

# ANNUAL FINANCIAL REPORT AS OF 31<sup>ST</sup> DECEMBER

## 2019

Ascopiaeve Group



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**Annexes:**

- Individual Financial Statements of Ascopiave S.p.A. as of 31<sup>st</sup> December 2019.

**In-Company Control:**

- Declaration by the Manager - Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob regulation no. 11971;
- Report on Corporate Governance and Company Structure.

**Board of Auditors:**

- Report of the Board of Auditors on Financial Statements as of 31<sup>st</sup> December 2019.

**Auditing Company:**

- Independent Auditors' Report on the Consolidated Financial Statements as of 31<sup>st</sup> December 2019;
- Independent Auditors' Report on the Financial Statements as of 31<sup>st</sup> December 2019;
- Independent Auditors' Report on the Consolidated non-financial disclosure for 2019.

## GENERAL INFORMATION

### Directors, Officers and Company information

#### Board of Directors and Board of Auditors

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

(\*)Powers and attributions of ordinary and extraordinary administration, within the limits of the law and of the Articles of Association and in observance of the reserves under the scope of the Shareholders' Meeting and the Board of Directors, according to the resolutions of the Board of Directors.

(\*\*) On 3<sup>rd</sup> February 2020, he resigned due to personal reasons.

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

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

(\*\*)On 3<sup>rd</sup> February 2020, he resigned due to personal reasons.

#### 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 up  
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

### Economic figures

(Thousands of Euro)	Full Year			
	2019	% of revenues	2018	% of revenues
Revenues	124,911	100.0%	115,347	100.0%
Gross operative margin	44,898	35.9%	42,008	36.4%
Operating result	21,573	17.3%	21,066	18.3%
Result for the year	14,479	11.6%	14,727	12.8%
Net result from transer/disposal of assets	478,737	383.3%	31,773	27.5%
Net result for the year	493,216	394.9%	46,499	40.3%

The gross operating margin (EBITDA) is the result before amortisation/depreciation, write-down of receivables, financial management and taxes.

### Capital data

(Thousands of Euro)	30.09.2019	31.12.2018
Net working capital	16,891	59,514
Fixed assets and other non current assets	1,122,433	557,118
Non-current liabilities (excluding loans)	(52,850)	(51,245)
<b>Net invested capital</b>	<b>1,086,474</b>	<b>565,386</b>
Net financial position	(212,981)	(117,517)
Total Net equity	(873,492)	(447,869)
<b>Total financing sources</b>	<b>(1,086,474)</b>	<b>(565,386)</b>

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

### Cash flow data

(Thousands of Euro)	Full Year	
	2019	2018
<b>Net income of the Group</b>	<b>14,727</b>	<b>14,727</b>
Cash flows generated (used) by operating activities	68,690	68,690
Cash flows generated/(used) by investments	(32,084)	(32,084)
Cash flows generated (used) by financial activities	9,816	9,816
<b>Variations in cash</b>	<b>46,422</b>	<b>46,422</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>59,353</b>	<b>7,714</b>
Cash and cash equivalents at the beginning of the year - Companies held for sales	7,297	4,673
<b>Cash and cash equivalents at the end of the year</b>	<b>67,031</b>	<b>58,809</b>

## REPORT ON OPERATIONS

### Foreword

The Ascopiave Group closed 2019 with a net consolidated profit of Euro 493,2 million (Euro 46.5 million as of 31<sup>st</sup> December 2018), with an increase of Euro 446.7 million, compared to the previous year, attributable for Euro 447.0 million to the sale of the natural gas sales companies of the Ascopiave Group to the Hera Group.

The consolidated net assets as of 31<sup>st</sup> December 2019 amount to Euro 873.5 million (Euro 447.9 million as of 31<sup>st</sup> December 2018), and the net invested capital to Euro 1,086.5 million (Euro 565.4 million as of 31<sup>st</sup> December 2018).

In 2019, the Group accomplished investments for Euro 34.4 million (Euro 29.8 million in 2018), mainly in the installation of electronic metres, as well as the development, maintenance and modernisation of gas distribution networks and facilities.

The process begun in the last months of 2018, 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. Such process involved the approval, on 17<sup>th</sup> June 2019, of a business partnership with Hera S.p.A. through the execution of a binding Term Sheet for the development of a leading company in Northern-Eastern Italy (Term Sheet finalised in a framework agreement on 31<sup>st</sup> July 2019). The conclusion of the partnership between the two companies 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. The operations resulted in total investments of Euro 617.9 million and a positive flow from divestments of Euro 616.2 million.

In compliance with the provisions of accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations", the effects related to the transaction were shown separately in a single line of the income statement and the data shown for comparative purposes were reclassified accordingly. The balance sheet and cash flow data shown for comparative purposes were also restated in compliance with the standard.

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 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 (230 municipalities as of 31<sup>st</sup> December 2018 (the change in the number of concessions managed is mainly related to the entry into the consolidation scope of the company Ap Reti Gas Nord-Est S.r.l.), and has a distribution network extending for over 12,855 km<sup>1</sup> (over 9,809 km as of 31<sup>st</sup> December 2018; 2,977 km due to the expansion of the scope of consolidation), providing services to a catchment area bigger than 1 million inhabitants.

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

### **Operating performance**

The volumes of gas distributed through the networks managed by the Group were 1,107.1 million cubic metres<sup>1</sup>, marking an increase of 1.9% compared to 2018.

The distribution network as of 31<sup>st</sup> December 2019 has an extension of 12,855 km<sup>1</sup>, an increase of 3,046 km compared to 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.r.l..

### **Economic results and financial situation**

Consolidated revenues in 2019 totalled Euro 124.9 million, compared to Euro 115.3 million of the previous year. The increase in the turnover is mainly explained by the extension of the scope of consolidation due to the merger through acquisition of Unigas Distribuzione S.r.l. and the consequent recognition of the revenues achieved by the business unit for natural gas distribution services and contributions for white certificates related to the energy efficiency objectives under the scope of the company.

The Operating Result of the Group equals Euro 21.6 million, up Euro 0.5 million compared to 2018, explained by the decrease in the margin on energy efficiency certificates (Euro -4.0 million) and higher amortisation and depreciation (Euro -2.4 million), partially offset by lower personnel costs (Euro +1.6 million).

The result of discontinued operations, equal to Euro 478.7 million (Euro 31.8 million in 2018), includes the capital gain due to the sale of the stake of the companies, which led to the related deconsolidation, net of the costs incurred for its realisation.

The Net Result, equalling Euro 493.2 million, marks an increase of Euro 448.9 million compared to 2018.

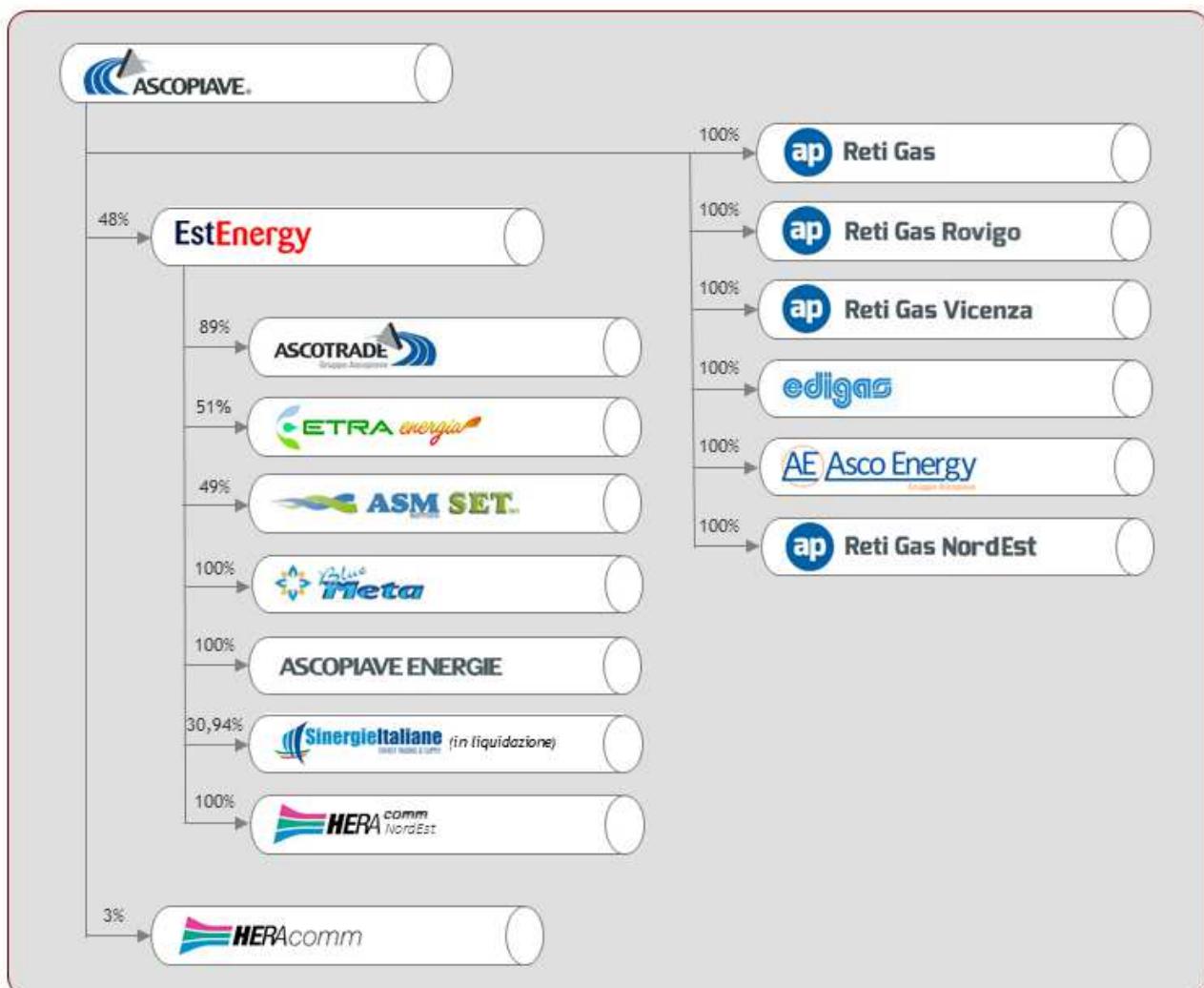
The Net Financial Position of the Group as of 31<sup>st</sup> December 2019 is equal to Euro 213.0 million, a worsening of Euro 95.5 million compared to Euro 117.5 million as of 31<sup>st</sup> December 2018.

The increase in financial indebtedness is determined by the cash flow of the period 2019 (Euro +37.3 million, given by the sum of the net result, before the results of the discontinued operations, and amortisation and depreciation). The investment activity has absorbed financial resources for Euro 47.7 million. The management of equity (distribution of dividends and dividends received from the companies consolidated using the equity method) has absorbed resources for Euro 94.5 million, of which Euro 11.8 due to the discontinued companies.

