821)         | (26,774)         |
| Reserves and result                                       |      | 647,414          | 665,854          |
| <b>Net equity of the Group</b>                            |      | <b>847,004</b>   | <b>873,492</b>   |
| <b>Net equity of Others</b>                               |      |                  | <b>0</b>         |
| <b>Total Net equity</b>                                   | (14) | <b>847,004</b>   | <b>873,492</b>   |
| <b>Non-current liabilities</b>                            |      |                  |                  |
| Provisions for risks and charges                          | (15) | 1,668            | 1,344            |
| Severance indemnity                                       | (16) | 4,428            | 4,931            |
| Medium- and long-term bank loans                          | (17) | 127,860          | 135,083          |
| Other non-current liabilities                             | (18) | 26,347           | 24,553           |
| Non-current financial liabilities                         | (19) | 709              | 441              |
| Deferred tax payables                                     | (20) | 21,579           | 22,021           |
| <b>Non-current liabilities</b>                            |      | <b>182,591</b>   | <b>188,374</b>   |
| <b>Current liabilities</b>                                |      |                  |                  |
| Payables due to banks and financing institutions          | (21) | 192,749          | 136,803          |
| Trade payables  | (22) | 92,777           | 52,082           |
| Tax payables  | (23) | 2,353            | 4,728            |
| Other current liabilities                                 | (24) | 14,370           | 25,549           |
| Current financial liabilities                             | (25) | 927              | 17,156           |
| Current liabilities from derivative financial instruments | (26) | 337              | 98               |
| <b>Current liabilities</b>                                |      | <b>303,512</b>   | <b>236,417</b>   |
| <b>Liabilities</b>  |      | <b>486,103</b>   | <b>424,791</b>   |
| <b>Net equity and liabilities</b>                         |      | <b>1,333,107</b> | <b>1,298,283</b> |

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

## Income statement and Comprehensive consolidated income statement

| (Thousands of Euro)  | Nine months |               |               |
|--|-------------|---------------|---------------|
|  | 2020        | 2019          |               |
| <b>Revenues</b>  | (27)        | 129,347       | 90,017        |
| <b>Total operating costs</b>   |             | <b>84,229</b> | <b>59,557</b> |
| Purchase costs for other raw materials   | (28)        | 1,313         | 1,712         |
| Costs for services   | (29)        | 27,585        | 23,831        |
| Costs for personnel  | (30)        | 13,748        | 10,979        |
| Other management costs   | (31)        | 41,622        | 24,477        |
| Other income   | (32)        | 39            | 1,443         |
| Amortization and depreciation  | (33)        | 25,105        | 17,412        |
| <b>Operating result</b>  |             | <b>20,014</b> | <b>13,048</b> |
| Financial income   | (34)        | 3,554         | 107           |
| Financial charges  | (34)        | 1,256         | 878           |
| Evaluation of subsidiary companies with the net equity method  | (34)        | 11,250        | 648           |
| <b>Earnings before tax</b>   |             | <b>33,562</b> | <b>12,926</b> |
| Taxes for the period   | (35)        | 4,756         | 4,797         |
| <b>Result for the period</b>   |             | <b>28,805</b> | <b>8,129</b>  |
| Net result from transfer/disposal of assets  | (36)        |               | 30,109        |
| <b>Net result for the period</b>   |             | <b>28,805</b> | <b>38,238</b> |
| Group's Net Result   |             | 28,805        | 36,415        |
| Third parties Net Result   |             |               | 1,823         |
| <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  |             | (229)         | (395)         |
| Fair value of derivatives, changes in the period net of tax of the companies held for sale                           |             |               | 785           |
| 2. Components that can not be reclassified to the income statement   |             |               |               |
| Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax                                |             | 387           | 308           |
| Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax of the companies held for sale |             |               | 77            |
| <b>Total comprehensive income</b>  |             | <b>28,964</b> | <b>39,012</b> |
| Group's overall net result   |             | 28,964        | 37,098        |
| Third parties' overall net result  |             | (0)           | 1,914         |
| Base income per share  |             | 0.130         | 0.162         |
| Diluted net income per share   |             | 0.130         | 0.162         |

*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 preferred dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted earnings per share are equal to those per share 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 1<sup>st</sup> January 2020</b>       | <b>234,412</b> | <b>46,882</b> | <b>(26,774)</b> | <b>(51)</b>                           | <b>125,807</b> | <b>493,216</b>            | <b>873,492</b>     |                                     | <b>873,492</b>   |
| Result for the period                                  |                |               |                 |                                       |                | 28,805                    | 28,805             | 0                                   | 28,805           |
| Other operations                                       |                |               |                 |                                       | (229)          |                           | (229)              | 0                                   | (229)            |
| Severance indemnity IAS 19 discounting of the period   |                |               |                 | 387                                   |                |                           | 387                | 0                                   | 387              |
| <b>Total result of overall income statement</b>        |                |               |                 | <b>387</b>                            | <b>(229)</b>   | <b>27,859</b>             | <b>28,018</b>      | <b>0</b>                            | <b>28,964</b>    |
| Allocation of 2019 result                              |                |               |                 |                                       | 493,216        | (493,216)                 | 0                  |                                     | 0                |
| Dividends distributed to Ascopiave S.p.A. shareholders |                |               |                 |                                       | (47,442)       |                           | (47,442)           |                                     | (47,442)         |
| Purchase of own shares                                 |                |               | (8,048)         |                                       | 37             |                           | (8,011)            |                                     | (8,011)          |
| <b>Balance as of 30<sup>th</sup> September 2020</b>    | <b>234,412</b> | <b>46,882</b> | <b>(34,821)</b> | <b>336</b>                            | <b>571,391</b> | <b>27,859</b>             | <b>846,058</b>     | <b>0</b>                            | <b>847,004</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>Balance as of 1<sup>st</sup> January 2019</b>                | <b>234,412</b> | <b>46,882</b> | <b>(16,981)</b> | <b>(35)</b>                           | <b>134,664</b> | <b>44,625</b>             | <b>444</b>         | <b>4</b>                            | <b>448</b>       |
| Result for the period   |                |               |                 |                                       |                | 36,415                    | 36,415             | 1,823                               | 38,238           |
| <i>of which:</i>  |                |               |                 |                                       |                |                           |                    |                                     |                  |
| <i>Result of continuing operations</i>                          |                |               |                 |                                       |                | 8,129                     | 8,129              | 0                                   | 8,129            |
| <i>Result of discontinuing operations</i>                       |                |               |                 |                                       |                | 28,286                    | 28,286             | 1,823                               | 30,109           |
| Other operations  |                |               |                 |                                       | 299            |                           | 299                | 92                                  | 391              |
| <i>of which:</i>  |                |               |                 |                                       |                |                           |                    |                                     |                  |
| <i>Other movements of continuing operations</i>                 |                |               |                 |                                       | (395)          |                           | (395)              | 0                                   | (395)            |
| <i>Other movements of discontinuing operations</i>              |                |               |                 |                                       | 694            |                           | 694                | 92                                  | 785              |
| Severance indemnity IAS 19 discounting of the financial year    |                |               |                 | 386                                   |                |                           | 386                |                                     | 385              |
| <i>of which:</i>  |                |               |                 |                                       |                |                           |                    |                                     |                  |
| <i>Discounting of continuing operations</i>                     |                |               |                 | 308                                   |                |                           | 308                |                                     | 308              |
| <i>Discounting of discontinuing operations</i>                  |                |               |                 | 77                                    |                |                           | 77                 |                                     | 77               |
| <b>Total result of overall income statement</b>                 |                |               |                 | <b>386</b>                            | <b>299</b>     | <b>36,415</b>             | <b>37,099</b>      | <b>1,914</b>                        | <b>39,012</b>    |
| Allocation of 2018 result                                       |                |               |                 |                                       | 44,625         | (44,625)                  |                    |                                     | 0                |
| Dividends distributed to Ascopiave S.p.A. shareholders          |                |               |                 |                                       | (75,163)       |                           | (75,163)           |                                     | (75,163)         |
| Dividends distributed to minorities of discontinuing operations |                |               |                 |                                       |                |                           |                    | (1,761)                             | (1,761)          |
| Other movements of discontinuing operations                     |                |               |                 |                                       | 33             |                           | 33                 |                                     | 33               |
| Purchase of own shares  |                |               | (16,463)        |                                       |                |                           | (16,463)           |                                     | (16,463)         |
| Business aggregations   |                |               | 12,583          | (377)                                 | 15,586         |                           | 27,793             |                                     | 27,793           |
| <b>Balance as of 30<sup>th</sup> September 2019</b>             | <b>234,412</b> | <b>46,882</b> | <b>(20,861)</b> | <b>(26)</b>                           | <b>120,044</b> | <b>36,415</b>             | <b>416,866</b>     | <b>4,456</b>                        | <b>421,321</b>   |

## Consolidated statement of cash flows

| (Thousands of Euro)  | Nine months     |                 |
|--|-----------------|-----------------|
|  | 2020,00         | 2019            |
| <b>Net income of the Group</b>   | <b>28.805</b>   | <b>8.129</b>    |
| <b>Cash flows generated (used) by operating activities</b>                                     |                 |                 |
| <b>Adjustments to reconcile net income to net cash</b>   |                 |                 |
| Third-parties operating result   | 0               | 1.823           |
| Companies held for sale operating result   | 0               | 28.286          |
| Amortization   | 25.105          | 17.412          |
| Variations in severance indemnity  | (116)           | 38              |
| Current assets / liabilities on financial instruments and forward purchasee and sales          | 10              | 395             |
| Net variation of other funds   | 324             | 71              |
| Evaluation of subsidiaries with the net equity method  | (11.250)        | (648)           |
| Depreciation of fixed assets   | 0               | (1.247)         |
| Interests paid   | (1.227)         | (971)           |
| Taxes paid   | (9.335)         | (888)           |
| Interest expense for the period  | 1.143           | 828             |
| Taxes for the period   | 4.756           | 4.797           |
| Variations in assets and liabilities   |                 |                 |
| Inventories  | (24.256)        | (3.170)         |
| Accounts payable   | 26.479          | 12.599          |
| Other current assets   | (51.289)        | (7.837)         |
| Financial assets corrent and non-corrent   | 0               | (209)           |
| Trade payables   | 40.643          | 5.700           |
| Other current liabilities  | (13.764)        | (57)            |
| Other non-current assets   | (859)           | 2.768           |
| Other non-current liabilities  | 1.793           | 1.832           |
| Operating flows from discontinued assets / liabilities   | 0               | 16.108          |
| <b>Total adjustments and variations</b>  | <b>(11.843)</b> | <b>77.629</b>   |
| <b>Cash flows generated (used) by operating activities</b>                                     | <b>16.962</b>   | <b>85.758</b>   |
| <b>Cash flows generated (used) by investments</b>  |                 |                 |
| Investments in intangible assets   | (25.026)        | (19.127)        |
| Realisable value of intangible assets  | 291             | 457             |
| Investments in tangible assets   | (686)           | (1.581)         |
| Realisable value of tangible assets  | 6               | 0               |
| Investment flows for business aggregations   | (60.598)        | (11.546)        |
| Investment flows from discontinued assets / liabilities  | 0               | (105)           |
| <b>Cash flows generated/(used) by investments</b>  | <b>(86.013)</b> | <b>(31.902)</b> |
| <b>Cash flows generated (used) by financial activities</b>                                     |                 |                 |
| Net changes in debts due to other financers  | (88)            | 558             |
| Net changes in short-term bank borrowings  | (20.978)        | (2.332)         |
| Net variation in current financial assets and liabilities                                      | (9.980)         | 15.553          |
| Purchase of own shares   | (8.048)         | (3.880)         |
| Ignitions loans and mortgages  | 194.700         | 292.000         |
| Redemptions loans and mortgages  | (125.000)       | (229.000)       |
| Disbursements relating to rights of use  | (112)           | (356)           |
| Dividends distributed to Ascopiave S.p.A. shareholders'  | (47.442)        | (75.163)        |
| Dividends distributed to other shareholders  | 0               | (1.761)         |
| Dividends distributed from subsidiary companies  | 21.254          | 2.311           |
| Cash flows from discontinued assets / liabilities  | 0               | (35.636)        |
| <b>Cash flows generated (used) by financial activities</b>                                     | <b>4.306</b>    | <b>(37.706)</b> |
| <b>Variations in cash</b>  | <b>(64.744)</b> | <b>16.150</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>                                | <b>67.031</b>   | <b>59.353</b>   |
| <b>Cash and cash equivalents at the beginning of the period of the Companies held for sale</b> | <b>0</b>        | <b>7.297</b>    |
| <b>Cash and cash equivalents at the end of the period</b>                                      | <b>(2.286)</b>  | <b>(82.800)</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 2020, the share capital of the Company, amounting to Euro 234,411,575 was for the most part 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 2020 of the Ascopiave Group was authorised by resolution of the Board of Directors on 9<sup>th</sup> November 2020.

The results of the Interim Report are not audited.

### The activities of the Ascopiave Group

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

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 268 municipalities (268 municipalities as of 31<sup>st</sup> December 2019), managing a distribution network which spreads over 12,880 km (12,855 km as of 31<sup>st</sup> December 2019) and supplying the service to more than one million users.

The process aimed at enhancing the gas and energy sales activities and strengthening and consolidating its presence in the distribution sector was completed on 19<sup>th</sup> December 2019. Such process led to the execution between the Ascopiave Group and the Hera Group of a partnership which ratified the establishment, through EstEnergy, of the largest Energy player in Northern-Eastern Italy. As part of the transaction, Ascopiave S.p.A. sold its stakes in the sales companies to EstEnergy, from which it then acquired a 48% stake, while the Hera Group sold the entire stake held in Ap Reti Gas Nord Est S.p.A. to Ascopiave, in addition to a 3% stake in Hera Comm.

### General drafting criteria and compliance with IFRS

The operating results and cash flows 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 reporting date, 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 used to draw up this Interim Report are the same as those used to prepare the Consolidated Financial Statements as of 31<sup>st</sup> December 2019. Upon preparing the Interim Financial Statements as at 30<sup>th</sup> September 2019, the Group applied the international accounting standard IFRS 5 “Non-current assets held for sale and discontinued operations” due to the launch of the operation concluded on 19<sup>th</sup> December 2019 with the Hera Group. On the basis of these provisions, the economic results achieved by the sales segment of the Group during the first nine months of 2019 are shown separately in a single line of the income statement. The transactions between continuing operations and discontinued operations during the first nine months of 2019 were not eliminated. The extent and nature of such transactions would have in fact determined an overly distorted view of the operating results, not representing the performance as if these were standalone assets.

This Interim Financial Report is drafted in Euro, the currency of the economy in which the Group operates, and includes the Consolidated Statement of Assets and Liabilities, the Income Statement, 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.

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 2020 was approved by the Board of Directors of the Company on 9<sup>th</sup> November 2020.

## Basis for measurement

### Use of estimates

The preparation of the interim report for the first nine months of 2020 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 2019.