The ratio of Net financial position to Net equity as of 31<sup>st</sup> December 2019 is 0.24 (0.26 as of 31<sup>st</sup> December 2018).

## The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31<sup>st</sup> December 2019.



## Reference economic context

During 2019, although the forecasts remained uncertain and despite the fear of the escalation of some geopolitical tensions, world trade began to expand again, albeit at limited levels, also because the United States and China, which reached a first trade agreement in December, lessened their disputes over tariffs.

Weakness in manufacturing, particularly marked in Germany, curbed the economic activity of the Euro area, and also influenced Italy's economic growth.

Some recent OECD projections estimate that in 2019 the world domestic product increased by 2.9% on average compared to the previous year - the lowest value since the global financial crisis of 2008-2009 - and that in 2020 it could grow by 2.9%. The OECD subsequently changed the November forecasts in its Interim Economic Outlook by cutting the 2020 estimate by 0.5 points due to the health emergency that is spreading worldwide. The OECD specified that uncertainty about world growth remains very high and if the world situation worsens, the global growth could significantly decline and stop at 1.5%.

During 2019, the economic activity slowed down during the summer months in China, decreased more markedly in India, while it remained rather stable in Russia and Brazil. World trade and manufacturing remained weak, showing a trade growth of 0.9% in 2019.

In the Euro area, the economic activity was supported by domestic demand, especially by consumption, which strengthened by virtue of the good trend in employment. The weakness remained concentrated in the industrial sector, where business contracted in the summer months, while the service sector showed some growth.

GDP in 2019, according to the latest available estimates, grew by 1.2%. The projections that see a growth of 1.1% in 2020 and 1.4% in 2021, due to the COVID 19 health emergency, were revised downwards by the ECB. Real GDP growth was forecast at 0.8% for the current year and 1.3% for 2021.

During 2019, inflation remained stable, and according to forecasts it will remain limited over the 2020-2022 three-year period, consistent with the moderate growth in economic activity.

As regards the economic situation of the Italian economy, in 2019 the overall GDP growth is estimated at 0.2%, supported in particular by domestic demand, mainly by household spending. Investments decreased, especially those in capital goods, and foreign exchange was negative. The consumer price index remained very low, especially due to energy prices. The employment trend confirms an overall increase in employment and at the same time a decrease in unemployment and inactivity.

The Interim Economic Outlook published by the OECD revised downwards, in line with the world trend, the performance of the national GDP, forecasting a 0% growth, but left unchanged the forecasts for 2021 which envisaged an expected growth of 0.5 %.

## Gas distribution

Gas distribution, subsequent to the finalisation of the partnership between Ascopiave S.p.A. and the Hera Group, effective 19<sup>th</sup> December 2019, is the first activity of the Group in terms of contribution to company income.

This activity is carried out as a concession or direct assignment and, as such, is subject to strict regulation by the public authorities, with regards to both management methods and tariffs.

As it is known, Legislative Decree no. 164/00 introduced the compulsory allocation of the gas distribution service through a call for tenders, assuming that a competition mechanism for the selection of the provider would enable the end customer to contain costs and an improvement in the quality of the service supplied.

Law Decree 159/2007 (Law 222/2007) introduced, for the first time, the concept of Territorial Tender (Atem) for the management of the service, establishing that the tender procedures must be launched by territorial areas. Atem tenders were subsequently definitely adopted as a basic rule for the sector with Legislative Decree 93/2011 which has forbidden, commencing June 2011, the launch of invitations to tender in the individual Municipalities, ratifying the obligation to launch tenders exclusively in minimum territorial areas.

Therefore, the majority of analysts foresee, in the medium term, a strong concentration in the offer, with a reduction in the number of operators and an enlargement of the average size of the companies.

Since 2011, with special reference to calls for tenders in territorial areas, the regulatory framework of the industry was updated yet again through the issuance of a number of ministerial decrees.

In particular:

- 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;
- 2) 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);
- 3) 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);
- 4) with the Decree 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 offer 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 allowing the process of market opening - that started with the implementation of European directives - to produce the benefits hoped for.

The Ascopiave Group favourably welcomed the emerging regulatory framework, believing that it actually creates important opportunities for investments and development to qualified medium-sized operators, going in the direction of a positive rationalisation of the offer.

At the end of 2013, with Law Decree 23/12/2013, no. 145, converted with amendments into Law 9/2014, art. 15, paragraph 5 of Legislative Decree 164/2000, which governs the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called "Transitional Period", was substantially modified.

In June 2014, the Decree of the Minister of Economic Development containing the "Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks" entered into force, which, although formally aimed at explaining the criteria to assess the value of plants pursuant to art. 5 of Ministerial Decree 226/2011, essentially establishes a peculiar framework, which implements only to a minimum extent art. 5 above (in its original version, in force upon the issuance of the guidelines).

Subsequently, with Law Decree 91/2014, amended and converted into Law 116/2014, another substantial change was made to art. 15, paragraph 5 of Legislative Decree no. 164/2000. The contents of the revised text and its evolution are described in sections "National regulations" and "Goals and policies of the Group and description of risks" of this financial report.

Finally, in mid-2015, the Decree of the Ministry of Economic Development no. 106, dated 20<sup>th</sup> May 2015, amended the previous Ministerial Decree 226/2011, reformulating Article 5, concerning the criteria to calculate the value of the plants. The new Decree has basically "transferred" the content of the Guidelines (mentioned above) into its text. Concisely, this measure has made Article 5 compatible with the Guidelines, which would have been a specification/clarification.

## **The regulatory framework**

Resolution dated 5<sup>th</sup> March 2019 75/2019/R/gas - Determination of the bonuses and penalties relating to the safety recoveries of the natural gas distribution service for the year 2015 and modification of RQDG.

Resolution dated 19<sup>th</sup> March 2019 99/2019/R/gas - Redetermination of reference tariffs for gas distribution and metering services, for the years 2011-2017.

Resolution dated 19<sup>th</sup> March 2019 98/2019/R/gas - Determination of definitive reference tariffs for gas distribution and metering services, for the year 2018.

Resolution dated 9<sup>th</sup> April 2019 128/2019/R/gas - Determination of provisional reference tariffs for gas distribution and metering services, for the year 2019.

Resolution dated 9<sup>th</sup> April 2019 127/2019/R/gas - Determination of definitive reference tariffs, for the year 2018, to supplement the reference tariffs approved with resolution of the Authority 98/2019/R/gas.

Resolution dated 16<sup>th</sup> April 2019 148/2019/R/gas - New provisions on the preparation of provisional budgets and publication of the new Integrated text of provisions for governing physical and economic items of the natural gas settlement service (TISG)

Resolution dated 16<sup>th</sup> July 2019 305/2019/R/gas - Advance payment of bonuses relating to the safety recoveries of the natural gas distribution service for the year 2016.

Resolution dated 26<sup>th</sup> November 2019 486/2019/R/gas - Redetermination of reference tariffs for gas distribution and metering services, for the years 2014-2018.

Resolution dated 17<sup>th</sup> December 2019 537/2019/R/gas - Recognition of operating costs for the natural gas metering service, relating to remote reading/remote management systems and concentrators for the years 2011-2016, incurred by natural gas distributors which have adopted buy solutions.

Resolution dated 27<sup>th</sup> December 2019 569/2019/R/gas - Approval of the regulation of quality of gas distribution and metering services for the 2020-2025 regulatory period - Part I of the Consolidated text on the regulation of quality and tariffs of gas distribution and metering services for the 2020-2025 regulatory period.

Resolution dated 27<sup>th</sup> December 2019 570/2019/R/gas - Tariff regulation of gas distribution and metering services for the period 2020-2025.

Resolution dated 27<sup>th</sup> December 2019 571/2019/R/gas - Update of tariffs for gas distribution and metering services, for the year 2020.

## Efficiency and energy saving obligations

The Letta Decree, in article 16, paragraph 4, states that natural gas distribution companies must pursue energy saving objectives and the development of renewable energy sources.

The definition of the national quantitative objectives and the criteria for the assessment of the results obtained was requested from the Ministry for Economic Development, in agreement with the Ministry of the Environment and Land Protection, which led to the issue of the ministerial decree of 20<sup>th</sup> July 2004.

With the Decree dated 21<sup>st</sup> December 2007, the Ministry for Economic Development reviewed and updated the Decree dated 20<sup>th</sup> July 2004, on the following points:

- the 2008 and 2009 objectives were reviewed in the light of an excess of offer of energy efficiency certificates recorded on the market;
- the objectives for the three-year period 2010 - 2012 were defined, considering the target of reduction of energy consumption fixed by the action plan as of 2016, equal to 10.86 MTOE;
- the efficiency and energy saving obligations for each year following 2007 were extended to distributors which, as of 31<sup>st</sup> December of two years prior to each year of obligation, connected more than 50,000 end customers to their distribution network.

The energy saving objectives, that apply both to natural gas and electricity distributors, set out by the Decree dated 20<sup>th</sup> July 2004, integrated by the Decree dated 21<sup>st</sup> December 2007, are equal to:

- 0.10 Million TOE for the year 2005;
- 0.20 Million TOE for the year 2006;
- 0.40 Million TOE for the year 2007;
- 1.00 Million TOE for the year 2008;
- 1.40 Million TOE for the year 2009;

- 1.90 Million TOE for the year 2010;
- 2.20 Million TOE for the year 2011;
- 2.50 Million TOE for the year 2012.

The fulfilment of energy saving is attested through the distribution of energy efficiency certificates, the so-called "White Certificates". In order to fulfil the obligations as specified by the Decree dated 20<sup>th</sup> July 2004, integrated by the Decree of 21<sup>st</sup> December 2007, and to thus see their White Certificates recognised, distributors can:

- carry out direct interventions to improve the Energy efficiency of technology installed or related methods of use;
- acquire the White Certificates directly from third parties, by means of bilateral contracting or through negotiation in an appropriate market set up at Gestore dei mercati energetici (GME).

With Decree dated 28<sup>th</sup> December 2012, new objectives of annual primary energy savings were defined for the period 2013-2016 for the obliged distributors, and in particular:

- 4.6 Mtoe in 2013;
- 6.2 Mtoe in 2014;
- 6.6 Mtoe in 2015;
- 7.6 Mtoe in 2016;

For natural gas distributors, the quota of the above-mentioned obligations corresponds to the following white certificates:

- 3.04 million white certificates to be achieved in 2014
- 3.49 million white certificates to be achieved in 2015
- 4.28 million white certificates to be achieved in 2016

For years 2013 and 2014, the obligor must deliver a quota at least higher than 50% of its annual obligation that must be compensated in the next two years in order to avoid penalties. For years 2015 and 2016 the minimum value is set at 60% of the obligation, and it is always possible to compensate in the next two years in order to avoid penalties.