Moreover, some evaluation procedures, in particular the most complex ones, such as the determination of any impairment of non-current assets, are usually fully performed only upon the preparation of 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 Interim report includes 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 when such control ceases. The costs incurred in the acquisition process are expensed in the year when 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 scope 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 (negative 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 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 suggest that the carrying amount cannot be realised. Goodwill is booked at cost, net of impairment losses. If the carrying amount 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 recognised using the equity method. The carrying amount of these investments is in line with the Shareholders' equity and includes the entry 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 Interim Report 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 scope as of 30<sup>th</sup> September 2020 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>        |                      |                 |                |                             |                               |
| AP Reti Gas S.p.A.                        | Pieve di Soligo (TV) | 1,000,000       | 100.00%        | 100%                        | 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) | 3,000,000       | 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%                            |
| AP Reti Gas Nord Est S.r.l.               | Padova (PD)          | 15,000,000      | 100.00%        | 100%                        | 0%                            |
| <b>Affiliated Companies</b>               |                      |                 |                |                             |                               |
| Estenergy S.p.A.                          | Trieste (TS)         | 266,061,261     | 48.00%         | 48.00%                      | 0%                            |

Subsequent to the execution of the partnership between the Ascopiave Group and the Hera Group on 19<sup>th</sup> December 2019, with effect from 31<sup>st</sup> December 2019, the Group purchased 100% of the company Ap Reti Gas Nord Est S.r.l., therefore the data shown at the end of 2019 already include the balance sheet figures related thereto.

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 and its operating results and balance sheet figures are represented within Edigas Esercizio Distribuzione Gas S.p.A., a company to which Ascopiave S.p.A. transferred the business unit relating to the activity previously conducted by Unigas Distribuzione S.r.l..

## Synthesis data of fully consolidated companies

| Description                               | Revenues from sales and service supply | Net result | Net equity | Net financial position (liquid assets) | Reference accounting principles |
|---|--|------------|------------|--|---------------------------------|
| <b>Parent company</b>                     |  |            |            |  |                                 |
| Ascopiave S.p.A.                          | 50,066                                 | 35,046     | 830,159    | 289,628                                | IFRS                            |
| <b>100% consolidated companies</b>        |  |            |            |  |                                 |
| AP Reti Gas Nord Est S.r.l.               | 27,504                                 | 4,148      | 133,984    | (6,728)                                | IFRS                            |
| AP Reti Gas S.p.A.                        | 64,622                                 | 11,709     | 310,499    | (20,329)                               | IFRS                            |
| Edigas Esercizio Distribuzione Gas S.p.A. | 16,967                                 | 2,611      | 55,690     | 10,044                                 | Ita Gaap                        |
| AP Reti Gas Vicenza S.p.A.                | 14,553                                 | 132        | 17,410     | 20,126                                 | Ita Gaap                        |
| AP Reti Gas Rovigo S.r.l.                 | 3,362                                  | 1,046      | 16,707     | 2,227                                  | Ita Gaap                        |
| Asco Energy S.p.A.                        | 417                                    | (157)      | 965        | 23,676                                 | Ita Gaap                        |

### Information on consolidated subsidiaries with minority interests

The company Ascopiave S.p.A. does not hold interests in subsidiaries in which third parties hold minority interests.

## COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

### Non-current assets

#### 1. Goodwill

Goodwill, equal to Euro 49,272 thousand as of 30<sup>th</sup> September 2020, has changed as against 31<sup>st</sup> December 2019 by Euro 1,359 thousand. The change is explained by the contractual adjustment for the purchase of the new gas distribution company AP Reti Gas Nord Est S.r.l..

This 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 business units related to the distribution of natural gas. Among these, the goodwill recognised subsequent to the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., for Euro 9,368 thousand, and the purchase of the entire share capital of the newly established company AP Reti Gas Nord Est S.r.l. for Euro 15,508 thousand (of which Euro 14,149 thousand recorded at the end of the previous year and Euro 1,359 thousand related to the adjustment). With regard to the latter, please note that the allocation made will be subject to further investigation and verification in order to determine, within the annual deadline set forth in the accounting standards, the definitive recognition of the business combination.

Pursuant to International Accounting Standard 36, goodwill is not subject to amortisation, 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).

The balance of goodwill recorded at the end of the periods considered is shown in the following table:

| (Thousands of Euro)         | 30.09.2020    | 31.12.2019    |
|-----------------------------|---------------|---------------|
| Distribution of natural gas | 49,272        | 47,914        |
| <b>Total goodwill</b>       | <b>49,272</b> | <b>47,914</b> |

As of 30<sup>th</sup> September 2020, the directors assessed the impacts of the Covid-19 health emergency on the Group's economic and financial performance as well as any changes in the external indicators and internal values used in the impairment tests performed upon preparing the financial statements as of 31<sup>st</sup> December 2019. With the outbreak of the pandemic in the months of February-March, the Group carefully and constantly monitored the evolution of the situation in the area where its activities are located, but also the development of the pandemic at an international level, operating in absolute compliance with the decrees issued and prioritising the health and safety of workers developing measures in order to enable almost all employees to work remotely in agile method, while guaranteeing business continuity in all permitted activities. This enabled the Group's Management to assess the potential impacts in terms of performance in order to be able to make any decisions aimed at mitigating any effects on the execution of the business.

Given the results achieved during the first nine months of the year, the effects of the measures taken in the peak of the emergency and lockdown, the evolution of the health crisis, and the results of the impairment tests conducted upon preparing the financial statements as of 31<sup>st</sup> December 2019, the directors considered the changes found in the external indicators and internal values, previously used to estimate the recoverable amounts of the individual cash-generating units, as not significant and therefore did not deem it necessary to perform a full impairment test on the carrying amount of goodwill. However, the evolution of the pandemic which has intensified again starting from October is being closely monitored.

## 2. Other intangible fixed assets

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

| (Thousands of Euro)                                   | 30.09.2020       |                          |                | 31.12.2019       |                          |                |
|---|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
|   | Historic cost    | Accumulated depreciation | Net value      | Historic cost    | Accumulated depreciation | Net value      |
| Industrial patent and intellectual property rights    | 6,600            | (5,779)                  | 821            | 6,600            | (5,700)                  | 900            |
| Concessions, licences, trademarks and similar rights  | 15,260           | (11,267)                 | 3,993          | 15,256           | (10,458)                 | 4,798          |
| Other intangible assets                               | 9,685            | (4,365)                  | 5,320          | 9,685            | (4,199)                  | 5,486          |
| Tangible assets under IFRIC 12 concession             | 1,016,783        | (484,144)                | 532,639        | 1,003,824        | (462,330)                | 541,495        |
| Tangible assets in progress under IFRIC 12 concession | 23,817           | 0                        | 23,817         | 13,649           | 0                        | 13,649         |
| Intangible assets in progress                         | 2,125            | 0                        | 2,125          | 868              | 0                        | 868            |
| <b>Other intangible assets</b>                        | <b>1,074,271</b> | <b>(505,555)</b>         | <b>568,716</b> | <b>1,049,882</b> | <b>(482,688)</b>         | <b>567,194</b> |

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

| (Thousands of Euro)                                   | 31.12.2019     |                       |            |                                 |               | 30.09.2020     |
|---|----------------|-----------------------|------------|---------------------------------|---------------|----------------|
|   | Net value      | Change for the period | Decrease   | Amortizations during the period | Depreciations | Net value      |
| Industrial patent and intellectual property rights    | 900            | (0)                   | 3          | 75                              |               | 821            |
| Concessions, licences, trademarks and similar rights  | 4,798          | 4                     |            | 809                             |               | 3,993          |
| Other intangible assets                               | 5,486          | (0)                   |            | 166                             |               | 5,320          |
| Tangible assets under IFRIC 12 concession             | 541,495        | 13,596                | 643        | 22,163                          | (355)         | 532,639        |
| Tangible assets in progress under IFRIC 12 concession | 13,649         | 10,169                | (0)        | 0                               |               | 23,817         |
| Intangible assets in progress and advances payments   | 868            | 1,257                 |            | 0                               |               | 2,125          |
| <b>Other intangible assets</b>                        | <b>567,194</b> | <b>25,026</b>         | <b>646</b> | <b>23,213</b>                   | <b>(355)</b>  | <b>568,716</b> |

The investments made during the first nine months of the financial year amount to Euro 25,026 thousand and mainly refer to costs incurred for the construction of the infrastructures for natural gas distribution.

### Industrial patents and intellectual property rights

During the period considered, the item “Industrial patents and intellectual property rights” did not register investments and its change equals the amortisation of the period.

### Concessions, licences, trademarks and similar rights

This item includes costs paid to the granting 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 significant investments and the variation is explained by amortisation. The assignments obtained, subsequent to the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortised with a useful life of 12 years in compliance with the concession term stated in the decree.

### Other intangible fixed assets

During the first nine months of the year, the item did not register investments and the variation is explained by amortisation.

### Leased plants and machinery

The item reports the costs incurred for the construction of natural gas facilities and distribution network, 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, the overall net negative change amounts to Euro 8,855 thousand mainly explained by depreciation for the period and the investments made. Investments, including the reclassifications of assets under construction, totalled Euro 13,596 thousand.

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 of the technical life of the plants and the useful life indicated by the ARERA in tariff regulations. The technical life of the plants has been assessed by an independent expert who has determined the technical obsolescence of the infrastructures.

#### Intangible assets under construction under concession

The item includes the costs incurred for the construction of the natural gas distribution plants and systems built partially on a time and materials basis and not completed at the end of the period in question. The item has changed by Euro 10,169 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 period 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)                              | 30.09.2020    |                          |                          |               | 31.12.2019    |                          |                          |               |
|--|---------------|--------------------------|--------------------------|---------------|---------------|--------------------------|--------------------------|---------------|
|  | Historic cost | Accumulated depreciation | Provision for impairment | Net value     | Historic cost | Accumulated depreciation | Provision for impairment | Net value     |
| Lands and buildings                              | 43,451        | (15,684)                 |                          | 27,768        | 43,451        | (14,743)                 |                          | 28,709        |
| Plant and machinery                              | 3,783         | (1,773)                  | (995)                    | 1,015         | 3,783         | (1,699)                  | (995)                    | 1,089         |
| Industrial and commercial equipment              | 4,456         | (3,765)                  |                          | 691           | 4,381         | (3,688)                  |                          | 693           |
| Other tangible assets                            | 20,624        | (17,754)                 |                          | 2,870         | 20,136        | (17,149)                 |                          | 2,988         |
| Tangible assets in progress and advance payments | 658           | 0                        |                          | 658           | 499           | 0                        |                          | 499           |
| Rights of use                                    | 1,517         | (568)                    |                          | 950           | 991           | (275)                    |                          | 716           |
| <b>Other tangible assets</b>                     | <b>74,490</b> | <b>(39,544)</b>          | <b>(995)</b>             | <b>33,951</b> | <b>73,242</b> | <b>(37,554)</b>          | <b>(995)</b>             | <b>34,694</b> |

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

| (Thousands of Euro)                              | 31.12.2019    |                       |          |                                 | 30.09.2020    |
|--|---------------|-----------------------|----------|---------------------------------|---------------|
|  | Net value     | Change for the period | Decrease | Amortizations during the period | Net value     |
| Lands and buildings                              | 28,709        | 0                     | 6        | 935                             | 27,768        |
| Plant and machinery                              | 1,089         | 0                     |          | 74                              | 1,015         |
| Industrial and commercial equipment              | 693           | 73                    |          | 75                              | 691           |
| Other tangible assets                            | 2,988         | 455                   |          | 573                             | 2,870         |
| Tangible assets in progress and advance payments | 499           | 159                   |          | 0                               | 658           |
| Rights of use                                    | 716           | 468                   |          | 234                             | 950           |
| <b>Other tangible assets</b>                     | <b>34,694</b> | <b>1,154</b>          | <b>6</b> | <b>1,891</b>                    | <b>33,951</b> |

The investments made during the first nine months of the year amount to Euro 1,154 thousand and mainly relate to the costs incurred for the purchase of other assets and rights of use.

#### Land and buildings

This item is mainly made up of the buildings owned as 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.

#### Plants and machinery

During the first nine months of the year, the item "Plants and machinery" did not register investments and the variation is explained by depreciation.



#### Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 73 thousand. It includes costs incurred for the purchase of equipment for distribution facility maintenance and metering.

#### Other assets

The investments made during the first nine months of the year are equal to Euro 455 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 181 thousand), and company vehicles (Euro 280 thousand).

#### Tangible assets under construction and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the period, the item changed by Euro 159 thousand.

#### Rights of use

The item includes the rights of use related to the first application of IFRS 16. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings and rental of vehicles and trucks. During the period, the change recorded is Euro 468 thousand.

### 4. Equity investments

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

|                                       | 31.12.2019     |               |                 |                                    | 30.09.2020     |
|---------------------------------------|----------------|---------------|-----------------|------------------------------------|----------------|
|                                       | Net value      | Increase      | Decrease        | Measurement with the equity method | Net value      |
| (Thousands of Euro)                   |                |               |                 |                                    |                |
| Shareholdings in associated companies | 395,943        | 32,510        | (17,764)        | 11,250                             | 421,938        |
| Shareholdings in other companies      | 54,002         | 26,730        |                 |                                    | 80,732         |
| <b>Shareholdings</b>                  | <b>449,945</b> | <b>59,240</b> | <b>(17,764)</b> | <b>11,250</b>                      | <b>502,670</b> |

During the period, the item “Equity investments” recorded an increase of Euro 52.725 thousand compared to the previous year. The change is mainly explained by the purchase of 4.99% of the share capital of Acsm Agam S.p.A. described in the paragraph “Significant events during the first nine months of the year” of this interim financial report, the subscription of the capital increase of Estenergy for Euro 32,510 thousand, the dividends distributed by the same company for Euro 17,764 thousand and the measurement with the equity method of the consolidated results achieved by the associate Estenergy S.p.A..

The measurement with the equity method of the associate Estenergy S.p.A. represents the results achieved in the period by the Estenergy Group, equal to Euro 11,250 thousand, under the scope of Ascopiave S.p.A..

The purchase of the investments in Acsm Agam S.p.A., described above, led to an increase in the item “investments in other companies”, totalling Euro 26,730 thousand.

#### *Equity investments in affiliate companies*

At the end of the first nine months of the year, investments in affiliate companies were recorded for a total of Euro 420,029 thousand, an amount entirely related to the 48% stake held in EstEnergy S.p.A., in its new configuration. In 2019 in fact, the sales activities of the Ascopiave Group (Ascotrade S.p.a., Ascopiave Energie S.p.a., Blue Meta S.p.a. and the joint ventures Asm Set S.r.l. and Etra Energia S.r.l.) and the stake in Sinergie Italiane S.r.l., and those of the Hera Group (Hera Comm Nord-Est S.r.l) were transferred to the new company.

52% of the share capital of the new EstEnergy is held by the Hera Group and 48% by Ascopiave (which acquired its share, at the price described above, on the basis of an equity value of 100% of EstEnergy equal to Euro 824,881 thousand. On 27<sup>th</sup> May 2020, a share capital increase of Euro 67,729 thousand was approved.