In addition, Decree dated 28<sup>th</sup> December 2012 gave effect to the provisions of Decree 28/2011 which sets that the activities of management, evaluation and savings certification related to energy efficiency projects undertaken as part of the mechanism of white certificates are transferred to the GSE - Gestore dei Servizi Energetici.

The Decree also extended to parties other than distribution companies and the Energy Saving Company (so-called ESCO), the opportunity to present projects in order to obtain white certificates.

Decree dated 11<sup>th</sup> January 2017, published in the Official Gazette no. 78 dated 3<sup>rd</sup> April 2017, defined the new national goals for energy saving for the relevant distribution companies for the years 2017-2020. For natural gas distributors the quota of the above-mentioned obligations corresponds to the following white certificates:

- 2.95 million white certificates to be achieved in 2017
- 3.08 million white certificates to be achieved in 2018
- 3.43 million white certificates to be achieved in 2019
- 3.92 million white certificates to be achieved in 2020

Furthermore, the decree dated 11<sup>th</sup> January 2017 defines the new guidelines for presenting energy efficiency projects: the old mechanism was reviewed by eliminating the "tau" coefficient, the useful life of projects was extended and the standardised forms were eliminated.

The Decree dated 10<sup>th</sup> May 2018 reviewed the tariff contribution for the subjects to which the obligation applies, introducing a ceiling of Euro 250 per TEE as a maximum reimbursement.

Furthermore, given the scarcity of certificates with respect to demand, "unsecured" certificates were introduced, that is, certificates issued by the GSE at the request of the distributors to which the obligation applies, which have at least 30% of the certificates of the current objective in the portfolio. Unsecured certificates can cost up to a maximum of 15 Euros/TEE and can possibly be redeemed the following year by the distributor.

The companies of the Group Ap Reti Gas S.p.A., Ap reti Gas Vicenza S.p.A. and Edigas Distribuzione S.p.A. (subsequent to the merger of Unigas Distribuzione S.r.l. on 1<sup>st</sup> July and consequent transfer to Edigas), are subject to the obligations set out in Decrees dated 20<sup>th</sup> July 2004, 21<sup>st</sup> December 2007 and 28<sup>th</sup> December 2012, and are required to meet the energy saving requirements established annually by the GSE.

The GSE has the task of checking that each distributor is in possession of energy efficiency certificates that comply with the annual objective assigned to it (increased by any additional shares for compensation or updated following the introduction of new national quantity objectives) and of informing the Ministry for Economic Development, the Ministry for the Environment and the Protection of the Territory and Gestore del Mercato Elettrico (GME), of all certificates received and the outcome of the inspections.

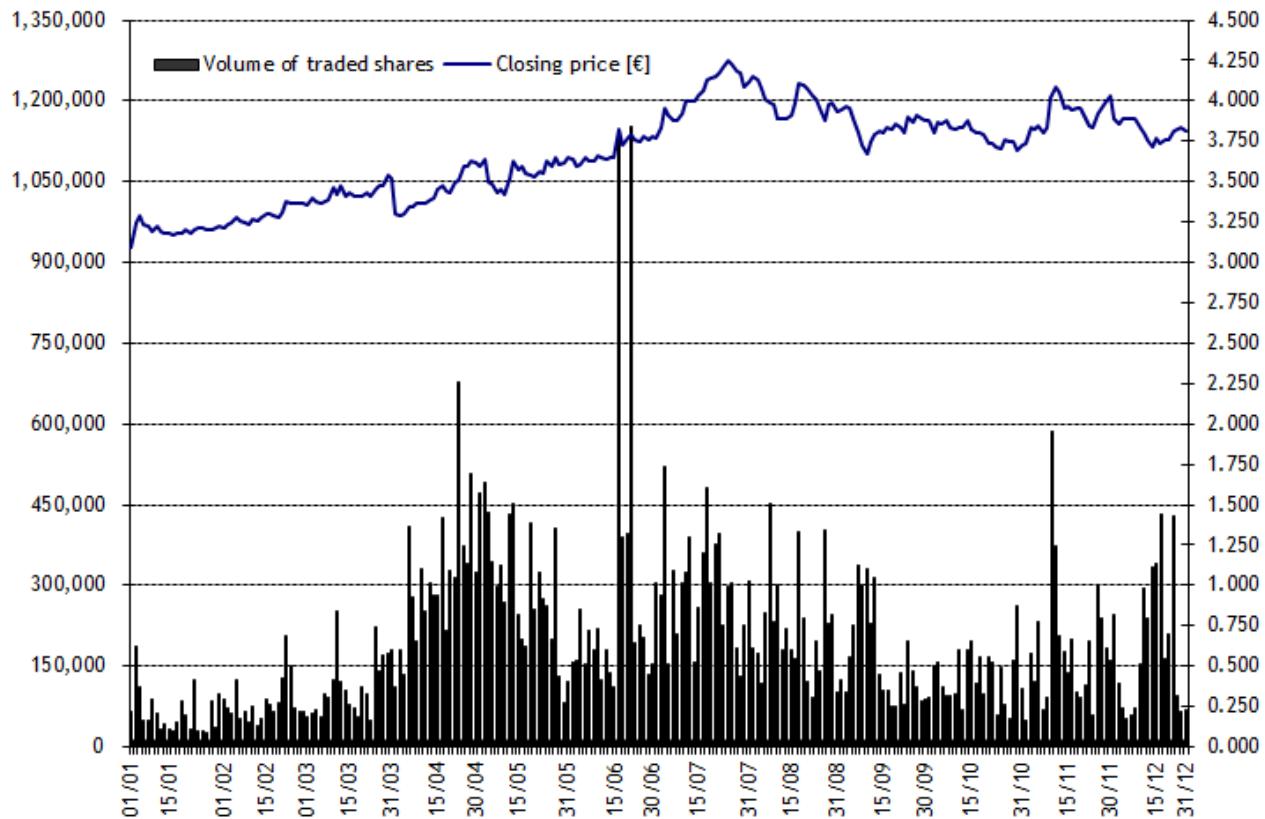
If a distributor does not meet the agreed objective, it could incur an administrative penalty imposed by the Authority, implementing Law no. 481 dated 14<sup>th</sup> November 1995 and the indications of decree dated 28<sup>th</sup> December 2012.

For further information on efficiency and energy saving relating to the companies of the Group, please see paragraph "Efficiency and energy saving".

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

As of 30<sup>th</sup> December 2019, the Ascopiave share registered a quotation of Euro 3.815 per share, marking an increase of 23.3 percentage points as compared to the listing at the beginning of 2019 (Euro 3.095 per share, referred to 2<sup>nd</sup> January 2019).

Capitalisation of the Stock Exchange as of 30<sup>th</sup> December 2019 was equal to Euro 895.61 million<sup>1</sup> (Euro 725.08 million as at 29<sup>th</sup> December 2018).



During 2019, the quotation of the shares shows a positive performance (+23.3%). In the same period, the FTSE Italia All Share index increased by +27.2%, FTSE Italia Star by +28.0% and the sectorial index FTSE Italia Servizi di Pubblica Utilità by +35.0%.

In the following table, we report the main shares and stock-exchange data as of 31<sup>st</sup> December 2019:

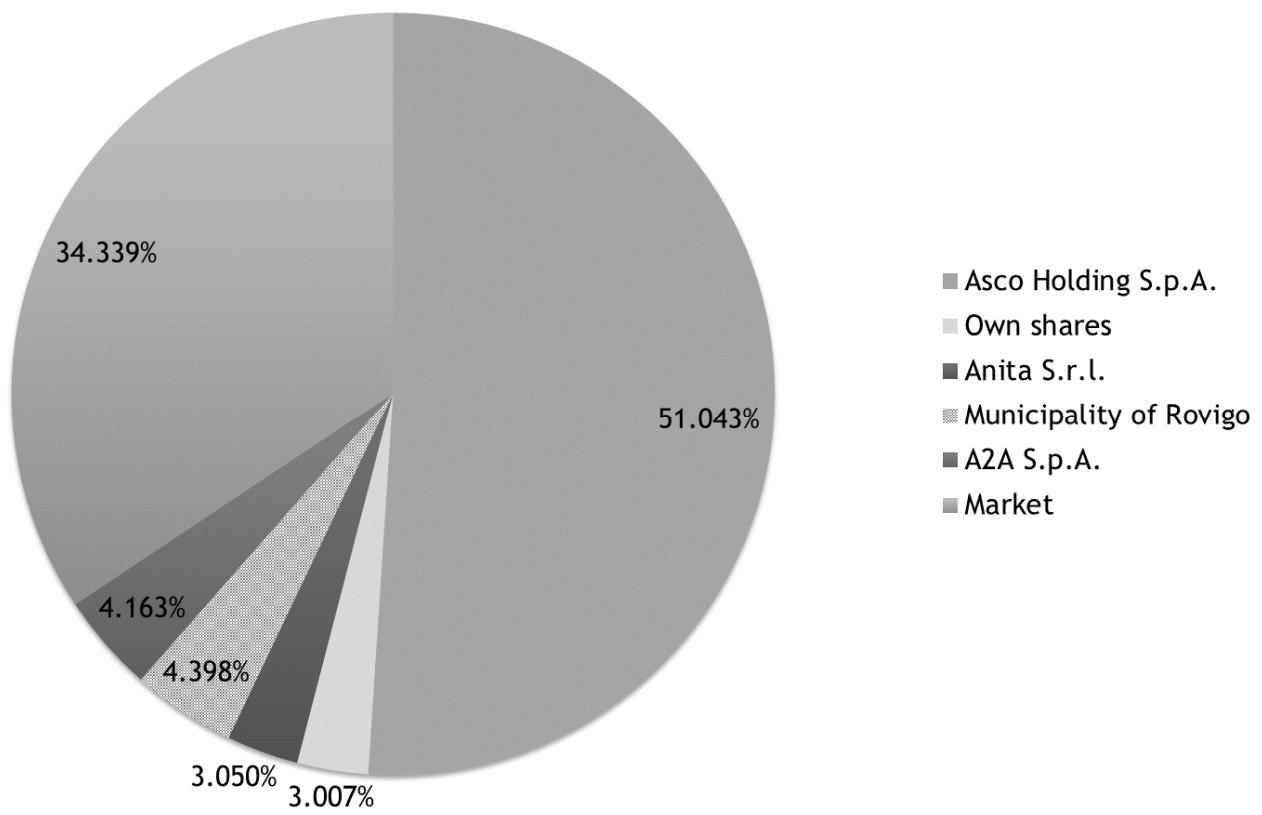
<sup>1</sup> The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30<sup>th</sup> December 2019 was Euro 19.0 billion. Official data from Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

Share and stock-exchange data	30.12.2019	28.12.2018
Earning per share (Euro)	2,20	0,21
Net equity per share (Euro)	3,73	1,91
Placement price (Euro)	1,800	1,800
Closing price (Euro)	3,815	3,110
Maximum annual price (Euro)	4,250	3,690
Minimum annual price (Euro)	3,095	2,820
Stock-exchange capitalization (Million of Euro)	895,61	725,08
No. of shares in circulation	223.955.550	222.683.966
No. of shares in share capital	234.411.575	234.411.575
No. of own share in portfolio	10.456.025	11.727.609

## Control of the Company

As of 31<sup>st</sup> December 2019, Asco Holding S.p.A. directly controls the majority of Ascopiave S.p.A. share capital as shown below.

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



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

## **Corporate Governance and Code of Ethics**

During 2019, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to defend investors' benefits.

### **Internal audit**

The activity plan of the Internal Audit structure is approved yearly by the 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 Auditing Supervisor and the Compliance Function, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for drafting financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

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

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

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

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.;

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 which occurred during 2019, and those that will occur in the future, since the Ascopiave Group has a stake in the share capital of the new associate EstEnergy S.p.A., are shown accordingly.

During the year 2019, 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 existing intragroup current accounts;
- ✓ 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 year 2019, 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 existing intragroup current accounts.

As regards the national tax consolidation agreement and transactions performed with Asco Holding S.p.A. by Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and Asco Energy S.p.A. until 31<sup>st</sup> December 2018, such agreement ceased due to the fact that the Company (Asco Holding S.p.A.) has changed the reporting date, which no longer coincides with 31<sup>st</sup> December.

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 receivable es	Other receivable es	Trade payables	Other payables	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	10	646	0	0	0	0	0	0	54	0
<b>Total parent company</b>	<b>10</b>	<b>646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>0</b>
<i>Affiliated companies</i>										
Asco TLC S.p.A.	19	0	4	0	0	663	0	0	96	0
<b>Total affiliated companies</b>	<b>19</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>663</b>	<b>0</b>	<b>0</b>	<b>96</b>	<b>0</b>
<i>Transfer/disposal assets and subsidiary companies</i>										
Amgas Blu S.r.l.	337	1,296	67	0	0	0	2	0	426	7
Ascotrade S.p.A.	14,377	4,272	0	0	0	0	58	0	49,064	6
Blue Meta S.p.A.	4,247	0	113	7,195	0	52	30	0	8,908	0
Etra Energia S.r.l.	244	0	8	1,995	0	0	6	0	418	0
Ascopiave Energie S.p.A.	3,131	0	434	7,015	0	0	26	0	9,608	0
Estenergy S.p.A.	36	0	0	0	0	0	0	0	244	0
ASM Set S.r.l.	1,201	627	3	0	0	0	4	0	4,039	2
Sinergie Italiane S.r.l. in liquidazione	21	0	21	0	0	0	0	0	22	0
<b>Total Transfer/disposal assets and subsidiary companies</b>	<b>23,595</b>	<b>6,195</b>	<b>512</b>	<b>16,204</b>	<b>0</b>	<b>52</b>	<b>125</b>	<b>0</b>	<b>72,728</b>	<b>15</b>
<b>Total</b>	<b>23,624</b>	<b>6,841</b>	<b>516</b>	<b>16,204</b>	<b>0</b>	<b>715</b>	<b>125</b>	<b>0</b>	<b>72,878</b>	<b>15</b>

## Significant events during FY 2019

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

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

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

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

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

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

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

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

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

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

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

### The Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 8<sup>th</sup> April 2019, with reference to the announcement dated 6<sup>th</sup> March 2019, Asco Holding S.p.A. ("Asco Holding" or the "Company") announced that, as regards the withdrawal procedure of the shareholders who did not participate in the approval of the Shareholders' Meeting resolution dated 23<sup>rd</sup> July 2018 concerning certain amendments to the articles of association, the period to exercise the right of pre-emption, whose offer was filed with the Company Register of Treviso and Belluno on 7<sup>th</sup> March 2019, for 28,279,062 shares for which the right of withdrawal was validly exercised and whose liquidation value determined by the Board was challenged, ended on 5<sup>th</sup> April 2019.

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

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

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

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

Ascopiave S.p.A. and the Hera Group completed the transaction which led, on 19<sup>th</sup> December 2019, to the establishment of the largest energy player in Northern-Eastern Italy, boasting over one million customers, and the simultaneous reorganisation of their respective gas distribution activities. The closing, subsequent to the framework agreement dated 30<sup>th</sup> July and the ensuing approvals by the competent authorities and bodies, involved the exchange between the Hera Group and Ascopiave of assets of equal value, in the energy sales activities, on the one hand, and in gas distribution, on the other.

The economic aspects of the transaction did not change compared to the announcements, except for the adjustments at the closing date envisaged by the framework agreement signed in July, as well as the arrangements defined for governance and the options to handle the stakes of Ascopiave in EstEnergy and Hera Comm. The operation represents

an important step in the evolution of the business portfolios of the Hera and Ascopiave Groups, fully consistent with the development lines approved by the respective Boards of Directors.

The Hera Group, in fact, anticipates the achievement of the target set in the 2022 Business Plan, reaching around 3.3 million customers in the energy sales business. Ascopiave, on the other hand, implements its strategic repositioning plan, through the business agreement with a primary player, and the consolidation of its position in the core business of gas distribution.

As regards energy sales, EstEnergy will be an operator for sales activities in Veneto, Friuli-Venezia Giulia and Lombardy, with over one million customers (of which approximately 795,000 gas contracts and approximately 265,000 electricity contracts). In detail, 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 investment in Sinergie Italiane S.r.l., for a total value of Euro 474.2 million, were transferred to EstEnergy, valued before the operation at Euro 191.7 million, in addition to those of the Hera Group (Hera Comm Nord-Est S.r.l.), valued at Euro 159.0 million. 52% of the share capital of the new EstEnergy is held by the Hera Group and 48% by Ascopiave (which has acquired its stake at a price of Euro 395.9 million, based on an equity value of 100% of EstEnergy, equal to Euro 824.9 million). The Board of Directors is made up of 5 members, 3 appointed by Hera and 2 by Ascopiave, in compliance with the Shareholders' Agreement signed between the parties. The directors appointed are: for the Hera Group: Stefano Venier (Hera Group, Managing Director), Cristian Fabbri (Hera Comm, Central Market Director and Managing Director, who will also take on the role of Managing Director of the new EstEnergy), Isabella Malagoli (Hera Comm, General Manager); for Ascopiave: Giovanni Zoppas (Thelios, Managing Director, who will also take on the role of Chairman) and Nicola Cecconato (Ascopiave Group, Chairman and Managing Director).

Within the operation, for a period of 7 years, a put option, exercisable annually, was granted to Ascopiave up to the entire investment held in EstEnergy S.p.A. and a call option in favour of Hera Comm in the event of a residual investment of Ascopiave S.p.A. in EstEnergy S.p.A. which is less than or equal to 5% of the company's share capital. Specifically, the put option on the minority stake of EstEnergy may be exercised, in whole or in part, up to the seventh year from the closing, and at an exercise price equal to the higher of (i) the fair market value of the investment calculated at the exercise date and (ii) the value of the investment adjusted by an annual interest of 4% net of the portion of dividends received and in any case not less than the value of the investment itself.

As regards the reorganisation of the gas distribution activities, Ascopiave has purchased from the Hera Group, for Euro 168 million, a scope of concessions comprising 188,000 redelivery points located in Veneto and Friuli-Venezia Giulia, transferred on 31<sup>st</sup> December 2019 to the newly established company AP Reti Gas Nord-Est. By virtue of this operation, the Ascopiave Group manages approximately 775,000 users and over 12,000 km of network, consolidating its position in the national ranking.

Lastly, as set out in the agreement signed at the end of July, Ascopiave acquired a 3% stake in Hera Comm at a price of Euro 54 million and the Chairman and Managing Director Nicola Cecconato was appointed to the Company's Board of Directors. Finally, as part of the overall reorganisation of the energy sales activities, Hera Comm directly acquired 100% of the capital of Amgas Blu, a company entirely owned by Ascopiave, active in the province of Foggia, with about 50,000 customers, at a price of Euro 42.5 million.

A mechanism in favour of Ascopiave is envisaged for the sale of the stake in Hera Comm, acquired by Ascopiave at the closing date, to be exercised in the same 7-year period.

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

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

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

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

#### **Medium-term loan taken out with Intesa SanPaolo**

On 29<sup>th</sup> November 2019, the Parent Company took out a 5-year medium-term loan with Intesa SanPaolo, for an amount of Euro 50,000 thousand, at a fixed rate with repayment on principal through constant half-yearly instalments.

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

Ascopiave announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2018 subsequently resolved also in the Shareholders' meeting held on 23<sup>rd</sup> April 2019, in the period between 1<sup>st</sup> April 2019 and 31<sup>st</sup> December 2019 of 5,877,921 ordinary shares at the average unit price of Euro 3.807, for a total value of Euro 22,375,798.72. As a result of the purchases made, Ascopiave held 10,456,025 treasury shares, equal to 4.461%, of the share capital, for the value indicated above.

### **Additional significant events**

#### **Distribution of natural gas**

The Group is active in the gas distribution sector through the companies Ap Reti gas S.p.A., Ap Reti gas Vicenza S.p.A., Ap Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. which, commencing 1<sup>st</sup> July 2019, also includes the former Unigas Distribuzione S.r.l., previously consolidated using the equity method. Effective 31<sup>st</sup> December 2019, the scope of the Group's gas distribution companies also includes AP Reti Gas Nord Est.

#### **Natural gas distribution activity**

##### **Companies consolidated on a line-by-line basis**

The Ascopiave Group manages concessions for the gas distribution service in 232 Municipalities in Veneto, Friuli, Lombardy, Emilia Romagna, Piedmont and Liguria.

The following table summarises the data of the Group's gas distribution activity for the year 2019 and provides a comparison with 2018 data:

	<b>Full Year</b>	
	<b>2018</b>	<b>2019</b>
Volume of gas distributed (mln mc)	1,014.0	1,065.0
Length of distribution network in operation (Km)	9,269.0	12,855.0
Total distribution network laid / replaced	69.5	97.0
Total active gas meters (n.)	491,722.0	777,252.0
Total smart meters G4/G6 (n.)	254,361.0	339,798.0
Average time of arrival on site (minutes)	40.7	38.5
Distribution network inspected (%)	80.50%	92.12%

The planned inspection of the network in 2019, conducted entirely with in-house personnel and means, is well above the minimum standards required by the Regulatory Authority for Energy, Networks and the Environment (hereinafter, ARERA) for the distribution system and reflects the particular attention paid by the Group's distribution companies to service safety.