The change recorded represents Ascopiave’s portion of the capital increase, the consolidated results achieved by Estenergy S.p.A. during the first nine months of the year net of dividends received.

| (Values referred to pro-rata participation in Million of Euro) | Nine months 2020 |
|--|------------------|
| Non-current assets   | 359.7            |
| Current assets   | 107.5            |
| Net equity of the Group  | 339.7            |
| Net equity of Others   | 1.6              |
| Non-current liabilities  | 53.3             |
| Current liabilities  | 72.7             |
| Revenues   | 249.9            |
| Costs  | 225.4            |
| Gross operative margin   | 24.5             |
| Amortization and depreciation                                  | 10.1             |
| Operating result   | 14.4             |
| Group's Net Result   | 11.2             |
| Third parties Net Result                                       | 0.7              |
| NFP  | (37.0)           |

#### Other investments

At the end of the period, other equity investments amounted to Euro 80,732 thousand and recorded an increase of Euro 26,730 thousand compared to 31<sup>st</sup> December 2019. The change is explained by the purchase of 4.99% of the share capital of Acsm Agam S.p.A..

The item also includes the equity investments recorded at the end of the previous year, which are unchanged. They consisted for Euro 54,000 thousand of 3% of the share capital of Hera Comm, acquired subsequent to the business partnership with the Hera Group completed on 19<sup>th</sup> December 2019, and the remaining equity investments, equal to Euro 2 thousand, relate to Banca di Credito Cooperativo delle Prealpi - Soc. Coop. for Euro 1 thousand and Banca Alto Vicentino S.p.A. for Euro 1 thousand.

Please note that Ascopiave S.p.A. has put options on the investments in affiliates and on the stake acquired in Hera Comm and that, at the end of the year, their fair value was null.

#### 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)             | 30.09.2020   | 31.12.2019   |
|---------------------------------|--------------|--------------|
| Security deposits               | 1,347        | 1,171        |
| Other receivables               | 2,808        | 2,125        |
| <b>Other non-current assets</b> | <b>4,155</b> | <b>3,296</b> |

Non-current assets recorded an overall change compared to the previous year equal to Euro 859 thousand. This is mainly explained by the increase in the item "other receivables", up Euro 683 thousand.

Non-current receivables recognised at the end of the period refer to guarantee deposits for Euro 1,347 thousand and other receivables for Euro 2,808 thousand. The latter also include the receivables 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 following the date of expiry of the concession, on 31<sup>st</sup> December 2006. The value of the receivables corresponds to what the municipality of Santorso has been asked to pay 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 2020 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)                                    | 30.09.2020   | 31.12.2019   |
|--|--------------|--------------|
| Other receivables of a financial nature over 12 months | 2,513        | 2,478        |
| <b>Non-current financial asset</b>                     | <b>2,513</b> | <b>2,478</b> |

Non-current financial assets increased from Euro 2,478 thousand in 2019, to Euro 2,513 thousand in the period in question, a minor change. The item mainly includes the receivable due 12 months after the reporting date from the municipality of Costabissara with which a settlement agreement was signed in 2019 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)            | 30.09.2020    | 31.12.2019    |
|--------------------------------|---------------|---------------|
| Advance tax receivables        | 20,192        | 19,390        |
| <b>Advance tax receivables</b> | <b>20,192</b> | <b>19,390</b> |

Advance taxes increase from Euro 19,390 thousand in 2019 to Euro 20,192 thousand in the period in question, recording an increase of Euro 801 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)                  | 30.09.2020    |                    |               | 31.12.2019   |                    |              |
|--------------------------------------|---------------|--------------------|---------------|--------------|--------------------|--------------|
|                                      | Gross value   | Bad debt provision | Net value     | Gross value  | Bad debt provision | Net value    |
| Fuels and warehouse materials        | 16,980        | (39)               | 16,941        | 7,374        | (39)               | 7,335        |
| Energy efficiency certificates       | 15,447        | 0                  | 15,447        | 797          | 0                  | 797          |
| <b>Fuels and warehouse materials</b> | <b>32,427</b> | <b>(39)</b>        | <b>32,388</b> | <b>8,171</b> | <b>(39)</b>        | <b>8,132</b> |

As of 30<sup>th</sup> September 2020, inventories are equal to Euro 32,388 thousand, recording an increase of Euro 24,256 thousand as compared to 31<sup>st</sup> December 2019. This is mainly explained by the stock of energy efficiency certificates by the Group's ESCO and not sold at the reporting date, resulting in an increase in inventories equal to Euro 20,983 thousand. Please note that during the first nine months of the year the subsidiary AP Reti Gas Nord Est S.p.A., which became operational commencing 31<sup>st</sup> December 2019, set up the necessary inventories, resulting in an increase in inventories of Euro 2,026 thousand. Net of the changes described, the item showed an increase of Euro 1,248 thousand explained by the higher quantity of material in stock at the warehouses of the distribution companies. 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 sale or use.

### 9. Trade receivables

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

| (Thousands of Euro)                   | 30.09.2020    | 31.12.2019    |
|---------------------------------------|---------------|---------------|
| Receivables from customers            | 8,364         | 18,966        |
| Receivables for invoices to be issued | 8,786         | 24,665        |
| Bad debt provisions                   | (505)         | (506)         |
| <b>Trade receivables</b>              | <b>16,645</b> | <b>43,124</b> |

Trade receivables decreased from Euro 43,124 thousand in 2019 to Euro 16,645 thousand in the period in question, marking a decrease of Euro 26,479 thousand.

This is mainly explained by the seasonal nature of the business and partly offset by the extension of the scope of consolidation at the end of the previous year due to the finalisation of the partnership with the Hera Group with the acquisition of AP Reti Gas Nord Est S.r.l. which had no receivables at the end of the previous year, while at the end of the first nine months of 2020 it records trade receivables for Euro 3,350 thousand. 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.

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

The provision for doubtful accounts, equal to Euro 505 thousand, represents the risks to which the Group's distribution companies are exposed and did not require additional amounts due to the good capacity of the existing provisions.

The changes in the provision for doubtful accounts during the period are shown in the following table:

| (Thousands of Euro)                       | 30.09.2020 | 31.12.2019 |
|---|------------|------------|
| Bad debt provisions                       | 506        | 3,715      |
| Adoption IFRS 5 - Companies held for sale |            | (3,244)    |
| Use                                       | (1)        | (3)        |
| <b>Final bad debt provision</b>           | <b>505</b> | <b>506</b> |

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)                                   | 30.09.2020   | 31.12.2019    |
|---|--------------|---------------|
| Gross trade receivable invoices issued                | 8,364        | 18,966        |
| - allowance for doubtful accounts                     | (505)        | (506)         |
| <b>Net trade receivables for invoices issued</b>      | <b>7,859</b> | <b>18,460</b> |
| <b>Aging of trade receivables for invoices issued</b> |              |               |
| - to expire   | 7,029        | 17,434        |
| - expired within 6 months                             | 481          | 863           |
| - overdue by 6 to 12 months                           | 111          | 244           |
| - expired more than 12 months                         | 742          | 425           |

## 10. Other current assets

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

| (Thousands of Euro)                                    | 30.09.2020    | 31.12.2019    |
|--|---------------|---------------|
| Tax consolidation receivables                          | 648           | 1,927         |
| Annual pre-paid expenses                               | 1,134         | 687           |
| Advance payments to suppliers                          | 4,931         | 4,267         |
| annual accrued income                                  | 21            | 93            |
| Receivables due from CSEA                              | 87,081        | 35,508        |
| VAT Receivables  | 982           | 1,635         |
| UTF and Provincial/Regional Additional Tax receivables | 40            | 74            |
| Other receivables                                      | 2,448         | 2,638         |
| <b>Other current assets</b>                            | <b>97,286</b> | <b>46,830</b> |

Other current assets increased from Euro 46,830 thousand to Euro 97,286 thousand, marking an increase of Euro 50,456 thousand. The extension of the scope of consolidation, occurred with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the finalisation of the partnership with the Hera Group, resulted in an increase in other assets of Euro 11,233 thousand, influencing in particular the receivables from Cassa Servizi Energetici e Ambientali (CSEA).

Net of the effects described, the item showed an increase compared to 31<sup>st</sup> December 2019 of Euro 39,223 thousand, mainly attributable to the higher receivables from Cassa Servizi Energetici ed Ambientali in relation to energy efficiency certificates. The increase is mainly explained by the postponement of the natural deadline set for the

cancellation of efficiency certificates, normally scheduled for 31<sup>st</sup> May, and extended to November 2020 due to the Covid-19 health emergency. As a result, at the reporting date, the receivables deriving from the certificates purchased in order to fulfil the 2019 objective as well as the quota of the 2020 objective are entered. The effect described is accompanied by the rise in the objectives assigned to the Group's distribution companies.

In 2019, the national tax consolidation contract with Asco Holding S.p.A. ceased due to the lack of some necessary requirements. The receivables recorded, in both periods shown for comparative purposes, refer to previous positions and do not relate to taxes accrued during the year. In 2019, the Group companies joined the national tax consolidation agreement with Ascopiave S.p.A..

The receivables from Cassa Servizi Energetici e Ambientali (CSEA), equal to Euro 61,475 thousand, are calculated based on the quantities of energy efficiency certificates delivered in November 2019 which will be adjusted at the end of the regulatory period, and the quantities accrued until 30<sup>th</sup> September 2020 but not delivered yet on the same date. The unit contribution used for the economic quantification of the fulfilment is equal to the fair value of the forecast contribution for the contributions being accrued and, as of 30<sup>th</sup> September 2020, equal to Euro 250 (Euro 250 as of 31<sup>st</sup> December 2019; source STX).

## 11. Current financial assets

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

| (Thousands of Euro)                                     | 30.09.2020 | 31.12.2019   |
|---|------------|--------------|
| Financial receivables from jointly controlled companies | 0          | 6,195        |
| Other financial current assets                          | 803        | 798          |
| <b>Current financial assets</b>                         | <b>803</b> | <b>6,993</b> |

Current financial assets decreased by Euro 6,191 thousand, from Euro 6,993 thousand as at 31<sup>st</sup> December 2019 to Euro 803 thousand in the period in question. The decrease is mainly explained by the termination of the intercompany current accounts that the parent company Ascopiave maintained with the sales companies involved in the partnership finalised with the Hera Group on 19<sup>th</sup> December 2019 for Euro 6,195 thousand.

At the end of the period, the item also included, in addition to the short-term portion of the receivables from Hera S.p.A. relating to the settlement agreement on excise duties for Euro 400 thousand, the receivables from the municipality of Creazzo for Euro 138 thousand and the short-term portion of the receivables from the municipality of Costabissara for Euro 165 thousand, with which a settlement agreement was reached in 2019.

## 12. Tax receivables

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

| (Thousands of Euro)         | 30.09.2020   | 31.12.2019   |
|-----------------------------|--------------|--------------|
| Receivables related to IRAP | 559          | 556          |
| Receivables related to IRES | 1,595        | 572          |
| Other tax receivables       | 78           | 134          |
| <b>Tax receivables</b>      | <b>2,231</b> | <b>1,263</b> |

Tax receivables increased from Euro 1,263 thousand to Euro 2,231 thousand in the period in question, marking an increase of Euro 969 thousand as compared to 31<sup>st</sup> December 2019. The item includes the residual credit, minus the taxes for 2020, of the IRAP advances paid and the IRES advances IRES.

### 13. Cash and cash equivalents

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

| (Thousands of Euro)               | 30.09.2020   | 31.12.2019    |
|-----------------------------------|--------------|---------------|
| Bank and post office deposits     | 2,268        | 67,017        |
| Cash and cash equivalents on hand | 18           | 14            |
| <b>Cash and cash equivalents</b>  | <b>2,286</b> | <b>67,031</b> |

Cash and cash equivalents decreased from Euro 67,031 thousand in the previous year, to Euro 2,286 thousand in the period in question, recording a decrease of Euro 64,744 thousand and they mainly refer to the bank accounting balances and to the company funds.

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:

| (Thousands of Euro)                                | 30.09.2020       | 31.12.2019       |
|--|------------------|------------------|
| Cash and cash equivalents                          | 2,286            | 67,031           |
| Current financial assets                           | 803              | 6,993            |
| Current financial liabilities                      | (927)            | (17,156)         |
| Payables due to banks and financing institutions   | (192,749)        | (136,803)        |
| <b>Net short-term financial position</b>           | <b>(190,586)</b> | <b>(79,935)</b>  |
| Non current financial assets                       | 2,513            | 2,478            |
| Medium- and long-term bank loans                   | (127,860)        | (135,083)        |
| Non-current financial liabilities                  | (709)            | (441)            |
| <b>Net medium and long-term financial position</b> | <b>(126,056)</b> | <b>(133,046)</b> |
| <b>Net financial position</b>                      | <b>(316,643)</b> | <b>(212,981)</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 in the first nine months of 2020" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

## Consolidated Shareholders' Equity

### 14. Shareholders' equity

Ascopiave S.p.A.'s share capital as of 30<sup>th</sup> September 2020 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)            | 30.09.2020     | 31.12.2019     |
|--------------------------------|----------------|----------------|
| Share capital                  | 234,412        | 234,412        |
| Legal reserve                  | 46,882         | 46,882         |
| Own shares                     | (34,821)       | (26,774)       |
| Reserves                       | 571,727        | 125,756        |
| Group's Net Result             | 28,805         | 493,216        |
| <b>Net equity of the Group</b> | <b>847,004</b> | <b>873,492</b> |
| <b>Net equity of Others</b>    |                | <b>(0)</b>     |
| <b>Total Net equity</b>        | <b>847,004</b> | <b>873,492</b> |

Consolidated shareholders' equity at 30<sup>th</sup> September 2020 amounted to Euro 847,004 thousand, a decrease of Euro 26,488 thousand compared to 2019. 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 dividends for Euro 47,442 thousand and the purchases of treasury shares, which amounted to Euro 8,048 thousand.

At the end of the period, the company held treasury shares for a total value of Euro 34,821 thousand, up Euro 8,048 thousand compared to 31<sup>st</sup> December 2019.

As of 30<sup>th</sup> September 2020 Ascopiave S.p.A. held, subsequent to the purchases made during the period, 12,439,045 shares, equal to 5.306% of the share capital, for the value indicated above.

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 of 30<sup>th</sup> September 2020, shows a negative balance of Euro 327 thousand.

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

## Non-current liabilities

### 15. Provisions for risks and charges

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

| (Thousands of Euro)                             | 30.09.2020   | 31.12.2019   |
|---|--------------|--------------|
| Provisions for pension for gas sector employees | 1,609        | 1,285        |
| Other reserves for risks and charges            | 59           | 59           |
| <b>Provisions for risks and charges</b>         | <b>1,668</b> | <b>1,344</b> |

Reserves for risks and charges increased from Euro 1,344 thousand in the previous year to Euro 1,668 thousand in the period in question, up Euro 324 thousand. The increase recorded is mainly due to the entry of the costs accrued during the period 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 1 <sup>st</sup> January 2020            | 1,344        |
| Provisions for risks and charges   | 275          |
| <b>Provisions for risks and charges as of 30<sup>th</sup> September 2020</b> | <b>1,668</b> |

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

| <b>(Thousands of Euro)</b>              | <b>30.09.2020</b> | <b>31.12.2019</b> |
|---|-------------------|-------------------|
| Risk of litigation with suppliers       | 59                | 59                |
| Retirement fund and similar obligations | 1,609             | 1,285             |
| <b>Total</b>                            | <b>1,668</b>      | <b>1,344</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 decreased from Euro 4,931 thousand as of 1<sup>st</sup> January 2020 to Euro 4,428 thousand as of 30<sup>th</sup> September 2020, marking a decrease of Euro 503 thousand.

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

| <b>(Thousands of Euro)</b>                                      |              |
|---|--------------|
| Severance indemnity as of 1 <sup>st</sup> January 2020          | 4,931        |
| Retirement allowance  | (1,549)      |
| Payments for current services and work                          | 1,015        |
| Actuarial loss/(profits) of the period (*)                      | 30           |
| <b>Severance indemnity as of 30<sup>th</sup> September 2020</b> | <b>4,428</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)                          | 30.09.2020     | 31.12.2019     |
|--|----------------|----------------|
| Loans from Prealpi                           | 7,240          | 7,833          |
| Loans from European Investment Bank          | 12,000         | 16,750         |
| Loans from INTESA SAN PAOLO SPA              | 35,000         | 40,000         |
| Loans from BNL                               | 42,250         | 46,500         |
| Loans from CREDIT AGRICOLE FRIULADRIA        | 18,000         | 24,000         |
| Loans from UBI BANCA SPA                     | 13,370         |                |
| <b>Medium- and long-term bank loans</b>      | <b>127,860</b> | <b>135,083</b> |
| Current portion of medium and long-term loan | 37,044         | 30,778         |
| <b>Medium and long-term loans</b>            | <b>164,904</b> | <b>165,861</b> |

Medium and long term loans, mainly represented as of 30<sup>th</sup> September 2020 by the payables of the Parent Company to BNL for Euro 50,750 thousand, Intesa SanPaolo for Euro 45,000 thousand, Crédit Agricole Friuladria for Euro 24,000 thousand, UBI BANCA for Euro 20,000 thousand and the European Investment Bank for Euro 16,750 thousand, decrease from Euro 165,861 thousand to Euro 164.904 thousand, down Euro 957 thousand, mainly explained by the loan taken out with UBI BANCA for Euro 20,000 thousand net of the instalments paid during the period in question.

Specifically:

- the loan with BNL, taken out in August 2019 for an amount equal to Euro 30,000 thousand, has a residual debt as of 30<sup>th</sup> September 2020 of Euro 27,000 thousand, with the recognition of Euro 6,000 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 the IFRS.
- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt as of 30<sup>th</sup> September 2020 of Euro 23,750 thousand, 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 the IFRS.
- the loan with Intesa SanPaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, has a residual debt as of 30<sup>th</sup> September 2020 of Euro 45,000 thousand, with the entry of Euro 10,000 thousand in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified annually on the Group's consolidated data prepared in accordance with the IFRS.
- the loan with Credit Agricole Friuladria, disbursed in October 2019 for an amount equal to Euro 30,000 thousand, has a residual debt as of 30<sup>th</sup> September 2020 of Euro 24,000 thousand, with the entry of Euro 6,000 in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified every six months on the Group's consolidated data prepared in accordance with the IFRS.
- the loan with Ubi Banca, disbursed in May 2020 for an amount of Euro 20,000 thousand, equal to the residual debt as of 30<sup>th</sup> September 2020, with the recognition of Euro 6,630 thousand in due to banks and short-term loans.
- the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, has a residual debt as of 30<sup>th</sup> September 2020 of Euro 16,750 thousand, with the entry of Euro 4,750 thousand in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified every six months on the Group's consolidated data prepared in accordance with the IFRS.
- 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 as of 30<sup>th</sup> September 2020 of Euro 8,029 thousand, with the entry of Euro 789 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)                  | 30.09.2020     |
|--------------------------------------|----------------|
| Year 2020                            | 8,881          |
| Year 2021                            | 36,691         |
| Year 2022                            | 36,742         |
| Year 2023                            | 33,428         |
| After 31 <sup>st</sup> December 2023 | 49,162         |
| <b>Medium and long-term loans</b>    | <b>164,904</b> |

## 18. Other non-current liabilities

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

| (Thousands of Euro)                  | 30.09.2020    | 31.12.2019    |
|--------------------------------------|---------------|---------------|
| Security deposits                    | 701           | 401           |
| Multi-annual passive prepayments     | 25,645        | 24,152        |
| <b>Other non-current liabilities</b> | <b>26,347</b> | <b>24,553</b> |

Other non-current liabilities increased from Euro 24,553 thousand in the previous year to Euro 26,347 thousand in the period in question, marking an increase of Euro 1,209 thousand.

The item increased by Euro 1,793 thousand due to the performance of long-term deferred income, 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 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 item is broken down at the end of each period considered:

| (Thousands of Euro)                      | 30.09.2020 | 31.12.2019 |
|--|------------|------------|
| Debts for rights of use beyond 12 months | 709        | 441        |
| <b>Non-current financial liabilities</b> | <b>709</b> | <b>441</b> |

Other non-current liabilities increased from Euro 441 thousand to Euro 709 thousand, up Euro 267 thousand. The increase is mainly explained by the execution of operating lease agreements for rentals of company offices and

vehicles.

## 20. Deferred tax payables

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

| (Thousands of Euro)          | 30.09.2020    | 31.12.2019    |
|------------------------------|---------------|---------------|
| Deferred tax payables        | 21,579        | 22,021        |
| <b>Deferred tax payables</b> | <b>21,579</b> | <b>22,021</b> |

Payables for deferred taxation decrease from Euro 22,021 thousand in the previous year to Euro 21,579 thousand in the period in question, with a decline of Euro 442 thousand.

Deferred tax payables mainly include the tax effects deriving from the dynamics of depreciation 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 2020 and at 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 at the end of each period considered:

| (Thousands of Euro)                                     | 30.09.2020     | 31.12.2019     |
|---|----------------|----------------|
| Payables due to banks                                   | 155,705        | 106,025        |
| Current portion of medium-long-term loans               | 37,044         | 30,778         |
| <b>Payables due to banks and financing institutions</b> | <b>192,749</b> | <b>136,803</b> |

Payables to banks increase from Euro 136,803 thousand in the previous year to Euro 192,749 thousand in the period in question, up Euro 55,945 thousand, and include debtor accounting balance to credit institutions and the short-term quota of loans.

### 22. Trade payables

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

| (Thousands of Euro)                                 | 30.09.2020    | 31.12.2019    |
|---|---------------|---------------|
| Payables to suppliers                               | 4,314         | 3,046         |
| Payables to suppliers for invoices not yet received | 88,411        | 49,036        |
| <b>Trade payables</b>                               | <b>92,725</b> | <b>52,082</b> |

Trade payables increase from Euro 52,082 thousand in the previous year to Euro 92,725 thousand in the period in question, with an increase of Euro 40,643 thousand. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19<sup>th</sup> December

2019, led to the recognition of trade payables totalling Euro 14,221 thousand. The company became operational on 31<sup>st</sup> December 2019 and at that date had no trade payables; consequently, trade payables accrued at the end of the first nine months of 2020 led to a change in the Group's trade payables of the same amount.

Net of the effects described, trade payables increased by Euro 26,422 thousand mainly due to the energy efficiency targets.

The item mainly includes the payables to suppliers of materials and services for the extension or maintenance of the natural gas distribution network, for the purchase of the energy efficiency certificates needed to achieve the applicable energy saving objectives, as well as for consultancy services received during the period in question.

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, are calculated by evaluating the amounts of certificates accrued until the reporting date. 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 2020 and amounting to 260 (Euro 260 on 31<sup>st</sup> December 2019).

### 23. Payables to tax authorities

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

| (Thousands of Euro) | 30.09.2020   | 31.12.2019   |
|---------------------|--------------|--------------|
| IRAP payables       | 727          | 82           |
| IRES payables       | 1,625        | 4,646        |
| <b>Tax payables</b> | <b>2,353</b> | <b>4,728</b> |

Tax payables decrease from Euro 4,728 thousand in the previous year to Euro 2,353 thousand in the period in question, marking a decrease of Euro 2,375 thousand. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19<sup>th</sup> December 2019, determined the recognition of tax payables totalling Euro 1,670 thousand. The company became operational on 31<sup>st</sup> December 2019 and at that date had no tax payables; consequently, the tax payables accrued at the end of the first nine months of 2020 resulted in a change in the item of the same amount.

Net of the change described, tax payables decreased by Euro 4,045 thousand, explained by the payment of taxes in full settlement of the previous year net of the payables accrued during the periods towards the tax authorities for IRES and IRAP. In 2019, the Group companies joined the national tax agreement with the parent company Ascopiave S.p.A..

## 24. Other current liabilities

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

| (Thousands of Euro)                                   | 30.09.2020    | 31.12.2019    |
|---|---------------|---------------|
| Advance payments from customers                       | 494           | 221           |
| Amounts due to parent companies for tax consolidation | 17            | 1,668         |
| Amounts due to social security institutions           | 562           | 1,120         |
| Amounts due to employees                              | 4,551         | 6,207         |
| VAT payables  | 287           | 495           |
| Payables to revenue office for withholding tax        | 326           | 966           |
| Annual passive prepayments                            | 757           | 661           |
| Annual passive accruals                               | 578           | 698           |
| Other payables  | 6,797         | 13,514        |
| <b>Other current liabilities</b>                      | <b>14,368</b> | <b>25,549</b> |

Other current liabilities decreased from Euro 25,549 thousand in 2019 to Euro 14,368 thousand in the first nine months of 2020, marking a decrease of Euro 11,182 thousand. The change is mainly explained by the lower payables recognised at the end of the period, to the tune of Euro 6,831 thousand, as regards the tariff components related to natural gas transport.

The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19<sup>th</sup> December 2019, led to the recognition of other current liabilities totalling Euro 2,692 thousand. The company became operational on 31<sup>st</sup> December 2019 and at that date it presented other minor current liabilities; consequently, the payables accrued at the end of the period in question resulted in a change in the item of the same amount.

### 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 2020.

### Tax consolidation payables

In 2019, the national tax consolidation agreement with Asco Holding S.p.A. ceased due to the change of the financial year. The balances recorded as of 30<sup>th</sup> September 2020 refer to previous positions.

### Welfare payables

Welfare payables include payables for the welfare obligations to social security institutions for employees and directors, accrued as of 30<sup>th</sup> September 2020 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 2020 but not paid out on that date as well as social security contributions. The item decreased by Euro 1,657 thousand, from Euro 6,207 thousand in 2019 to Euro 4,551 thousand in the period in question.

### VAT payables

Payables to the tax authorities for VAT at the end of the first nine months of the year amount to Euro 287 thousand and decrease by Euro 208 thousand as compared to the previous year.



#### Annual deferred income

Other deferred income is mainly attributable to the grants received for the construction of the natural gas distribution network and the relevant connections.

#### Annual accrued liabilities

Accrued liabilities refer mainly to State fees and the fees paid to granting local entities for the extension of the concession for the distribution of natural gas, awaiting the territorial calls for tenders.

#### Other payables

At the end of the first nine months of 2020 the item showed a balance of Euro 6,797 thousand, recording a decrease compared to the previous year of Euro 6,717 thousand. The item also includes, in addition to payables to Cassa per i Servizi Energetici e Ambientali (CSEA) for gas transport tariff components, payables for mandatory staff charges accrued as of 30<sup>th</sup> September 2020.

### 25. Current financial liabilities

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

| (Thousands of Euro)                            | 30.09.2020 | 31.12.2019    |
|--|------------|---------------|
| Shareholders for dividends                     | 5          | (0)           |
| Financial payables within 12 months            | 685        | 16,889        |
| Payables to leasing companies within 12 months | 237        | 267           |
| <b>Current financial liabilities</b>           | <b>927</b> | <b>17,156</b> |

Current financial liabilities decrease from Euro 17,156 thousand in 2019 to Euro 927 thousand in the period in question, marking a decrease of Euro 16,229 thousand.

The decrease is mainly explained by the termination of the intercompany current accounts that the parent company Ascopiave maintained with the sales companies involved in the partnership finalised with the Hera Group on 19<sup>th</sup> December 2019. The financial payables recorded at the end of the previous year amounted to Euro 16,204 thousand, resulting in a change of the same amount in the item.

Financial payables related to the application of the international accounting standard IFRS 16 recorded a change equal to Euro 30 thousand during the first nine months of the year due to the payment of the rents for the period. They represent financial payables expiring within twelve months for operating lease agreements signed for rentals of company offices and vehicles.

### 26. Current liabilities from derivative financial instruments

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

| (Thousands of Euro)  | 30.09.2020 | 31.12.2019 |
|--|------------|------------|
| Liabilities on derivatives on interest rates                     | 337        | 98         |
| <b>Current liabilities from derivative financial instruments</b> | <b>337</b> | <b>98</b>  |

Current liabilities on derivative financial instruments relate to interest rate hedging contracts executed by the parent company Ascopiave in 2019. 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.

Liabilities on derivatives are represented by the fair value of the following derivatives existing as of 30<sup>th</sup> September 2020, whose financial manifestation will be divided based on the duration of the underlying loan:

| #            | 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 €        | 193         |
| 2            |           | Credit Agricole | Interest Rate Swap | Euribor 6M           | 27-Sep-19  | 01-Oct-19      | 27-Sep-24   | Vanilla: Fixed - Float | 30,000,000 €        | 144         |
| <b>Total</b> |           |                 |                    |                      |            |                |             |                        | <b>57,000,000 €</b> | <b>337</b>  |

The financial instruments measured at fair value belong to the 2<sup>nd</sup> evaluation hierarchical level.

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

### Revenues

#### 27. Revenues

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

| (Thousands of Euro)                                | Nine months    |               |
|--|----------------|---------------|
|  | 2020           | 2019          |
| Revenues from gas transportation                   | 82,672         | 58,617        |
| Revenues from connections                          | 403            | 268           |
| Revenues from heat supply                          | (0)            | 6             |
| Revenues from distribution services                | 2,884          | 3,427         |
| Revenues from services supplied to Group companies | 6,065          | 5,431         |
| Revenues from ARERA contributions                  | 35,884         | 21,032        |
| Other revenues                                     | 1,308          | 1,235         |
| <b>Revenues</b>                                    | <b>129,347</b> | <b>90,017</b> |

At the end of the first nine months of the year, the Ascopiave Group's revenues amounted to Euro 129,347 thousand, an increase of Euro 39,330 thousand compared to the period shown for comparative purposes (Euro 90,017 thousand). The increase is mainly explained by the expansion of the consolidation scope which occurred during the previous year with the merger through acquisition of the gas distribution unit managed by Unigas Distribuzione S.r.l. effective 1<sup>st</sup> July 2019 and by the completion of the partnership with the Hera Group and the consequent consolidation of AP Reti Gas Nord Est S.r.l. as of 31<sup>st</sup> December 2019. With regard to Unigas Distribuzione, the expansion of the scope of consolidation led to the line-by-line consolidation of the results achieved from that date, while previously the revenues were recorded under financial income and charges in the item "profit/loss of companies valued using the equity method".

Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* on the distribution network generated revenues for Euro 82,672 thousand, with an increase of Euro 24,055 thousand as compared to the same period in the previous year. The change is mainly explained, as mentioned previously, by the extension of the scope of consolidation which led to the recognition of the Restriction on total revenues of the merged unit and the new consolidated company.

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 an equalisation amount of Euro 13,079 thousand, an increase as compared to the same period in the previous year of Euro 9,963 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 2,884 thousand, decreased compared to the same period in the previous year by Euro 543 thousand. The change is mainly explained by the lower revenues recorded for the sale of the material. Furthermore, a decrease was recorded in activities requested by customers on metres during the lockdown imposed at the national level due to the Covid-19 health emergency. The decrease caused by this effect was almost entirely neutralised by the extension of the scope of consolidation which determined the recognition of the revenues achieved by the company consolidated commencing 31<sup>st</sup> December 2019 AP Reti Gas Nord Est S.r.l. and the revenues from services rendered in the territory where Unigas Distribuzione Gas S.r.l., a company merged through acquisition effective 1<sup>st</sup> July 2019, operated.