The table below shows the percentages:

	Full Year			
	Target ARERA	2017	2018	2019
High and medium pressure network inspected on the total (100% inspection obligation in 3 years)	> 100% within 3 years	76.1%	80.2%	92.8%
Low pressure network inspected on the total (100% inspection obligation in 4 years)	> 100% within 4 years	75.6%	80.7%	91.8%

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorising) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service set by ARERA.

	Full Year	
	2018	2019
Compliance with the time set for the execution of the services subject to specific commercial quality standards	99.6%	98.3%

In 2019, the company's emergency intervention service, active 365 days a year, 24/7, which can be contacted by means of the dedicated free-phone number, performed 6487 interventions, and the arrival time was on average 38.48 minutes, largely less than the 60 minutes envisaged by the Authority.

The correct odorization of gas was continuously monitored, performing a number of checks well above those prescribed by the Authority.

The schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff.

In 2019, the process for streamlining the organisational structure, aimed at optimising the use of resources and the synergy between the Group's distribution companies, was strengthened even more.

During the year, the implementation project for the new management software to support the main processes of the Group's gas distribution companies was completed, with the go-live of all the companies on 1<sup>st</sup> July and the simultaneous project of aggregation to the same management software of Unigas (subsequent to the transfer of its operating activities to Edigas).

In the second half of the year, the main project concerned the implementation of all the information systems of the new company AP Reti Gas Nord Est, operational commencing 1<sup>st</sup> January 2020, which manages gas distribution networks in the provinces of Padua and Udine. The project involved the migration of data from the previous operator's systems for all applications, including the user management system, the accounting and finance system, the human resource management system, the SAC (Central Acquisition System) for electronic metres, cartography systems, the Asset Management system etc.

The software for assigning and accounting for works was further renovated and the Work Force Management system, for the management of operational activities on the territory, was further implemented. This made it possible to further reduce back office activities and implement a completely paperless system for most of the operational activities.

#### Ascopiave Group: performance of the volumes of natural gas distributed and network extension

In 2019, the volumes of natural gas distributed through the networks managed by the Group were 1,151 million cubic metres, with an increase of 65 million cubic metres, mainly due to the line-by-line contribution of the former Unigas Distribuzione S.r.l., previously consolidated using the equity method.

The distribution network in 2019 has an extension of 10,044 km (9,269 km in 2018).

### **Ascopiave Group: number of redelivery points managed**

As of 31<sup>st</sup> December, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 588.4 thousand and records an increase of 96.7 thousand units compared to the previous year (491.8 thousand as of 31<sup>st</sup> December 2018) also in this case mainly due to the acquisition of 100% of Unigas Distribuzione S.r.l. during the year.

### **Co-generation**

In 2019, the co-generation activity was carried out by the Research and Development Department of the Ascopiave Group on behalf of Asco Energy S.p.A.

As far as the activity of heat generation plants in co-generation is concerned, in 2019 three plants were managed:

- The plant “Le Cime a Mirano (VE)”, its remote heating network was extended increasing the saturation level of connected household customers from 123% to 126%. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients and in summer to supply the absorber to produce cooling for air conditioning of connected users;
- The plant “Bella Mirano a Mirano (VE)” the saturation level of household customers is unchanged (115%). The saturation above 100% is since, in addition to the original project, in 2014 two new condos were connected to the remote heating network, which did not belong to the initial project, but connected subsequent to a contribution, which fully covers the costs, paid by the builders of the two new condominiums. The co-generation group has been operating at full capacity, working in winter to provide heating for connected customers;
- The plant “Cà Tron a Dolo (VE)” has maintained substantially the same saturation of connected residential customers (37% in 2018 and 36% in 2019). However, as of today, only 50% of the new urban area envisaged in the agreement has been built. The co-generation group has been operating at full capacity, working in winter to provide heating for connected customers;

As far as the activities on thermal plants are concerned, in 2019 the Group managed 5 plants.

### **Energy efficiency and saving**

As regards the 2018 objectives, all the Group companies to which the obligation applies achieved the minimum objectives; in November 2019, all the TEEs allowed were delivered on account in compliance with current regulations and the residual amount of 2017 of Unigas was cancelled.

As regards the 2020 objectives, the sum for the three companies is 145,846 TEEs.

### **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 regarding Royal Decree no. 2578/1925) and
- the reimbursement from the (natural) expiration of the concession.

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

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

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

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

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

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in "canonical" form, but various deeds of assignment to Companies ("Azienda Speciale", at the time). These deeds 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 partner Municipalities, Ascopiave has 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 has written a report (made available on 15<sup>th</sup> November 2011) on the "Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A." which was approved on 2<sup>nd</sup> December 2011 by Ascopiave's Board of Directors and then by all 92 Local Bodies by City Council Resolution.

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

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

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

In particular:

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

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

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

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

## Litigations

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

As of 31<sup>st</sup> December 2019 the following are pending:

#### MUNICIPALITY OF SANTORSO:

An appeal is pending before the Court of Appeal of Venice, filed by the Municipality of Santorso (appeal of the final award dated 18<sup>th</sup> July 2017, which ordered the Municipality to pay Ascopiate the amount of Euro 1,346 thousand plus interest (effective the date of the ruling). Total expenses, offset between the parties, amounted to approximately Euro 221 thousand.

Upon the hearing before the Court of Appeal of Venice which was held on 9<sup>th</sup> January 2019, the Court set the hearing for the clarification of the conclusions on 27<sup>th</sup> May 2021.

A settlement agreement is being negotiated.

### LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31<sup>st</sup> December 2019 no litigations are pending.

### ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS

As of 31<sup>st</sup> December 2019, the following are pending:

#### MUNICIPALITY OF SOVIZZO:

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

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

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

The scheduling is still pending.

A settlement agreement is being negotiated.

#### MUNICIPALITY OF FOSSALTA DI PORTOGRUARO

Administrative judgment, pending before the Regional Administrative Court of Veneto, brought by AP Reti Gas for the appeal of City Council Resolution no. 52/2019, with which the Municipality of Fossalta di Portogruaro intended to launch a competitive 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, given the current validity of the City Council Resolution appealed.

However, the Company is willing to withdraw if the aforementioned Resolution is revoked.

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

As of 31<sup>st</sup> December 2019, the following are pending:

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

An appeal before the Council of State was filed (with deed dated 16<sup>th</sup> January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgment no. 10341 dated 17<sup>th</sup> October 2016, by which the Regional Administrative Court of 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 will consequently file the request for scheduling a hearing, within the deadlines set.

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

2i Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10<sup>th</sup> October 2016), demanding annulation, subject to protective orders, of the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The Administrative Court of Veneto (hearing dated 9<sup>th</sup> November 2016) overruled the protective order by 2i Rete Gas. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence.

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

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

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

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

AP Reti Gas S.p.A. (together with other primary operators of the gas and electricity distribution services, as well as with the intervention, *ad adiuvandum*, of Utilitalia) filed an appeal before the Regional Administrative Court for 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 essentially 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.

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

As of 31<sup>st</sup> December 2019, the following are pending:

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

A civil judgment before the Court of Treviso (RG 6941/2013), following the pre-trial technical investigation, in order to obtain compensation for damages to the entrance floor of the "Unit B", was started by Ascopiave against: Bandiera Architetti S.r.l. (Designers), Mr Mario 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 for full restoration) and Euro 208 thousand (estimate of a Third-party firm for full makeover).

All the Parties regularly appeared before the Court.

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

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

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

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

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

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

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

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

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

## **FORCED ENTRY - DEFAULT SERVICE**

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

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

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

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

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

Currently, for Ascopiave / AP Reti:

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

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

As of 31<sup>st</sup> December 2019, the total legal fees (including taxes), for Ascopiave S.p.A. / AP Reti Gas S.p.A.'s procedures forwarded to the Legal Office, amount to approximately Euro 212 thousand. For the other companies of the Group these costs amount approximately to Euro 131 thousand (including the costs of Unigas Distribuzione S.r.l., now merged into Edigas Distribuzione Gas S.p.A.).

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

### **ROBIN TAX**

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

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

Since 2008, these companies are subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008. Subsequently the Constitutional Court in 2015 declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid. The tax authorities did not reply and by doing so they effectively denied the reimbursement, or expressly denied it. Several claims have been filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the sustainment of the claim would cause a massive financial burden for the entire country. As far as the expected time of resolution of this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. Currently, for Ascopiave S.p.A., the proceedings before the Veneto Regional Tax Commission, which confirmed the rejection of the reimbursement request, have ended. For the other companies, the various appeals are still pending before the relevant tax commissions. The Group has however 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 and subject to a specific guarantee, against which the company presented its briefs. The results of the audit as regards the tax periods from 2015 onwards will be the subject of a separate Report on Findings which will be drawn up, if applicable, at a later date.

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, following which the company, on 27<sup>th</sup> February 2020, filed an appeal with the Provincial Tax Commission of Venice, deeming that valid arguments exist to believe that the conduct of the Company is entirely legitimate. 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 regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service was approved (the so-called Decree for Criteria).

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

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

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

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

evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

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

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

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

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

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

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

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

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

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

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

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

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

The most significant changes include:

- 1) the provisions concerning the value of the reimbursement of the plants to be applied in case of absence of specific agreements between the parties occurred before the entry into force of Decree no. 226/2011, which include to a large extent the provisions of the “Guidelines”.
- 2) a higher maximum threshold for the amount of the annual payments that may be offered in tenders to local authorities. This threshold, previously equal to 5% of the portion of the restriction on tariff revenues to cover the local capital costs, has been brought to 10%;
- 3) the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

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

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

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

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

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

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

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

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

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

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

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

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

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

In December 2018, the Municipality of Schio, the contracting authority of the Territorial Area Vicenza 3 - Valli Astico Leogra e Timonchio, issued the invitation to tender for the concession of the gas distribution service. The Ascopiave Group currently manages the service in 28 municipalities in the Territorial Area, serving about 80,000 users. The Group companies, AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A., holders of concessions in the Area, have challenged the call due to irregularities, filing an appeal before the Regional Administrative Court of Veneto.

On 8<sup>th</sup> May 2019, the hearing for the discussion of the merits was held, without any novelties.

## Distribution of dividends

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

## Own shares

Pursuant to Article 40, Legislative Decree 127/2 d), as of 31st December 2019 the value of own shares held by the company is equal to Euro 26,774 thousand (Euro 16,981 thousand as of 31<sup>st</sup> December 2018), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

Ascopiave purchased own shares on the electronic share market starting from 1<sup>st</sup> April 2019. As of 31<sup>st</sup> December 2019 Ascopiave S.p.A. held 10,456,025 own shares, equal to 4.461% of the share capital, for the value above.