Revenues for *services provided to Group companies* show an increase of Euro 633 thousand compared to the same period in the previous year and amount to Euro 6,065 thousand as of 30<sup>th</sup> September 2020.

The *contributions made by the Regulatory Authority for Energy, Networks and the Environment* at the end of the first nine months of the year amount to Euro 35,884 thousand, up Euro 14,852 thousand compared to the previous year. The increase recorded is mainly explained by the recognition of revenues related to the objectives of the company AP Reti Gas Nord Est S.p.A. and the objectives related to the plants managed by the company Unigas Distribuzione Gas S.r.l..

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 2020 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2020 target (regulatory period June 2020 - May 2021). Due to the Covid-19 health emergency, the deadline set for 31<sup>st</sup> May 2020 for the delivery of the efficiency certificates necessary for the fulfilment of the objectives was postponed to November. The unit contribution used for the economic quantification of the fulfilment of the obligation is the fair value of the forecast contribution for the contributions being accrued and, as of 30<sup>th</sup> September 2020, equal to Euro 250 (Euro 250 as of 30<sup>th</sup> September 2019; source STX).

The item “*Other revenues*” increased from Euro 1,235 thousand in the first nine months of 2019, to Euro 1,308 thousand in the period in question, with an increase of Euro 73 thousand. The change is mainly explained by the recognition of contributions, for Euro 397 thousand, obtained by the natural gas distribution companies for investments in facility safety. This increase was partially offset by the lower revenues achieved by the heat supply and cogeneration plants during the period in question, which resulted in a decrease of Euro 297 thousand.

## 28. 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  |              |
|---|--------------|--------------|
|   | 2020         | 2019         |
| Purchase of other raw material                | 1,312        | 1,712        |
| <b>Purchase costs for other raw materials</b> | <b>1,312</b> | <b>1,712</b> |

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 1,312 thousand, down Euro 401 thousand as compared to the same period in the previous year. The change is mainly explained by the lower costs incurred for ordinary maintenance on the plants. The decrease described was partially offset by the recognition of the costs incurred upon conducting the activities in the facilities previously managed by Unigas Distribuzione 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 consolidation of AP Reti Gas Nord Est S.r.l. commencing 31<sup>st</sup> December 2019 determined the entry of costs for Euro 250 thousand.

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

## 29. Costs for services

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

| (Thousands of Euro)                     | Nine months   |               |
|---|---------------|---------------|
|   | 2020          | 2019          |
| Costs for counting meters reading       | 732           | 513           |
| Mailing and telegraph costs             | 435           | 100           |
| Maintenance and repairs                 | 2,695         | 2,131         |
| Consulting services                     | 2,810         | 3,292         |
| Commercial services and advertisement   | 56            | 65            |
| Sundry suppliers                        | 1,326         | 1,267         |
| Directors' and Statutory Auditors' fees | 1,088         | 917           |
| Insurances                              | 350           | 443           |
| Personnel costs                         | 295           | 478           |
| Other managing expenses                 | 793           | 1,157         |
| Costs for use of third-party assets     | 17,003        | 13,464        |
| <b>Costs for services</b>               | <b>27,585</b> | <b>23,831</b> |

The *costs for services* incurred during the first nine months of 2020 increase by Euro 3,754 thousand as compared to the same period in the previous year, from Euro 23,831 thousand on 30<sup>th</sup> September 2019 to Euro 27,585 thousand in the period in question, mainly explained by the expansion of the scope of consolidation which led to the recognition of the costs incurred for the management of the distribution facilities previously managed by Unigas Distribuzione S.r.l. until 1<sup>st</sup> July 2019 and by AP Reti Gas Nord Est S.r.l..

The costs incurred for *metre reading*, amounting to Euro 732 thousand, as compared to the same period in the previous year, increased by Euro 219 thousand (Euro 513 thousand as of 30<sup>th</sup> September 2019) mainly explained by the expansion of the scope of consolidation.

The costs for *maintenance and repairs* increase from Euro 2,131 thousand during the first nine months of 2019, to Euro 2,695 thousand in the period in question, with an increase of Euro 563 thousand, mainly explained by the expansion of the scope of consolidation. The item mainly includes costs related to software fees and expenses incurred for routine facility maintenance.

At the end of the period in question, the costs incurred for *consultancy* amounted to Euro 2,810 thousand, down Euro 482 thousand as compared to the same period in the previous year. The change recorded is mainly explained by the costs incurred in the first nine months of 2019 for the completion of the extraordinary operations that were in progress at the end of the period shown for comparison purposes. The decrease in costs incurred was almost entirely offset by the expansion of the consolidation scope.

The item *remuneration of directors and auditors* increased by Euro 170 thousand as compared to the same period in the previous year, and amounts to Euro 1,088 thousand.

*Other operating costs* decreased by Euro 364 thousand compared to the previous year, and amount to Euro 793 thousand.

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 3,540 thousand as compared to the same period in the previous year. The change is mainly explained by the recognition of fees accrued as concerns the facilities previously managed by Unigas Distribuzione S.r.l., subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019, and AP Reti Gas Nord Est S.r.l.. As regards the first, 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".

### 30. Costs for staff

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

| (Thousands of Euro)           | Nine months   |               |
|-------------------------------|---------------|---------------|
|                               | 2020          | 2019          |
| Wages and salaries            | 14,421        | 11,369        |
| Social security contributions | 4,600         | 3,581         |
| Severance indemnity           | 1,045         | 848           |
| Other costs                   | 45            | 56            |
| <b>Total personnel costs</b>  | <b>20,111</b> | <b>15,854</b> |
| Capitalized personnel costs   | (6,363)       | (4,875)       |
| <b>Personnel costs</b>        | <b>13,748</b> | <b>10,979</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 increase from Euro 15,854 thousand in the first nine months of 2019, to Euro 20,111 thousand in the period in question, up Euro 4,257 thousand. The change is mainly explained by the extension of the consolidation scope which determined the recognition of costs incurred by the subsidiary AP Reti Gas Nord Est S.r.l. and 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.

As of 30<sup>th</sup> September 2020, costs for long-term incentive plans were recognised totalling Euro 333 thousand and costs for short-term incentive plans were recognised totalling Euro 380 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 38 thousand for the portion to be paid in shares and in the retirement funds for Euro 295 thousand for the cash portion. The amounts recorded for long-term incentive plans refer to the last year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

Capitalised personnel cost registered an increase of Euro 1,488 thousand, from Euro 4,875 thousand in the first nine months of 2019, to Euro 6,363 thousand in the period in question. The expansion of the scope of consolidation has in fact more than offset the negative effects deriving from the Covid-19 health emergency which, during the lockdown, had determined a decrease in investments and a consequent reduction in the hours worked for this purpose.

Personnel costs consequently increased by Euro 2,769 thousand.

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

| Description                    | 30.09.2020 | Expansion of the perimeter | Net of the expansion of the perimeter | 30.09.2019 | Variation  |
|--------------------------------|------------|----------------------------|---------------------------------------|------------|------------|
| Managers (average)             | 13         | 0                          | 13                                    | 13         | 0          |
| Office workers (average)       | 302        | 66                         | 236                                   | 234        | 68         |
| Manual workers (average)       | 157        | 35                         | 122                                   | 123        | 34         |
| <b>No. of persoal employed</b> | <b>472</b> | <b>101</b>                 | <b>371</b>                            | <b>370</b> | <b>102</b> |

The extension of the scope of consolidation is related to the average employees of AP Reti Gas Nord Est S.r.l., because the first consolidation of such company occurred on 31<sup>st</sup> December 2019.

### 31. Other operating costs

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

| (Thousands of Euro)            | Nine months   |               |
|--------------------------------|---------------|---------------|
|                                | 2020          | 2019          |
| Membership and ARERA fees      | 486           | 397           |
| Capital losses                 | 369           | 450           |
| Extraordinary losses           | 199           | 32            |
| Other taxes                    | 1,821         | 553           |
| Other costs                    | 732           | 258           |
| Costs of contracts             | 553           | 340           |
| Energy efficiency certificates | 37,461        | 22,448        |
| <b>Other management costs</b>  | <b>41,622</b> | <b>24,477</b> |

Other operating costs increase from Euro 24,477 thousand in the first nine months of 2019 to Euro 41,622 thousand in the period in question, up Euro 17,145 thousand; this change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +15,013 thousand) related to the higher efficiency and energy saving objectives applicable to the Group companies. The higher objectives assigned are primarily explained by the energy efficiency objectives related to the extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. (through the partnership concluded with the Hera Group on 19<sup>th</sup> December 2019) and the merger through acquisition of Unigas Distribuzione Gas S.r.l. effective 1<sup>st</sup> July 2019.

The costs recognised at the reporting date for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2020 target (regulatory period June 2020 - May 2021). 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 2020 and amounting to Euro 260 (Euro 260 on 30<sup>th</sup> September 2019).

The increase recorded in the item "other costs", from Euro 258 thousand to Euro 732 thousand in the period in question, is partly explained by the donations made by the parent company Ascopiave S.p.A. in favour of the Veneto Region for the management of the Covid-19 health emergency.

### 32. Other operating revenues

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

| (Thousands of Euro) | Nine months |              |
|---------------------|-------------|--------------|
|                     | 2020        | 2019         |
| Other income        | 39          | 1,443        |
| <b>Other income</b> | <b>39</b>   | <b>1,443</b> |

At the end of the period considered, the item "other operating revenues" shows a decrease of Euro 1,404 thousand, from Euro 1,443 thousand as of 30<sup>th</sup> September 2019, to Euro 39 thousand in the period in question.

In the previous period the item included the surplus value connected with the settlement agreement signed with the municipality of Costabissara concerning the value of the sale of the distribution facilities.

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

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

| (Thousands of Euro)                  | Nine months   |               |
|--------------------------------------|---------------|---------------|
|                                      | 2020          | 2019          |
| Intangible fixed assets              | 23,213        | 15,659        |
| Tangible fixed assets                | 1,657         | 1,594         |
| Amortization of rights of use        | 234           | 159           |
| <b>Amortization and depreciation</b> | <b>25,105</b> | <b>17,253</b> |

Amortisation and depreciation show an increase of Euro 7,693 thousand, from Euro 17,253 thousand as of 30<sup>th</sup> September 2019, to Euro 25,105 thousand in the period in question.

The increase is mainly explained by the extension of the scope of consolidation which resulted in the recognition of amortisation and depreciation of AP Reti Gas Nord Est S.r.l. and the facilities previously managed by Unigas Distribuzione S.r.l., merged through acquisition on 1<sup>st</sup> July 2019.

## Financial income and expense

### 34. Financial income and expense

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

| (Thousands of Euro)  | Nine months   |            |
|--|---------------|------------|
|  | 2020          | 2019       |
| Interest income on bank and post office accounts                     | 1             | 52         |
| Other interest income  | 64            | 55         |
| Distribution of dividends from controlled companies                  | 3,489         | 0          |
| <b>Financial income</b>  | <b>3,554</b>  | <b>107</b> |
| Interest expense on banks  | 103           | 69         |
| Interest expense on loans  | 1,028         | 642        |
| Other financial expenses   | 124           | 166        |
| <b>Financial charges</b>   | <b>1,256</b>  | <b>878</b> |
| Evaluation of subsidiary companies with net equity method            | 11,250        |            |
| Result quota from jointly controlled companies                       |               | 648        |
| <b>Evaluation of subsidiary companies with the net equity method</b> | <b>11,250</b> | <b>648</b> |
| <b>Total net financial expenses</b>                                  | <b>13,548</b> | <b>122</b> |

At the end of the first nine months of 2020, the balance between financial income and expenses showed a gain of Euro 2,298 thousand, an increase as compared to the previous year of Euro 3,069 thousand. The change is mainly explained by the dividends received from the stakes held in HERA COMM S.p.A. for Euro 2,700 thousand and ACSM - AGAM S.p.A. for Euro 789 thousand.

The items "other interest income" and "other expenses", net of dividends received, show a decrease of Euro 42 thousand and an increase of Euro 379 thousand respectively.

The item "Result quota from jointly controlled companies" does not show balances in the first nine months of the year, while it recorded a balance equal to Euro 648 thousand, at the end of the same period in the previous year. The



item included the operating results achieved by Unigas Distribuzione S.r.l. as of 30<sup>th</sup> June 2019. On 1<sup>st</sup> July 2019 the company was merged through acquisition resolved by the Shareholders of the companies and consequently, commencing that date, the items that made up this net change are fully recognised in the consolidated financial statements of the Group.

The item “profit /(loss) of companies measured using the equity method” includes the consolidated profits achieved by the associate Estenergy S.p.A., a company in which the Ascopiave Group holds a 48% stake subsequent to the completion of the business partnership with the Hera Group on 19<sup>th</sup> December 2019. At the end of the period in question, the consolidated results of the associate showed profits amounting to Euro 11,250 thousand.

## Taxes

### 35. 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  |              |
|-----------------------------|--------------|--------------|
|                             | 2020         | 2019         |
| IRES current taxes          | 5,404        | 5,167        |
| IRAP current taxes          | 723          | 802          |
| (Advance)/Deferred taxes    | (1,312)      | (1,057)      |
| Taxes previous years        | (58)         | (116)        |
| <b>Taxes for the period</b> | <b>4,756</b> | <b>4,797</b> |

Taxes accrued decreased from Euro 4,797 thousand in the first nine months of the previous year to Euro 4,756 thousand in the period in question, down Euro 40 thousand.

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

| (Thousands of Euro)                      | Nine months  |              |
|--|--------------|--------------|
|  | 2020         | 2019         |
| Earnings before tax                      | 33,562       | 12,926       |
| Taxes for the period                     | 4,756        | 4,797        |
| <b>Percentage of income before taxes</b> | <b>14.2%</b> | <b>37.1%</b> |

The tax-rate as of 30<sup>th</sup> September 2020 is 14.2%, a decrease of 22.9% compared to the same period in the previous year. The change is mainly explained by the significant variation in the results achieved by the companies measured with the equity method. The tax rate normalised of this effect is 29.0%, while at the end of the first nine months of 2019 it was 39.1%. The item was also affected by the positive effects deriving from the decrees issued due to Covid-19 which entailed a decrease in the tax burden.

## Net result of divested companies

The following table shows the details of the net result of the divested companies in the periods considered:

| (Thousands of Euro)                   | Nine months |        |
|---------------------------------------|-------------|--------|
|                                       | 2020        | 2019   |
| Net Result of companies held for sale | 0           | 30,109 |

The item highlights the result achieved by the divested companies at the end of the first nine months of the previous year and reclassified pursuant to IFRS 5 due to the partnership with the Hera Group finalised on 19<sup>th</sup> December 2019. The item therefore includes the results achieved during the first nine months of 2019 by the gas and electricity sales companies involved in the partnership. This result benefitted from the recognition of the positive effects deriving from the recalculation of the coefficient “k”. 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 previous year, the item “result of the companies consolidated with the equity method” consequently included Euro 5,896 thousand (Euro 8,178 thousand of higher revenues from natural gas sales, net of the related tax effect), related to such payment and which are non-recurring.

## Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005, we announce that no non-recurrent economic components exist in the interim financial report as of 30<sup>th</sup> September 2020.

Additionally, 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 previous year, the item “net result of assets held for sale” consequently included Euro 5,896 thousand (Euro 8,178 thousand of higher revenues from natural gas sales, net of the related tax effect), related to such payment and which are non-recurring.

## Transactions deriving from unusual and/or atypical operations

Pursuant to CONSOB communication N. 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.

## OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 30<sup>TH</sup> SEPTEMBER 2020

### Commitments and risks

#### Guarantees given

As of 30<sup>th</sup> September 2020, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

| (Thousands of Euro)   | 30.09.2020    | 31.12.2019   |
|---|---------------|--------------|
| On credit lines   | 3,849         | 3,849        |
| On execution of works (letter of comfort)                       | 1,694         | 1,292        |
| On UTF offices and regions for taxes on gas (letter of comfort) | 0             | 150          |
| On distribution concession (letter of comfort)                  | 6,079         | 3,390        |
| On purchase/sale of shares (letter of comfort)                  | 500           | 500          |
| On agreements for transport of gas (letter of comfort)          | 0             | 675          |
| On participation in the tender                                  | 75            | 75           |
| <b>Total</b>  | <b>12,198</b> | <b>9,931</b> |

Guarantees issued by Ascopiave S.p.A. in favour of the sales companies involved in the business partnership:

| (Thousands of Euro)  | 30.09.2020    | 31.12.2019    |
|--|---------------|---------------|
| On credit lines  | 39,799        | 41,882        |
| Patronage on derivative financial instruments                  | 23,400        | 23,400        |
| Guarantees on credit lines (letter of comfort)                 | 0             | 102           |
| On agreements for transport of gas (letter of comfort)         | 1,850         | 2,510         |
| On agreements for transport of electricity (letter of comfort) | 0             | 104           |
| On agreements for transport of gas (letter of comfort)         | 9,724         | 2,852         |
| On agreements for transport of electricity (letter of comfort) | 0             | 14,700        |
| On purchase of gas agreements (letter of comfort)              | 0             | 126           |
| <b>Total</b>   | <b>74,773</b> | <b>85,676</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, a stake sold to the Hera Group, amount as of 30<sup>th</sup> September 2020 to Euro 23,999 thousand, down Euro 1,333 thousand compared to 31<sup>st</sup> December 2019.

### 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, please note 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, financial leasing, lease contracts with the possibility of purchase and short-term bank deposits at sight. The recourse to such forms of investment, which are in part at variable rates, exposes the Group to the risk connected with the fluctuation of interest tax rate, that successively determine possible variations in financial costs.

Operations expose the Group to the possibility of 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

The Group manages its liquidity needs both through temporary credit lines and short-term loans at variable rates which, due to their continuous fluctuation, do not make it easy to hedge against interest rate risk, and through medium/long-term loans with fixed and variable rates.

The medium-long term loans, with variable and fixed rates, have a residual debt as of 30<sup>th</sup> September 2020 of Euro 164,904 thousand and expiration dates between 1<sup>st</sup> October 2020 and 28<sup>th</sup> February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2020 and 2025, with residual balance as of 30<sup>th</sup> September 2020 of Euro 67,750 thousand (Euro 81,500 thousand as of 31<sup>st</sup> December 2019), represented by:

- Loan with the European Investment Bank granted in August 2013 with a residual debt as of 30<sup>th</sup> September 2020 of Euro 16,750 thousand,
- Loan with BNL disbursed in August 2019 with a residual debt as of 30<sup>th</sup> September 2020 of Euro 27,000 thousand, the latter hedged by a financial derivative with effect from February 2020, for which the interest rate risk is therefore neutralised,
- Loan with Crédit Agricole - Friuladria granted in October 2019 with a residual debt as of 30<sup>th</sup> September 2020 of Euro 24,000 thousand, the latter is hedged by a financial derivative instrument, and therefore its interest rate risk is neutralised.

As of 30<sup>th</sup> September 2020, the derivative instruments to hedge against the risk of changes in interest rates, relating to the loans taken out with BNL and Crédit Agricole - Friuladria, detailed in paragraph no. 26 “Current liabilities on derivative financial instruments”, have a mark to market which is negative for Euro 337 thousand and are effective.

The following loans are not exposed to interest rate risks, as they envisage the application of a fixed rate:

- the loan taken out with BNL in August 2017, with a residual debt as of 30<sup>th</sup> September 2020 of Euro 23,750 thousand,
- the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 30<sup>th</sup> September 2020 of Euro 8,029 thousand,
- the loan taken out with Intesa SanPaolo in November 2019, with a residual debt as of 30<sup>th</sup> September 2020 of Euro 45,000 thousand,
- the loan taken out with UBI Banca in May 2020, with a residual debt as of 30<sup>th</sup> September 2020 of Euro 20,000 thousand.

The loans above are subjected to covenants.

Please refer to Paragraph no. 17 “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 2020   | (218,171) | (297,043) | (316,741) |              |
| Borrowing rates of interest   | 0.05%     | 0.00%     | 0.00%     |              |
| Lending rates of interest   | 0.31%     | 0.33%     | 0.34%     |              |
| Borrowing rate of interest plus 200 basis points                          | 2.05%     | 2.00%     | 2.00%     |              |
| Lending rates of interest plus 200 basis points                           | 2.31%     | 2.33%     | 2.34%     |              |
| Borrowing rate of interest reduced of 50 basis points                     | 0.00%     | 0.00%     | 0.00%     |              |
| Lending rates of interest reduced of 50 basis points                      | 0.00%     | 0.00%     | 0.00%     |              |
| Net Financial Position recalculated with the increase of 200 basis points | (219,259) | (298,524) | (318,338) |              |
| Net Financial Position recalculated with decrease of 50 basis points      | (217,899) | (296,673) | (316,342) | <b>Total</b> |
| Effect on pre-tax result of the increase of 200 basis points              | (1,088)   | (1,481)   | (1,597)   | (4,166)      |
| Effect on pre-tax result of the decrease of 50 basis points               | 272       | 370       | 399       | 1,041        |

The sensitivity analysis, obtained by simulating a variation in 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 estimated effect on the result before taxes which is negative for Euro 4,166 thousand or positive for Euro 1,041 thousand.

#### **Receivable risk**

Because of the sale of the equity investments in the gas and electricity sales business, the Group's operating activity is no longer exposed to credit risks caused by the failure to fulfil commercial obligations by the end customers.

The Group provides its business services to a limited number of players in the gas sector; if compensation for such services is not received or overdue, this could negatively affect the economic results and the financial balance, but credit protection is supported by the application of the guarantee mechanisms set forth in the Grid Code.

#### **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 forced 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 operations or investments, on the other hand the debt expiry characteristics and renewal.

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

##### **Regulations**

The activities performed 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 the national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the Group.

## 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 financial charges and other payables in its net debt, net of liquid funds and equivalents.

| (Thousands of Euro)                        | 30.09.2020       | 31.12.2019       | 30.09.2019     |
|--|------------------|------------------|----------------|
| Financial position in the short term       | 190,586          | 79,935           | 123,960        |
| financial position in the medium-long term | 126,056          | 133,046          | 69,072         |
| <b>Financial gross debt</b>                | <b>316,643</b>   | <b>212,981</b>   | <b>193,033</b> |
| Share capital                              | 234,412          | 234,412          | 234,412        |
| Own shares                                 | (34,821)         | (26,774)         | (20,861)       |
| Reserves                                   | 618,609          | 172,638          | 171,356        |
| Undistributed net profit                   | 28,805           | 493,216          | 36,415         |
| <b>Total Net equity</b>                    | <b>847,004</b>   | <b>873,492</b>   | <b>421,321</b> |
| <b>Total capital and gross debt</b>        | <b>1,163,647</b> | <b>1,086,474</b> | <b>614,354</b> |
| Debt/Net assets ratio                      | 0.37             | 0.24             | 0.46           |

The debt/net equity ratio as of 30<sup>th</sup> September 2020 is 0.37, a worsening as compared to 31<sup>st</sup> December 2019, when it amounted to 0.24, but an improvement as against 30<sup>th</sup> September 2019, when it was 0.46.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which worsened by Euro 103,760 thousand in the first nine months of 2020, and the Shareholders' equity, which decreased by Euro 27,434 thousand, changes due in part to the distribution of dividends and investments made during the period and in part to the normal flow of the year.

## Representation of financial assets and liabilities by category

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 30<sup>th</sup> September 2020 and 31<sup>st</sup> December 2019 are as follows:

| (Thousands of Euro)                                       |   |     |         |         | 30.09.2020 |            |
|---|---|-----|---------|---------|------------|------------|
|   | A | B   | C       | D       | Total      | Fair value |
| Other non-current assets                                  |   |     | 3,236   |         | 3,236      | 3,236      |
| Non current financial assets                              |   |     | 2,513   |         | 2,513      | 2,513      |
| Trade receivables and Other current assets                |   |     | 107,164 |         | 107,164    | 107,164    |
| Current financial assets                                  |   |     | 803     |         | 803        | 803        |
| Cash and cash equivalents                                 |   |     | 2,286   |         | 2,286      | 2,286      |
| Medium- and long-term bank loans                          |   |     |         | 71,654  | 71,654     | 71,654     |
| Other non-current liabilities                             |   |     |         | 701     | 701        | 701        |
| Non-current financial liabilities                         |   |     |         | 709     | 709        | 709        |
| Payables due to banks and financing institutions          |   |     |         | 170,771 | 170,771    | 170,771    |
| Trade payables and Other current liabilities              |   |     |         | 105,897 | 105,897    | 105,897    |
| Current financial liabilities                             |   |     |         | 927     | 927        | 927        |
| Current liabilities from derivative financial instruments |   | 337 |         |         | 337        | 337        |

| (Thousands of Euro)                                  |   |    |        |         | 31.12.2019 |            |
|--|---|----|--------|---------|------------|------------|
|  | A | B  | C      | D       | Total      | Fair value |
| Other non-current assets                             |   |    | 2,326  |         | 2,326      | 2,326      |
| Trade receivables and Other current assets           |   |    | 84,928 |         | 84,928     | 84,928     |
| Current financial assets                             |   |    | 6,895  |         | 6,895      | 6,895      |
| Cash and cash equivalents                            |   |    | 67,031 |         | 67,031     | 67,031     |
| Current assets from derivative financial instruments |   | 70 |        |         | 70         | 70         |
| Medium- and long-term bank loans                     |   |    |        | 71,654  | 71,654     | 71,654     |
| Other non-current liabilities                        |   |    |        | 7,900   | 7,900      | 7,900      |
| Non-current financial liabilities                    |   |    |        | 33      | 33         | 33         |
| Payables due to banks and financing institutions     |   |    |        | 170,771 | 170,771    | 170,771    |
| Trade payables and Other current liabilities         |   |    |        | 76,373  | 76,373     | 76,373     |
| Current financial liabilities                        |   |    |        | 17,094  | 17,094     | 17,094     |

### 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

Industry 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 were inspired by the methods whereby the management runs the Group and assigns managerial responsibilities.

Based on the information required by IFRS 8 “Business Segment Reporting, Operating segments”, the company has identified as segments to be reported the activities of “gas distribution” and “other”. Specifically, the segment “Other” includes the cogeneration and heat supply activity and the parent company.

Information for geographic sectors is not provided, since the Group does not conduct any business outside the national territory.

The following tables show the information on revenues concerning the business segments of the Group for the relevant periods.

| 9M 2020<br>(Thousands of Euro)         | Gas<br>distribution | Gas sale | Trading<br>gas | Electricity<br>sale | Other        | 30.09.2020<br>values from<br>new<br>companies<br>acquisitions | Elisions       | Total          |
|--|---------------------|----------|----------------|---------------------|--------------|---|----------------|----------------|
| Net revenues of third-party customers  | 97,310              | 0        | 0              | 0                   | 4,840        | 27,197  |                | 129,347        |
| Intra-group revenues among the segment | 3,194               | 0        | 0              | 0                   | 3,210        | 307   | (5,710)        | 0              |
| <b>Segment revenues</b>                | <b>99,504</b>       | <b>0</b> | <b>0</b>       | <b>0</b>            | <b>8,050</b> | <b>27,504</b>   | <b>(5,710)</b> | <b>129,347</b> |
| Result before taxes                    | 20,786              | 0        | 0              | 0                   | 7,736        | 5,040   |                | 33,562         |
| Net result of activities held for sale | 0                   | 0        | 0              | 0                   | 0            | 0   |                | 0              |

| 9M 2019<br>(Thousands of Euro)         | Gas<br>distribution | Gas sale | Trading<br>gas | Electricity<br>sale | Other         | 30.09.2019<br>values from<br>new<br>companies<br>acquisitions | Elisions        | Total         |
|--|---------------------|----------|----------------|---------------------|---------------|---|-----------------|---------------|
| Net revenues of third-party customers  | 84,222              | 0        | 0              | 0                   | 5,794         | 0   |                 | 90,017        |
| Intra-group revenues among the segment | 1,011               | 0        | 0              | 0                   | 22,233        | 0   | (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>0</b>  | <b>(23,243)</b> | <b>90,017</b> |
| Result before taxes                    | 18,859              | 0        | 0              | 0                   | (5,933)       | 0   |                 | 12,926        |
| Net result of activities held for sale | 0                   | 22,733   | 86             | 6,690               | 600           | 0   |                 | 30,109        |



## 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.  | 50                | 0                 | 2              | 0              | 0        | 48           | 0        | 0        | 53            | 0        |
| <b>Total Parent company</b>                                    | <b>50</b>         | <b>0</b>          | <b>2</b>       | <b>0</b>       | <b>0</b> | <b>48</b>    | <b>0</b> | <b>0</b> | <b>53</b>     | <b>0</b> |
| <i>Affiliated companies</i>                                    |                   |                   |                |                |          |              |          |          |               |          |
| Asco TLC S.p.A.  | 40                | 0                 | 59             | 0              | 0        | 527          | 0        | 0        | 40            | 0        |
| <b>Total Affiliated companies</b>                              | <b>40</b>         | <b>0</b>          | <b>59</b>      | <b>0</b>       | <b>0</b> | <b>527</b>   | <b>0</b> | <b>0</b> | <b>40</b>     | <b>0</b> |
| <i>Transfer/disposal assets and subsidiary companies</i>       |                   |                   |                |                |          |              |          |          |               |          |
| Estenergy S.p.A.   | 0                 | 0                 | 0              | 0              | 0        | 0            | 0        | 0        | 9,517         | 0        |
| Ascotrade S.p.A.   | 3,741             | 0                 | 14             | 0              | 0        | 92           | 2        | 0        | 28,251        | 0        |
| Blue Meta S.p.A.   | 1,094             | 0                 | 43             | 0              | 0        | 87           | 2        | 0        | 8,222         | 0        |
| Etra Energia S.r.l.  | 182               | 0                 | 1              | 0              | 0        | 140          | 1        | 0        | 343           | 0        |
| Ascopiave Energie S.p.A.                                       | 1,251             | 0                 | 53             | 0              | 0        | 58           | 3        | 0        | 5,338         | 0        |
| ASM Set S.r.l.   | 272               | 0                 | 1              | 0              | 0        | 148          | 1        | 0        | 2,262         | 0        |
| <b>Total Transfer/disposal assets and subsidiary companies</b> | <b>6,541</b>      | <b>0</b>          | <b>112</b>     | <b>0</b>       | <b>0</b> | <b>524</b>   | <b>8</b> | <b>0</b> | <b>53,933</b> | <b>0</b> |
| <b>Total</b>   | <b>6,631</b>      | <b>0</b>          | <b>173</b>     | <b>0</b>       | <b>0</b> | <b>1,099</b> | <b>8</b> | <b>0</b> | <b>54,026</b> | <b>0</b> |

### Relationships deriving from the tax consolidation with Asco Holding S.p.A.:

Ascopiave S.p.A., AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas 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 change of the reporting date which no longer coincides with 31<sup>st</sup> December. Consequently, the current assets and liabilities recorded refer only to previous positions.