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

On 13<sup>th</sup> March 2020, Ascopiave S.p.A. holds 11,994.605 treasury shares, equal to 5.117% of the share capital.

## 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 invitations to tender, 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.

The Group could also prepare bids for participation in the tenders which will be invited for the award of the Minimum Territorial Areas in which it is interested. To date, however, it is not possible to predict which tender procedures will actually be launched. 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 in 2020.

If other tender authorities issue calls for tenders in 2020, in the light of the time required to submit bids and evaluate and select them, it is reasonable to assume that possible transfers of management to potential new operators may be executed only after the end of 2020.

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. Due to this resolution, the results of the distribution company are expected to decline in 2020. 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.

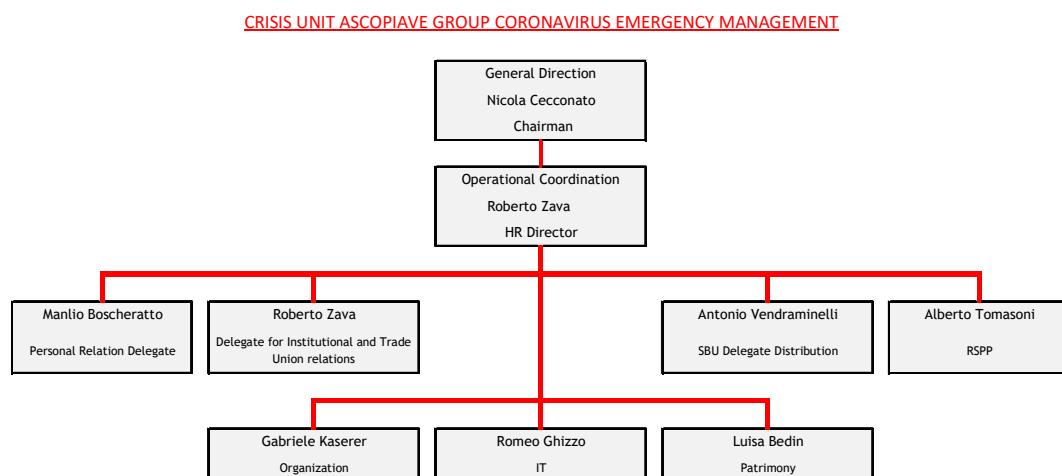
As regards electricity and gas sales, Ascopiave will obtain the benefits of the consolidation of its quota of the result of the minority stake in Estenergy and the dividends distributed by Hera Comm - both companies are controlled by the Hera Group. Ascopiave has put options on these investments and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

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, success in the development and application of new technologies, the changes in stakeholder expectations and other changes in business conditions.

## Evolution of the COVID 19 emergency

In March 2020, the health emergency caused by Covid-19 involved the entire territory where the Ascopiave Group operates. Since the first signs of the crisis, in February, the Management of the Ascopiave Group has worked hard to effectively handle the emergency in an operational office in Lombardy (Bergamo), the first region to adopt important restrictive measures in some areas. 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.

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 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. Its members are shown in the chart below.



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.

On the same day and the following ones, the provisions of the Authorities 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 places, 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. 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, the continuity of the company remains active in all areas, although the employees were encouraged in all ways to leave the workplaces; at the offices, staff can only be present with the authorisation of their manager for emergency reasons. In total, this exodus has involved 98% of the employees of the Pieve di Soligo headquarters (usually around 200 units are present), 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. To date, no employee of the Ascopiave Group has tested positive.

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 representatives appointed by the Company and 2 by the trade unions. The meetings are taking place regularly in an atmosphere of maximum cooperation.

## Goals and policies of the group and risk description

### Credit and liquidity risk

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing.

It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering 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 Network 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 2.7% at the end of the year (4.8% as of 31<sup>st</sup> December 2018) of the total gross receivables from third parties for invoices issued. Significant commercial operations take place in Italy.

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

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

As of 31<sup>st</sup> December 2019 the Ascopiave Group holds a portfolio of 268 natural gas distribution concessions (230 as of 31<sup>st</sup> December 2018; the change in the number of concessions managed is related mainly to the entry in the consolidation scope of the company Ap Reti Gas Nord-Est S.p.A.). In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19<sup>th</sup> January 2011 and 18<sup>th</sup> October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12<sup>th</sup> November 2011, and subsequent amendments. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities currently managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

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

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

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

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognised to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognised for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognised in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services (RTDG), and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

## **Human resources**

As of 31<sup>st</sup> December 2019, the Ascopiate Group had a workforce of 481 employees, divided in the various companies as follows:

<b>Companies consolidated with full consolidation method</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Var.</b>
Ascopiate S.p.A.	92	93	-1
Ap Reti Gas S.p.A.	160	171	-11
Ap Reti Gas Rovigo S.r.l.	17	18	-1
Edigas Esercizio Distribuzione S.p.A.	66	25	41
Ap Reti Gas Vicenza S.p.A.	43	47	-4
Ap Reti Nord Est S.p.A.	103	0	103
<b>Total companies consolidated with full consolidation method</b>	<b>481</b>	<b>354</b>	<b>127</b>
<b>Companies consolidated with net equity consolidation method</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Var.</b>
Unigas Distribuzione Gas S.r.l.	0	43	-43
<b>Total companies consolidated with net equity consolidation method</b>	<b>0</b>	<b>43</b>	<b>-43</b>
<b>Ascopiate Group</b>	<b>481</b>	<b>397</b>	<b>84</b>

Compared to 31<sup>st</sup> December 2018, the workforce of the Ascopiate Group grew by 84 units, mainly due to the entry in the consolidation scope, effective 31<sup>st</sup> December, of the company Ap Reti Gas Nord-Est, +103 employees.

The finalisation of the partnership between Ascopiate S.p.A. and the Hera Group on 19<sup>th</sup> December 2019 determined the deconsolidation of the group's gas and electricity sales companies. This effect was also reflected in the 2018 data in order to increase comparability and consequently the figures shown for comparison purposes are lower than those included in the financial report of the previous year by 281 units.

Furthermore, during the year, subsequent to the merger through acquisition of the company Unigas Distribuzione S.r.l. into Ascopiate S.p.A., and the consequent transfer of the unit merged to Edigas Distribuzione Gas S.p.A., the existing employment relationships were transferred with the business units.

The following table sums up the categories of employees according to their qualification:

<b>Companies consolidated with full consolidation method</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Var.</b>
Executives	13	13	0
Office workers	307	223	84
Manual workers	161	118	43
<b>Companies consolidated with full consolidation method</b>	<b>481</b>	<b>354</b>	<b>127</b>
<b>Companies consolidated with net equity consolidation method</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Var.</b>
Executives	0	1	-1
Office workers	0	25	-25
Manual workers	0	17	-17
<b>Companies consolidated with net equity consolidation method</b>	<b>0</b>	<b>43</b>	<b>-43</b>
<b>Ascopiate Group</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>Var.</b>
Executives	13	14	-1
Office workers	307	248	59
Manual workers	161	135	26
<b>Ascopiate Group</b>	<b>481</b>	<b>397</b>	<b>84</b>

## Research and Development

During the first half of 2019, the new management software to support the main processes of the Group's Gas Distribution companies was implemented; the programme had been selected through the tender announced in the second half of 2018. The project, one of the most important in the last few years for the Group Gas Distribution companies, saw the go live of all the companies on 1<sup>st</sup> July, with the simultaneous aggregation project on the same management software of Unigas (subsequent to the transfer of its operating activities to Edigas).

As an integral part of the project for the renovation of the management software of the Distribution companies, the hardware architecture was also enhanced both in terms of a new storage, entirely on SSD technology, and new computing capacity.

In the second half of the year, the main project concerned the implementation of all the information systems of the new company AP Reti Gas Nord Est, operational from 1<sup>st</sup> January 2020, which manages gas distribution networks in the provinces of Padua, Udine and Pordenone. The project involved the migration of data from the previous operator's systems for all applications, including the user management system, the accounting and finance system, the human resource management system, the SAC (Central Acquisition System) for electronic metres, cartography systems, the Asset Management system etc..

The project for revamping the works management process of the Distribution companies also continued, implying changes to the processes for estimating, entrusting and accounting for the works and creating - if needed - new assets, understood as new constructions and extraordinary maintenance of the gas networks. This project aims to implement application solutions that can automate and make the management of the activities more efficient and effective.

During the year, adjustments and changes were made to the current systems in order to comply with the new regulations and improve internal processes.

As regards infrastructure, the replacement of the corporate production SAN architectures was completed, located in the two Ascotlc datacentres to manage high reliability. The old production SAN architectures were also recovered to be used in the test/development/pre-production SAN architectures, replacing the very old ones that were in use.

The project to migrate corporate PCs from Windows 7 to Windows 10 continued and reached a completion percentage of around 80%.

In order to have more computing power, and with a view to technological evolution, the cluster 1 hardware of the production systems was renovated.

The old hardware infrastructures of the former company Pasubio Group, now AP Reti Gas Vicenza, were completely dismantled, and the material was disposed of according to company procedures.

The refurbishment project of the entire network core infrastructure of the Pieve di Soligo headquarters was completed, improving the speed and reliability of the IT network.

As regards corporate software, subsequent to the reorganisation of the information systems, the SAP management support was "taken over" from the previous operators, with the optimisation of the loading flows of XML invoices, the merger of Unigas into Edigas and the configuration of the new company Ap Reti Gas Nord Est.

The takeover process also involved the software used to register invoices payable, called "Contabilità Silos", for which the automatic loading processes of the XML files from the SDI and the generation of the TXT file which is subsequently loaded into SAP were improved.

For the software that manages vehicles, "WEB CARS", the creation of reports, previously missing, was activated as well as the recovery of the invoice amounts received from the "Contabilità Silos" software.

In order to improve the management of reported anomalies or new software requests, the new HDA (Help Desk Advanced) software was configured and launched to support all the group companies.

## **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.

### **Remuneration of Directors and Auditors, general managers and managers with strategic responsibilities and shares held**

For further information pertaining to the remuneration of Directors and Auditors, general managers and managers with strategic responsibilities and the shares they hold, please refer to the Remuneration Report drafted pursuant to Art. 123-ter of the Legislative Decree 58/1998 (Consolidated Finance Law), approved by the Board of Directors on 6<sup>th</sup> March 2020.

The aggregated remuneration to Directors, Auditors and Top Executives of the Group in 2019 amounts to Euro 808 thousand for Directors, Euro 152 thousand for Auditors, Euro 670 thousand for Top Executives, and Euro 2,277 thousand related to the positive outcome of the partnership finalised on 19<sup>th</sup> December 2019, totalling Euro 3,907 thousand, compared to Euro 4,641 thousand in the previous year.