### Relationships deriving from the tax consolidation with Ascopiave S.p.A.:

During the year, the companies AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., AP Reti Gas Vicenza S.p.A. and Asco Energy S.p.A. joined the national tax consolidation with the parent company Ascopiave S.p.A.. The contract is valid for three years and is effective commencing the 2019 tax year.

### As concerns parent companies:

The revenues recorded vis-à-vis the parent company Asco Holding S.p.A. pertain to administration, treasury management and staff services.

### As concerns subsidiaries of the parent company:

Costs for services to the affiliate Asco TLC S.p.A. refer to the rental fee for the servers. Revenues for the aforementioned subsidiary derive from the contract to supply gas and electricity and from service contracts signed by the parties.

### As concerns discontinued operations:

#### - with Ascotrade S.p.A.:

- Other receivables relate to intragroup current account agreements with Ascopiave S.p.A.;
- Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
- Trade payables relate to natural gas and electricity supplies incurred by Ascopiave S.p.A. and AP Reti Gas S.p.A.;
- Costs for goods concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
- Other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
- Revenues for services are connected to revenues for gas transportation and distribution services recorded by AP Reti Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
- Other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..

- with Blue Meta S.p.A.:
  - o Other payables relate to intragroup current account agreements with Ascopiave S.p.A.;
  - o Trade receivables refer to the natural gas transportation service on the distribution network with Edigas Distribuzione Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
  - o Trade payables relate to natural gas and electricity supplies incurred by Edigas Distribuzione Gas S.p.A.;
  - o Costs for goods concern the purchase of gas and electricity incurred by Edigas Distribuzione Gas S.p.A.;
  - o Costs for goods concern the purchase of gas and electricity incurred by Unigas distribuzione Gas S.p.A. until the merger through acquisition on 1<sup>st</sup> July;
  - o Other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
  - o Revenues for services are connected to revenues for gas transportation and distribution services recorded by Edigas Distribuzione Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
  - o Revenues for services are connected to revenues for gas transportation and distribution services recorded by Unigas distribuzione Gas S.p.A. until the merger through acquisition on 1<sup>st</sup> July;
  - o Other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..
  
- with Amgas Blu S.r.l.:
  - o Other receivables relate to intra-group current account agreements with Ascopiave S.p.A.;
  - o Trade receivables relate to administrative, IT and personnel services provided by Ascopiave S.p.A.;
  - o Other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
  - o Revenues for services relate to administrative, IT and personnel and facility services provided by Ascopiave S.p.A.;
  - o Other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..
  
- with Etra Energia S.r.l.:
  - o Other receivables relate to intra-group current account agreements with Ascopiave S.p.A.;
  - o Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
  - o The other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
  - o The revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
  - o Other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..
  
- with Ascopiave Energie S.p.A.:
  - o Other payables relate to intragroup current account agreements with Ascopiave S.p.A.;
  - o Trade receivables refer to the natural gas transportation service on the distribution network with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
  - o Trade payables relate to supplies of natural gas and electricity with Ascopiave S.p.A. and AP Reti Gas S.p.A.;
  - o Costs for goods concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
  - o The other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
  - o The revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
  - o Other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..
  
- with ASM Set S.r.l. :
  - o Other receivables relate to intragroup current account agreements with Ascopiave S.p.A.;

- Costs for goods are related to the purchase of gas with AP Reti Gas Rovigo S.r.l.;
- Costs for services are related to administrative services provided to Ascopiave S.p.A.;
- The other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
- The revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas Rovigo S.r.l.;
- Other revenues relate to interest accrued on the current account with Ascopiave S.p.A..

Please note 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 2020 to Euro 23,999 thousand (Euro 25,332 thousand as of 31<sup>st</sup> December 2019).

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with related parties are part of ordinary operations and are settled at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 dated 24<sup>th</sup> February 1998, no operations that could potentially represent a conflict of interest with companies of the Group were performed by the 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 governs the transactions with related parties by the Company, directly or by proxy of subsidiary companies, as set forth in 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 on transactions with related parties, approved by the Board of Directors of the Company on 11<sup>th</sup> September 2006 (subsequently amended).

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)                                   | 30.09.2020       | Of which related parties |           |                |   |                |              | 31.12.2019       | Of which related parties |                |                |                |              |   |
|---|------------------|--------------------------|-----------|----------------|---|----------------|--------------|------------------|--------------------------|----------------|----------------|----------------|--------------|---|
|   |                  | A                        | B         | C              | D | Total          | %            |                  | A                        | B              | C              | D              | Total        | % |
| <b>ASSETS</b>   |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| <b>Non-current assets</b>                             |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| Goodwill  | 49,272           |                          |           |                |   |                |              | 47,914           |                          |                |                |                |              |   |
| Other intangible assets                               | 568,716          |                          |           |                |   |                |              | 567,194          |                          |                |                |                |              |   |
| Tangible assets                                       | 33,951           |                          |           |                |   |                |              | 34,694           |                          |                |                |                |              |   |
| Shareholdings   | 502,670          |                          |           | 421,938        |   | 421,938        | 83.9%        | 449,945          |                          | 395,943        |                | 395,943        | 88.0%        |   |
| Other non-current assets                              | 4,155            |                          |           |                |   |                |              | 3,296            |                          |                |                |                |              |   |
| Non current financial assets                          | 2,513            |                          |           |                |   |                |              | 2,478            |                          |                |                |                |              |   |
| Advance tax receivables                               | 20,192           |                          |           |                |   |                |              | 19,390           |                          |                |                |                |              |   |
| <b>Non-current assets</b>                             | <b>1,181,467</b> |                          |           | <b>421,938</b> |   | <b>421,938</b> | <b>35.7%</b> | <b>1,124,910</b> |                          | <b>395,943</b> |                | <b>395,943</b> | <b>35.2%</b> |   |
| <b>Current assets</b>                                 |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| Inventories   | 32,388           |                          |           |                |   |                |              | 8,132            |                          |                |                |                |              |   |
| Trade receivables                                     | 16,645           | 50                       | 40        | 6,541          |   | 6,631          | 39.8%        | 43,124           | 10                       | 19             | 23,595         | 23,624         | 54.8%        |   |
| Other current assets                                  | 97,286           |                          |           |                |   |                |              | 46,830           | 646                      |                |                | 646            | 1.4%         |   |
| Current financial assets                              | 803              |                          |           |                |   |                |              | 6,993            |                          | 6,195          |                | 6,195          | 88.6%        |   |
| Tax receivables                                       | 2,231            |                          |           |                |   |                |              | 1,263            |                          |                |                |                |              |   |
| Cash and cash equivalents                             | 2,286            |                          |           |                |   |                |              | 67,031           |                          |                |                |                |              |   |
| <b>Current assets</b>                                 | <b>151,640</b>   | <b>50</b>                | <b>40</b> | <b>6,541</b>   |   | <b>6,631</b>   | <b>4.4%</b>  | <b>173,373</b>   | <b>656</b>               | <b>19</b>      | <b>29,790</b>  | <b>30,465</b>  | <b>17.6%</b> |   |
| <b>ASSETS</b>   | <b>1,333,107</b> | <b>50</b>                | <b>40</b> | <b>428,479</b> |   | <b>428,569</b> | <b>32.1%</b> | <b>1,298,283</b> | <b>656</b>               | <b>19</b>      | <b>425,733</b> | <b>426,407</b> | <b>32.8%</b> |   |
| <b>Net equity and liabilities</b>                     |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| <b>Total Net equity</b>                               |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| Share capital   | 234,412          |                          |           |                |   |                |              | 234,412          |                          |                |                |                |              |   |
| Own shares  | (34,821)         |                          |           |                |   |                |              | (26,774)         |                          |                |                |                |              |   |
| Reserves  | 647,414          |                          |           |                |   |                |              | 665,854          |                          |                |                |                |              |   |
| <b>Net equity of the Group</b>                        | <b>847,004</b>   |                          |           |                |   |                |              | <b>873,492</b>   |                          |                |                |                |              |   |
| <b>Net equity of Others</b>                           |                  |                          |           |                |   |                |              | <b>0</b>         |                          |                |                |                |              |   |
| <b>Total Net equity</b>                               | <b>847,004</b>   |                          |           |                |   |                |              | <b>873,492</b>   |                          |                |                |                |              |   |
| <b>Non-current liabilities</b>                        |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| Provisions for risks and charges                      | 1,668            |                          |           |                |   |                |              | 1,344            |                          |                |                |                |              |   |
| Severance indemnity                                   | 4,428            |                          |           |                |   |                |              | 4,931            |                          |                |                |                |              |   |
| Medium- and long-term bank loans                      | 127,860          |                          |           |                |   |                |              | 135,083          |                          |                |                |                |              |   |
| Other non-current liabilities                         | 26,347           |                          |           |                |   |                |              | 24,553           |                          |                |                |                |              |   |
| Non-current financial liabilities                     | 709              |                          |           |                |   |                |              | 441              |                          |                |                |                |              |   |
| Deferred tax payables                                 | 21,579           |                          |           |                |   |                |              | 22,021           |                          |                |                |                |              |   |
| <b>Non-current liabilities</b>                        | <b>182,591</b>   |                          |           |                |   |                |              | <b>188,374</b>   |                          |                |                |                |              |   |
| <b>Current liabilities</b>                            |                  |                          |           |                |   |                |              |                  |                          |                |                |                |              |   |
| Payables due to banks and financing institutions      | 192,749          |                          |           |                |   |                |              | 136,803          |                          |                |                |                |              |   |
| Trade payables  | 92,725           | 2                        |           | 112            |   | 114            | 0.1%         | 52,082           | 4                        | 512            |                | 516            | 1.0%         |   |
| Tax payables  | 2,353            |                          |           |                |   |                |              | 4,728            |                          |                |                |                |              |   |
| Other current liabilities                             | 14,368           |                          |           |                |   |                |              | 25,549           |                          |                |                |                |              |   |
| Current financial liabilities                         | 927              |                          |           |                |   |                |              | 17,156           |                          | 16,204         |                | 16,204         | 94.5%        |   |
| Current liabilities from derivative financial instrum | 337              |                          |           |                |   |                |              | 98               |                          |                |                |                |              |   |
| <b>Current liabilities</b>                            | <b>303,458</b>   | <b>2</b>                 |           | <b>112</b>     |   | <b>114</b>     | <b>0.0%</b>  | <b>236,417</b>   | <b>4</b>                 | <b>16,717</b>  |                | <b>16,720</b>  | <b>7.1%</b>  |   |
| <b>Liabilities</b>                                    | <b>486,103</b>   | <b>2</b>                 |           | <b>112</b>     |   | <b>114</b>     | <b>0.0%</b>  | <b>424,791</b>   | <b>4</b>                 | <b>16,717</b>  |                | <b>16,720</b>  | <b>3.9%</b>  |   |
| <b>Net equity and liabilities</b>                     | <b>1,333,107</b> | <b>2</b>                 |           | <b>112</b>     |   | <b>114</b>     | <b>0.0%</b>  | <b>1,298,283</b> | <b>4</b>                 | <b>16,717</b>  |                | <b>16,720</b>  | <b>1.3%</b>  |   |