### **Security of personal data**

Ascopiave Group is attentive to the protection of personal data and the adoption of appropriate security measures. For a greater protection of these data, the Group also continues to update each year the DPS (Security Planning Document), although it is no longer required under Legislative Decree no. 196 dated 30<sup>th</sup> June 2003 because of the amendments introduced by Law Decree 9<sup>th</sup> February 2012, no. 5, converted into Law no. 35 of 4<sup>th</sup> April 2012.

(EU) Regulation 2016/679 of the European Parliament (“GDPR”) introduced significant changes to the legislation for the protection of personal data previously in force, requiring a project for adapting the organisational model and the procedures for processing personal data, which had been prepared in accordance with the provisions of Italian Legislative Decree 196/03. This project, in addition to adapting all the documentation for the collection and management of personal data, involved the definition of a new set of procedures and new organisational roles, such as the appointment of the Data Protection Officer for all Group companies.

### **Statement pursuant to Legislative Decree no. 196 dated 30<sup>th</sup> June 2003**

The Chairman of the Board of Directors, as the Controller of the personal data of the Company, states the adequacy of the Privacy Policy set forth in Legislative Decree no. 196 dated 30<sup>th</sup> June 2003 and subsequent additions, through the service managed by Ascopiave in its capacity as responsible for the databases, managed either with electronic or non-electronic systems.

### **Sustainability**

The Ascopiave Group's sustainable business model is illustrated in the Consolidated Non-financial Disclosure pursuant to articles 3 and 4 of Legislative Decree no. 254 of 2016, contained in the 2019 Financial Report.

## List of Company Headquarters

### Owned offices

Society	Intended use	Province	Municipality	Address
AP RETI GAS VICENZA SPA	Operational headquarters of St. Cementi 37, Schio	Vicenza	Schio	St. Cementi 37
ASCO ENERGY SPA	Technical plant of St. G.B. Velluti, Dolo	Venezia	Dolo	St. G.B. Velluti
ASCO ENERGY SPA	Technical plant of St. Papa Giovanni XXIII, Mira	Venezia	Mira	St. Papa Giovanni XXIII
ASCO ENERGY SPA	Technical plant of St. del Minatore, Mirano	Venezia	Mirano	St. del Minatore
ASCO ENERGY SPA	Technical plant of St. Vittoria, Mirano	Venezia	Mirano	St. Vittoria
AP RETI GAS SPA	Operational headquarters of St. Borgonovo 44/A, Castel San Giovanni	Piacenza	Castel San Giovanni	St. Borgonovo 44/A
AP RETI GAS SPA	Operational headquarters of St. Teglio 101, Cordovado	Pordenone	Cordovado	St. Teglio 101
ASCOPIAVE SPA	Representative office of St. Turati 8-5° floor, Milano	Milano	Milano	St. Turati 8
ASCOPIAVE SPA	Representative office of St. Turati 6-3° floor, Milano	Milano	Milano	St. Turati 6
ASCOPIAVE SPA	Ascopiave Group headquarters, Pieve di Soligo	Treviso	Pieve di Soligo	St. Verizzo 1030
ASCOTLC SPA	Operational headquarters of St. Friuli 11, San Vendemiano	Treviso	San Vendemiano	St. Friuli 11
AP RETI GAS SPA	Operational headquarters of Area Appiani, Treviso	Treviso	Treviso	Area Appiani
AP RETI GAS SPA	Operational headquarters of St. Galileo Galilei 25-27, Sandrigo	Vicenza	Sandrigo	St. Galileo Galilei 25-27
EDIGAS SPA	Operational headquarters of St. Lombardia 27, Nembro	Bergamo	Nembro	St. Lombardia 27
EDIGAS SPA	Shed owned of St. Stazione 38, Salussola	Biella	Salussola	St. Stazione 38
ASCO ENERGY SPA	Technical plant of St. Genova 6, Mirano	Venezia	Mirano	St. Genova 6

### Rented offices

Society	Intended use	Province	Municipality	Address
AP RETI GAS SPA	Operational headquarters of St. Cooperazione 8, Castelfranco	Treviso	Castelfranco V.to	St. Cooperazione 8
AP RETI GAS SPA	Operational headquarters of St. Cavalier Busetti 7H, Marchirolo	Varese	Marchirolo	St. Cavalier Busetti 7H
AP RETI GAS ROVIGO SRL	Operational headquarters of St. della Tecnica 7, Rovigo	Rovigo	Rovigo	St. della Tecnica 7
EDIGAS SPA	Warehouse of St. per Brignano, Brignano D'Adda	Bergamo	Brignano Gera D'Adda	St. per Brignano
EDIGAS SPA	Warehouse of St. Lombardia Sub. 1	Bergamo	Nembro	St. Lombardia Sub. 1
EDIGAS SPA	Warehouse of St. Lombardia Sub. 2	Bergamo	Nembro	St. Lombardia Sub. 2
EDIGAS SPA	Operational headquarters of St. Stazione 38, Salussola	Biella	Salussola	St. Stazione 38
EDIGAS SPA	Operational headquarters of St. Mons. Benedini, Marcaria	Mantova	Marcaria	St. Mons. Benedini
EDIGAS SPA	Operational headquarters of Villanova di Albenga	Savona	Villanova di Albenga	St. Roma, 238 int 1
AP RETI GAS NORD EST SRL	Legal and operative site of St. Jacopo Corrado 1, Padova	Padova	Padova	St. Jacopo Corrado 1

## Comments on the economic-financial results of the year 2019

### Performance indicators

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

- **Gross operating margin (Ebitda):** defined by the Group as the result of amortisation and depreciation, write-downs of receivables, financial management and taxes.
- **Operating result:** this indicator is also included in the accounting principles we have adopted, and it is defined as the operating margin (Ebit) minus the balance of costs and non-recurrent revenues. The latter includes extraordinary incomes and losses, capital gains and losses for disposal of assets, insurance reimbursements, contributions and other less relevant positive and negative components.
- **Tariff revenues from gas distribution:** defined by the Group as the amount of revenue realised by the distribution companies of the Group for the application of tariffs for distribution and measurement of natural gas to their end customers, net of the equalisation amounts managed by Cassa per i Servizi energetici e Ambientali.

## General operational performance and indicators

NATURAL GAS DISTRIBUTION	Full Year		Var.	Var. %
	2019	2018		
<b>Companies consolidated with full consolidation method</b>				
Number of concessions	268	198	70	35.4%
Length of distribution network (km)	12,855	9,269	3,586	38.7%
Number of POD	777,252	491,722	285,530	58.1%
Volumes of gas distributed (scm/mln)	1,064.6	1,014.2	50.4	5.0%
<b>Companies consolidated with net equity consolidation method</b>				
Number of concessions	0	32	-32	-100.0%
Length of distribution network (km)	0	1,105	-1,105	-100.0%
Number of POD	0	94,671	-94,671	-100.0%
Volumes of gas distributed (scm/mln)	87.1	148.4	-61.3	-41.3%
<b>Ascopiave Group*</b>				
Number of concessions	268	214	54	25.4%
Length of distribution network (km)	12,855	9,809	3,046	31.1%
Number of POD	777,252	537,978	239,274	44.5%
Volumes of gas distributed (scm/mln)	1,107.1	1,086.7	20.4	1.9%

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

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. Furthermore, subsequent to the completion of the partnership with the Hera Group on 19<sup>th</sup> December 2019, the operating data of the Group's sales companies were reclassified pursuant to IFRS 5.

As far as the activity of gas distribution is concerned, in 2019 the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 1,107.1 million cubic metres, up 1.9% compared to the same period in the previous year, a change partly affected by the line-by-line consolidation of the company Unigas Distribuzione Gas S.r.l. commencing 1<sup>st</sup> July 2019.

As of 31<sup>st</sup> December 2019 the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 777.3 thousand and showed an increase of 239.3 thousand units compared to the previous year, mainly explained by the line-by-line consolidation of Unigas Distribuzione Gas S.r.l. and the entry in the consolidation scope of the company Ap Reti Gas Nord-Est S.p.A..

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

The economic data shown for comparison purposes, referring to 2018, were restated in compliance with IFRS 5. The results achieved in the same financial year 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)	Full Year			
	2019	% of revenues	2018	% of revenues
Revenues	124,911	100.0%	115,347	100.0%
Total operating costs	80,013	64.1%	73,339	63.6%
<b>Gross operative margin</b>	<b>44,898</b>	<b>35.9%</b>	<b>42,008</b>	<b>36.4%</b>
Amortization and depreciation	23,325	18.7%	20,927	18.1%
Provision for risks on credits		0.0%	15	0.0%
<b>Operating result</b>	<b>21,573</b>	<b>17.3%</b>	<b>21,066</b>	<b>18.3%</b>
Financial income	142	0.1%	147	0.1%
Financial charges	1,259	1.0%	1,160	1.0%
Evaluation of subsidiary companies with the net equity method	648	0.5%	1,407	1.2%
<b>Earnings before tax</b>	<b>21,105</b>	<b>16.9%</b>	<b>21,460</b>	<b>18.6%</b>
Taxes for the period	6,626	5.3%	6,733	5.8%
<b>Group's Net Result</b>	<b>14,479</b>	<b>11.6%</b>	<b>14,727</b>	<b>12.8%</b>
Companies held for sale's Net Result	478,737	383.3%	31,773	27.5%
<b>Net result for the period</b>	<b>493,216</b>	<b>394.9%</b>	<b>46,499</b>	<b>40.3%</b>
Group's Net Result	493,216	394.9%	44,625	38.7%
Third parties Net Result		0.0%	1,874	1.6%

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

In 2019, the Group incomes amounted to Euro 124,911 thousand, marking an increase of 8.3% compared to the previous year. The following table reports the details of income.

(Thousands of Euro)	Full Year	
	2019	2018
Revenues from gas transportation	80,370	73,940
Revenues from connections	354	289
Revenues from heat supply	10	(0)
Revenues from distribution services	3,849	4,951
Revenues from services supplied to Group companies	8,469	7,491
Revenues from ARERA contributions	29,176	25,253
Other revenues	2,684	3,424
<b>Revenues</b>	<b>124,911</b>	<b>115,347</b>

The increase in turnover is mainly due to the extension of the scope of consolidation as a result of the merger through acquisition of the company Unigas Distribuzione S.r.l., previously consolidated using the equity method. The merger, effective

1<sup>st</sup> July 2019, resulted in the recognition of the revenues achieved during the second half of the year by the distribution business unit managed by the company, mainly affecting the revenues from transport services and contributions for energy efficiency certificates.

The **tariff revenues from gas distribution** (from Euro 73,940 thousand to Euro 80,370 thousand) increased by Euro 6,430 thousand compared to the previous year, mainly due to the extension of the consolidation scope.

The **revenues from energy efficiency certificates** (from Euro 25,253 thousand to Euro 29,176 thousand) increase by Euro 3,923 thousand compared to the previous year, also due to the extension of the consolidation scope.