#### Legend for the Related parties column heading:

*A Parent companies*

*B Associates*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

## Comprehensive consolidated income statement

| (Thousands of Euro)   | Nine months<br>2020 | Of which related parties |              |               |   |               |               | Nine months<br>2019 | Of which related parties |              |               |                |               |              |
|---|---------------------|--------------------------|--------------|---------------|---|---------------|---------------|---------------------|--------------------------|--------------|---------------|----------------|---------------|--------------|
|   |                     | A                        | B            | C             | D | Total         | %             |                     | A                        | B            | C             | D              | Total         | %            |
| Revenues  | 129,347             | 53                       | 40           | 53,933        |   | 54,026        | 41.8%         | 90,017              | 52                       | 67           | 2,794         |                | 2,912         | 3.2%         |
| Total operating costs   | 84,229              | 48                       | 527          | 524           |   | 1,099         | 1.3%          | 59,557              |                          | 679          | 38            | 1,157          | 1,874         | 3.1%         |
| Purchase costs for other raw materials                        | 1,313               |                          |              |               |   |               |               | 1,712               |                          |              |               |                |               |              |
| Costs for services  | 27,585              | 48                       | 527          | 524           |   | 1,099         | 4.0%          | 23,831              |                          | 536          | 38            | 676            | 1,250         | 5.2%         |
| Costs for personnel   | 13,748              |                          |              |               |   |               |               | 10,979              |                          |              |               | 481            | 481           | 4.4%         |
| Other management costs  | 41,622              |                          |              |               |   |               |               | 24,477              |                          | 143          |               |                | 143           | 0.6%         |
| Other income  | 39                  |                          |              |               |   |               |               | 1,443               |                          |              |               |                |               |              |
| Amortization and depreciation                                 | 25,105              |                          |              |               |   |               |               | 17,412              |                          |              |               |                |               |              |
| <b>Operating result</b>                                       | <b>20,014</b>       | <b>5</b>                 | <b>(486)</b> | <b>53,409</b> |   | <b>52,927</b> | <b>264.5%</b> | <b>13,048</b>       | <b>52</b>                | <b>(613)</b> | <b>2,756</b>  | <b>(1,157)</b> | <b>1,038</b>  | <b>8.0%</b>  |
| Financial income  | 3,554               |                          |              | 7             |   | 7             | 0.2%          | 107                 |                          |              | 3             |                | 3             | 2.8%         |
| Financial charges   | 1,256               |                          |              | 8             |   | 8             | 0.7%          | 878                 |                          |              | 1             |                | 1             | 0.1%         |
| Evaluation of subsidiary companies with the net equity method | 11,250              |                          |              | 11,250        |   | 11,250        | 100.0%        | 648                 |                          |              | 648           |                | 648           | 100.0%       |
| <b>Earnings before tax</b>                                    | <b>33,562</b>       | <b>5</b>                 | <b>(486)</b> | <b>64,657</b> |   | <b>64,176</b> | <b>191.2%</b> | <b>12,926</b>       | <b>52</b>                | <b>(613)</b> | <b>3,406</b>  | <b>(1,157)</b> | <b>1,688</b>  | <b>13.1%</b> |
| Taxes for the period  | 4,756               |                          |              |               |   |               |               | 4,797               |                          |              |               |                |               |              |
| <b>Result for the period</b>                                  | <b>28,805</b>       | <b>5</b>                 | <b>(486)</b> | <b>64,657</b> |   | <b>64,176</b> | <b>222.8%</b> | <b>8,129</b>        | <b>52</b>                | <b>(613)</b> | <b>3,406</b>  | <b>(1,157)</b> | <b>1,688</b>  | <b>20.8%</b> |
| Net result from transfer/disposal of assets                   |                     |                          |              |               |   |               |               | 30,109              |                          |              | 30,109        |                | 30,109        | 100.0%       |
| <b>Net result for the period</b>                              | <b>28,805</b>       | <b>5</b>                 | <b>(486)</b> | <b>64,657</b> |   | <b>64,176</b> | <b>222.8%</b> | <b>38,238</b>       | <b>52</b>                | <b>613</b>   | <b>33,515</b> | <b>1,157</b>   | <b>31,797</b> | <b>83.2%</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<br>2020 | Of which related parties |             |                |          |                | Nine months<br>2019 | Of which related parties |            |              |          |          |              |
|---|---------------------|--------------------------|-------------|----------------|----------|----------------|---------------------|--------------------------|------------|--------------|----------|----------|--------------|
|   |                     | A                        | B           | C              | D        | Total          |                     | A                        | B          | C            | D        | Total    |              |
| <b>Net income of the Group</b>  | <b>28,805</b>       |                          |             |                |          |                | <b>8,129</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                           | 0                   |                          |             |                |          | 0              | 1,823               |                          |            |              |          |          | 0            |
| Operating result of the companies held for sale   | 0                   |                          |             |                |          | 0              | 28,286              |                          |            |              |          |          | 0            |
| Amortization  | 25,105              |                          |             |                |          | 0              | 17,412              |                          |            |              |          |          | 0            |
| Variations in severance indemnity   | (116)               |                          |             |                |          | 0              | 38                  |                          |            |              |          |          | 0            |
| Current assets / liabilities on financial instruments                                   | 10                  |                          |             |                |          | 0              | 395                 |                          |            |              |          |          | 0            |
| Net variation of other funds  | 324                 |                          |             |                |          | 0              | 71                  |                          |            |              |          |          | 0            |
| Evaluation of subsidiaries with the net equity method                                   | (11,250)            |                          |             | (11,250)       |          | (11,250)       | (648)               |                          |            | (648)        |          |          | (648)        |
| Interests paid  | (1,227)             |                          |             |                |          | 0              | (971)               |                          |            |              |          |          | 0            |
| Imposte pagate  | (9,335)             |                          |             |                |          | 0              | (888)               |                          |            |              |          |          | 0            |
| Interest expense for the period   | 1,143               |                          |             |                |          | 0              | 828                 |                          |            |              |          |          | 0            |
| Taxes for the period  | 4,756               |                          |             |                |          | 0              | 4,797               |                          |            |              |          |          | 0            |
| <b>Variations in assets and liabilities</b>   |                     |                          |             |                |          |                |                     |                          |            |              |          |          |              |
| Inventories   | (24,256)            |                          |             |                |          | 0              | (3,170)             |                          |            |              |          |          | 0            |
| Accounts payable  | 26,479              |                          |             |                |          | 0              | 12,599              | 0                        | (5)        | (200)        | 0        | 0        | (205)        |
| Other current assets  | (51,289)            | (40)                     | (21)        | 16,772         | 0        | 16,711         | (7,837)             | (728)                    | 0          | 0            | 0        | 0        | (728)        |
| Trade payables  | 40,643              | 2                        | (4)         | (414)          | 0        | (416)          | 5,700               | 0                        | 136        | 0            | 0        | 0        | 136          |
| Other current liabilities   | (13,764)            | 0                        | 0           | 326            | 0        | 326            | (57)                | 0                        | 0          | 0            | 0        | 0        | 0            |
| Other non-current assets  | (859)               | 646                      | 0           | 0              | 0        | 646            | 2,768               |                          |            |              |          |          | 0            |
| Other non-current liabilities   | 1,793               |                          |             |                |          | 0              | 1,832               |                          |            |              |          |          | 0            |
| Operating flows from discontinued assets / liabilities                                  | 0                   |                          |             |                |          | 0              | 16,108              |                          |            | 4,645        |          |          | 4,645        |
| <b>Total adjustments and variations</b>   | <b>(11,843)</b>     | <b>608</b>               | <b>(25)</b> | <b>5,434</b>   | <b>0</b> | <b>6,017</b>   | <b>77,629</b>       | <b>(728)</b>             | <b>131</b> | <b>3,797</b> | <b>0</b> | <b>0</b> | <b>3,200</b> |
| <b>Cash flows generated (used) by operating activities</b>                              | <b>16,962</b>       | <b>608</b>               | <b>(25)</b> | <b>5,434</b>   | <b>0</b> | <b>6,017</b>   | <b>85,758</b>       | <b>(728)</b>             | <b>131</b> | <b>3,797</b> | <b>0</b> | <b>0</b> | <b>3,200</b> |
| <b>Cash flows generated (used) by investments</b>                                       |                     |                          |             |                |          |                |                     |                          |            |              |          |          |              |
| Investments in intangible assets  | (25,026)            |                          |             |                |          | 0              | (19,127)            |                          |            |              |          |          | 0            |
| Realisable value of intangible assets   | 291                 |                          |             |                |          | 0              | 457                 |                          |            |              |          |          | 0            |
| Investments in tangible assets  | (686)               |                          |             |                |          | 0              | (1,581)             |                          |            |              |          |          | 0            |
| Realisable value of tangible assets   | 6                   |                          |             |                |          | 0              | 0                   |                          |            |              |          |          | 0            |
| Disposals / (Acquisitions) of equity investments and advances                           | (60,598)            |                          |             |                |          | 0              | (11,546)            |                          |            |              |          |          | 0            |
| Investment flows from discontinued assets / liabilities                                 | 0                   |                          |             |                |          | 0              | (105)               |                          |            |              |          |          | 0            |
| <b>Cash flows generated/(used) by investments</b>                                       | <b>(86,013)</b>     | <b>0</b>                 | <b>0</b>    | <b>0</b>       | <b>0</b> | <b>0</b>       | <b>(31,902)</b>     | <b>0</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                           | (88)                |                          |             |                |          | 0              | 558                 |                          |            |              |          |          | 0            |
| Net changes in short-term bank borrowings   | (20,978)            |                          |             |                |          | 0              | (2,332)             |                          |            |              |          |          | 0            |
| Net variation in current financial assets and liabilities                               | (9,980)             | 0                        | 0           | (6,521)        | 0        | (6,521)        | 15,553              | 0                        | 0          | (568)        | 0        | 0        | (568)        |
| Purchase / sale of own share  | (8,048)             |                          |             |                |          | 0              | (3,880)             |                          |            |              |          |          | 0            |
| Ignitions loans and mortgages   | 194,700             |                          |             |                |          | 0              | 292,000             |                          |            |              |          |          | 0            |
| Redemptions loans and mortgages   | (125,000)           |                          |             |                |          | 0              | (229,000)           |                          |            |              |          |          | 0            |
| Disbursements relating to rights of use   | (112)               |                          |             |                |          | 0              | (356)               |                          |            |              |          |          | 0            |
| Dividends distributed to shareholders Ascopiave S.p.A.                                  | (47,442)            |                          |             |                |          | 0              | (75,163)            |                          |            |              |          |          | 0            |
| Dividends distributed to third party shareholders                                       | 0                   |                          |             |                |          | 0              | (1,761)             |                          |            |              |          |          | 0            |
| Dividends cashed by controlled companies  | 21,254              |                          |             |                |          | 0              | 2,311               |                          |            | 2,311        |          |          | 2,311        |
| Cash flows from discontinued assets / liabilities                                       | 0                   |                          |             |                |          | 0              | (35,636)            |                          |            |              |          |          | 0            |
| <b>Cash flows generated (used) by financial activities</b>                              | <b>4,306</b>        | <b>0</b>                 | <b>0</b>    | <b>(6,521)</b> | <b>0</b> | <b>(6,521)</b> | <b>(37,706)</b>     | <b>0</b>                 | <b>0</b>   | <b>1,743</b> | <b>0</b> | <b>0</b> | <b>1,743</b> |
| <b>Variations in cash</b>   | <b>(64,744)</b>     |                          |             |                |          | <b>0</b>       | <b>16,150</b>       |                          |            |              |          |          | <b>0</b>     |
| Cash and cash equivalents at the beginning of the period                                | 67,031              |                          |             |                |          | 0              | 59,353              |                          |            |              |          |          | 0            |
| Cash and cash equivalents at the beginning of the period of the companies held for sale | 0                   |                          |             |                |          | 0              | 7,297               |                          |            |              |          |          | 0            |
| <b>Cash and cash equivalents at the end of the period</b>                               | <b>2,286</b>        |                          |             |                |          | <b>0</b>       | <b>82,800</b>       |                          |            |              |          |          | <b>0</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

| (migliaia di Euro)  | 30.09.2020       | Of which related parties |   |   |   |       |   | 31.12.2019       | Of which related parties |   |                 |   |       |                 |              |  |
|---|------------------|--------------------------|---|---|---|-------|---|------------------|--------------------------|---|-----------------|---|-------|-----------------|--------------|--|
|   |                  | A                        | B | C | D | Total | % |                  | A                        | B | C               | D | Total | %               |              |  |
| A Cash and cash equivalents on hand                         | 18               |                          |   |   |   |       |   | 14               |                          |   |                 |   |       |                 |              |  |
| B Bank and post office deposits                             | 2,268            |                          |   |   |   |       |   | 67,017           |                          |   |                 |   |       |                 |              |  |
| C Securities held for trading                               |                  |                          |   |   |   |       |   |                  |                          |   |                 |   |       |                 |              |  |
| <b>D Liquid assets (A) + (B) + (C)</b>                      | <b>2,286</b>     |                          |   |   |   |       |   | <b>67,031</b>    |                          |   |                 |   |       |                 |              |  |
| E Current financial assets                                  | 803              |                          |   |   |   |       |   | 6,993            |                          |   | 6,195           |   |       | 6,195           | 88.6%        |  |
| F Payables due to banks                                     | (155,705)        |                          |   |   |   |       |   | (106,025)        |                          |   |                 |   |       |                 |              |  |
| G Current portion of medium-long-term loans                 | (37,044)         |                          |   |   |   |       |   | (30,778)         |                          |   |                 |   |       |                 |              |  |
| H Current financial liabilities                             | (927)            |                          |   |   |   |       |   | (17,156)         |                          |   | (16,204)        |   |       | (16,204)        | 94.5%        |  |
| <b>I Current financial indebtedness (F) + (G) + (H)</b>     | <b>(193,676)</b> |                          |   |   |   |       |   | <b>(153,959)</b> |                          |   | <b>(16,204)</b> |   |       | <b>(16,204)</b> | <b>10.5%</b> |  |
| <b>J Net current financial indebtedness (I) - (E) - (D)</b> | <b>(190,586)</b> |                          |   |   |   |       |   | <b>(79,935)</b>  |                          |   | <b>(10,009)</b> |   |       | <b>(10,009)</b> | <b>12.5%</b> |  |
| K Medium- and long-term bank loans                          | (127,860)        |                          |   |   |   |       |   | (135,083)        |                          |   |                 |   |       |                 |              |  |
| L Non current financial assets                              | 2,513            |                          |   |   |   |       |   | 2,478            |                          |   |                 |   |       |                 |              |  |
| M Non-current financial liabilities                         | (709)            |                          |   |   |   |       |   | (441)            |                          |   |                 |   |       |                 |              |  |
| <b>N Non-current financial indebtedness (K) + (L) + (M)</b> | <b>(126,056)</b> |                          |   |   |   |       |   | <b>(133,046)</b> |                          |   |                 |   |       |                 |              |  |
| <b>O Net financial indebtedness (J) + (N)</b>               | <b>(316,643)</b> |                          |   |   |   |       |   | <b>(212,981)</b> |                          |   | <b>(10,009)</b> |   |       | <b>(10,009)</b> | <b>4.7%</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. (Group)

Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

## Significant events subsequent to the end of the first nine months of 2020

### Results of the Rights issue of 5,334,329 ordinary shares for which the right of withdrawal was exercised pursuant to art. 2437-*quater*, paragraph 2, Italian civil code

On 6<sup>th</sup> October 2020, Ascopiave S.p.A. (“Ascopiave” or the “Company”) announced the expiration on 30<sup>th</sup> September 2020 of the period to join the Rights Issue (hereinafter, “Rights Issue” or “Offer”) of 5,334,329 Ascopiave ordinary shares addressed to holders of ordinary shares of the Company, listed on Mercato Telematico Azionario (MTA), for which the right of withdrawal was not exercised.

Ascopiave announced that, at the end of the subscription period, which started on 3<sup>rd</sup> July 2020 and ended on 30<sup>th</sup> September 2020 (both dates included), as 147,844 Subscription Right were exercised in total, 3,621 Shares were subscribed, representing 0.068% of the Shares, for a total value of Euro 14,140.73.

The Right of First Refusal was exercised for 2,895 Shares, equal to 0.054% of the Shares and for a total value of Euro 11,305.55.

Therefore, in light of the rights exercised by Ascopiave’s shareholders, 3,621 Shares are subscribed and the Right of First Refusal was exercised for 2,895 Shares, totalling 6,516 Shares, representing 0.122% of the Shares, for a total value of Euro 25,446.29.

Ascopiave announced that 5,327,813 Shares, equal to 2.273% of the Company’s share capital for a total value of Euro 20,806,175.33, remain unsubscribed.

### Procedure for liquidating the remaining shares relating to the Rights Issue

With reference to the rights issue promoted by Ascopiave S.p.A. (“Ascopiave” or the “Company”) on 3<sup>rd</sup> July 2020 of 5,334,329 Ascopiave ordinary shares (the “Rights Issue”), with reference to the announcement dated 6<sup>th</sup> October 2020 subsequent to the termination of the period for joining the Rights Issue, today Ascopiave’s Board of Directors, also considering the share trend, resolved not to offer to the public the remaining 5,327,813 withdrawal shares.

Ascopiave’s Board of Directors approved the purchase by the Company of the 5,327,813 residual withdrawal shares, equal to 2.273% of the Company’s share capital for a total of Euro 20,806,175.33, using the Company’s available reserves.

Please note that the withdrawal settlement (and, therefore, the payment of the liquidation value by, as the case may be, the Company and the shareholders who have exercised the right of subscription and right of first refusal) will take place on 10<sup>th</sup> December 2020 through the Monte Titoli system via the custodian banks, without any action being required on the part of the shareholders who have exercised the right of withdrawal, as well as on the part of the shareholders who have exercised the right of subscription and first refusal (provided that they have previously made available to their custodian bank the funds needed to pay the price of the shares purchased upon exercising the right of subscription and first refusal).

## 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 gas sale segment, on 19<sup>th</sup> December 2019, the Group finalised the business partnership with the Hera Group through the creation of a primary entity in Northern-Eastern Italy boasting over one million energy customers, as well as, at the same time, a reorganisation of the respective gas distribution activities.

With this operation, Ascopiave implements its strategic repositioning plan, by entering into an agreement in the sales area with a primary player and strengthening its presence in the core business of gas distribution.

Pieve di Soligo, 9<sup>th</sup> November 2020

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 2020**

**Pursuant to Article 154-bis paragraph 2, 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 2020 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 9<sup>th</sup> November 2020

Ascopiave S.p.A.  
dr. Riccardo Paggiaro

**Gruppo Ascopiave**

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