The **operating result** in 2019 amounted to Euro 21,573 thousand, up Euro 507 thousand (+2.4%) compared to the previous year.

The improvement is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 6,430 thousand;
- lower margin on energy efficiency certificates for Euro 4,043 thousand;
- negative change in other items of cost and revenues, equal to Euro 1,906 thousand.

The negative change in other items of cost and revenues, equal to Euro 1,906 thousand, is due to:

- lower other revenues for Euro 855 thousand, mainly connected to the decrease in contributions for parcelling for Euro 778 thousand;
- higher material and service costs and other charges equalling Euro 293 thousand;
- lower staff costs for Euro 1,625 thousand, mainly explained by the amounts disbursed in 2018 to strategic executives who ceased their employment relationship with the Parent Company (Euro 2,411 thousand). This positive effect was partially offset by the expansion of the scope of consolidation which led to the recognition of the personnel costs of Unigas starting from the date of the merger, by an increase in the costs recorded for long-term incentive plans and lower capitalisations;
- an increase in amortisation and depreciation of fixed assets for Euro 2,399 thousand, mainly connected to the extension of the consolidation scope.

The **net consolidated profit** in 2019 amounts to Euro 14,479 thousand, down Euro 248 thousand (-1.7%) compared to the previous year.

This change is due to the following factors:

- increase in the operating result, as previously stated, for Euro 507 thousand;
- lower result of companies consolidated through the equity method for Euro 759 thousand, due to the inclusion in the consolidation scope of Unigas Distribuzione effective 1<sup>st</sup> July 2019;
- decrease in financial revenues for Euro 5 thousand;
- increase in financial charges for Euro 99 thousand;
- decrease in taxes for Euro 108 thousand, due to the lower taxable income in the period in question.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 33.6% in 2018 to 32.4%.

The overall result of the Group amounted to Euro 493,216 thousand, recording an increase of Euro 446,717 thousand compared to the previous year (Euro 44,625 thousand as of 31<sup>st</sup> December 2018), and was influenced by assets sold for Euro 478,737 thousand (Euro 31,773 thousand as of 31<sup>st</sup> December 2018).

The table below shows the composition of the item in the years shown for comparative purposes:

(Thousands of Euro)	Full Year	
	2019	2018
Gains by sale of companies	457,547	0
Cost associated with carrying out the operation	(8,230)	0
Tax effect related to the economic effects of the transaction	(5,769)	0
Result achieved by the companies sold in 2019	35,189	31,773
<b>Net Result of companies held for sale</b>	<b>478,737</b>	<b>31,773</b>

In compliance with the international accounting standard IFRS 5, the economic results achieved by the companies involved in the partnership finalised with the Hera Group on 19<sup>th</sup> December 2019, and better described in the paragraph "Significant events during FY 2019" of this financial report, or related to its implementation, were reclassified under the item.

The item includes the gross capital gain generated by the sale of the investments in the companies involved in the partnership, and the costs incurred for the completion of the transaction, accompanied by the related tax effect. This effect was further influenced by the results achieved by the sales companies during the period in question, up to the date on which their control was transferred, and by the dividends that they distributed to the parent company Ascopiave S.p.A. in May 2019.

#### General operational performance - The economic results of the Group companies sold

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 normal performance indicators set by the International Accounting Standards IAS/IFRS, the Group considers useful for monitoring its business, the use of other performance indicators, which, even if they do not appear in the afore-stated standards, have a considerable importance. In particular, we introduced the following indicators:

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

The aggregated income statement for 2019 of the discontinued companies is shown below, compared with the results achieved by the same companies in 2018:

(Thousands of Euro)	Full Year	
	2019	2018
<b>Revenues</b>	<b>582,838</b>	<b>572,776</b>
<b>Total operating costs</b>	<b>543,738</b>	<b>536,933</b>
Purchase costs for raw material (gas)	289,889	308,141
Purchase costs for rother raw material	78,408	62,952
Costs for services	161,202	153,141
Costs for personnel	9,882	9,905
Other management costs	4,357	2,795
Other income	0	2
Amortization and depreciation	447	2,020
<b>Financial income</b>	<b>38,653</b>	<b>33,823</b>
Financial charges	319	314
Oneri finanziari su diritti d'uso	92	79
Earnings before tax	7,087	7,264
<b>Taxes for the year</b>	<b>46,060</b>	<b>41,323</b>
Result for the year	10,779	9,550
<b>Net Result of companies held for sale</b>	<b>35,189</b>	<b>31,773</b>

In 2019, the income of the divested companies amounted to Euro 582,838 thousand, marking an increase of 1.8% compared to the previous year.

The **gross operating margin** achieved during the year amounts to Euro 42,734 thousand, recording an increase of Euro 6,599 thousand, mainly attributable to the higher margins achieved by the sales of natural gas and electricity.

The increase in the first margin on gas sales was significantly influenced by the effects of the so-called gas settlement, which had negatively affected the gas margins of 2018, whereas it had an opposite effect in the year in question. The increase in the first margin on electricity sales is mainly explained by the greater quantities of energy sold related to the simultaneous increase in customers. The margins achieved by the sales of raw materials recorded an overall increase of Euro 5,787 thousand. Operating costs contributed to the increase in the gross operating margin, recording a decrease of Euro 812 thousand compared to the previous year.

The **operating result** of the divested companies at the end of 2019 amounted to Euro 38,653 thousand, up Euro 4,830 thousand (+14.3%) compared to the previous year.

The improvement is due to the increase in the gross operating margin of Euro 6,599 thousand described above, which was partially offset by the greater allowance for doubtful accounts made at the end of the year totalling Euro 1,942 thousand.

The **pre-tax result** shows a change of Euro 4,737 thousand, mainly explained by the operating result. The other items represented by financial income and expenses, as well as by the results achieved by the companies which were consolidated using the equity method, showed a minor change.

The tax rate of the divested companies, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 28.1% in 2018 to 27.7%.

## 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)	31.12.2019	Change of the consolidation area	Equal consolidation area	31.12.2018
A Cash and cash equivalents on hand	14	0	13	18
B Bank and post office deposits	67,017	1,037	65,980	66,632
<b>D Liquid assets (A) + (B) + (C)</b>	<b>67,031</b>	<b>1,037</b>	<b>65,994</b>	<b>66,650</b>
E Current financial assets	6,993		6,993	981
F Payables due to banks	(106,025)	(375)	(105,650)	(123,031)
G Current portion of medium-long-term loans	(30,778)	(750)	(30,028)	(8,014)
H Current financial liabilities	(17,156)		(17,156)	(115)
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(153,959)</b>	<b>(1,125)</b>	<b>(152,834)</b>	<b>(131,159)</b>
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(79,935)</b>	<b>(88)</b>	<b>(79,847)</b>	<b>(63,528)</b>
K Medium- and long-term bank loans	(135,083)		(135,083)	(55,111)
L Non current financial assets	2,478		2,478	1,122
M Non-current financial liabilities	(441)		(441)	0
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(133,046)</b>	<b>0</b>	<b>(133,046)</b>	<b>(53,989)</b>
<b>O Net financial indebtedness (J) + (N)</b>	<b>(212,981)</b>	<b>(88)</b>	<b>(212,894)</b>	<b>(117,517)</b>

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

The financial position increased from Euro 117,517 thousand as of 31<sup>st</sup> December 2018 to Euro 212,981 thousand as of 31<sup>st</sup> December 2019, reporting an increase of Euro 95,464 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)	31.12.2019	31.12.2018
Net financial position	(212,981)	(117,517)
Non current financial assets	(2,478)	(1,122)
<b>ESMA Net financial position</b>	<b>(215,459)</b>	<b>(118,639)</b>

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

(Thousands of Euro)	Full Year	
	2019	2018
Net Income	493,216	46,499
Depreciations and amortizations	22,839	20,895
(a) Self financing	516,055	67,410
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	(497,734)	1,280
by operating activities = (a) + (b)	18,322	68,690
by investing activities	(47,715)	(32,084)
(e) Other financial position changes	(66,071)	(34,256)
<b>Net financial position changes = (c) + (d) + (e)</b>	<b>(95,464)</b>	<b>2,350</b>

The cash flow generated by operations (letters a + b), equal to Euro 47,108 thousand, was mainly due to self-financing for Euro 516,055 thousand and other financial negative variations amounting to Euro 468,948 thousand mainly related to the capital gains generated by the sale of the equity investments in the sales companies as part of the partnership with the Hera Group for Euro 488,394 thousand and the management of the net circulating capital for Euro 19,073 thousand. The assessment of companies consolidated through the equity method generated negative financial changes for Euro -648 thousand. The management of net circulating capital generated financial resources amounting to Euro 19,073 thousand and was influenced mainly by the positive variation in the net operating capital which generated financial resources for Euro 9,981 thousand and the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro 6,836 thousand.

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

(Thousands of Euro)	Full Year	
	2019	2018
Inventories	(4,179)	(2,284)
Trade receivables and payables	5,823	4,968
Operating receivables and payables	4,452	(11,863)
Severance pay and other funds	(132)	(1,573)
Current taxes	6,621	5,787
Taxes paid	(7,901)	(7,769)
Tax receivables and payables	4,733	5,674
<b>Change in net working capital</b>	<b>9,417</b>	<b>(7,060)</b>

Investment activities generated a net cash requirement of Euro 47,715 thousand, of which Euro 34,440 thousand in tangible and intangible assets, mainly for works and developments of natural gas distribution facilities (Euro 31,431 thousand).

The investments made for the acquisition of stakes are related to the merger through acquisition of the company Unigas Distribuzione S.r.l., effective 1<sup>st</sup> July, and the partnership finalised with the Hera Group on 19<sup>th</sup> December 2019. The merger through acquisition absorbed financial resources equal to Euro 12,583 thousand related to the book value of the treasury shares assigned to the shareholder with which the Parent Company held joint control of the company until the effective date of the merger. The partnership generated a negative net financial flow of Euro 1,729 thousand as the net balance of flows which were positive for Euro 616,214 thousand, deriving from the sale of the stakes held in the companies operating in the segment of gas and energy sales to EstEnergy and Hera Comm, and a flow which was negative for Euro 617,943 thousand, related to the

purchase of 100% of Ap Reti Gas Nord Est S.r.l., of the 48% stake in the new company EstEnergy, and the 3% stake in Hera Comm.

Additional variations in the Net financial position concern dividends received from the companies consolidated with the equity method, which generated resources for Euro 2,311 thousand and dividends received from the companies under the partnership for Euro 28,786 thousand, and the distribution of dividends for Euro 76,924 thousand. During the year, Ascopiave S.p.A. purchased treasury shares on the electronic share market, generating a financial requirement of Euro 22,376 thousand, partly offset by the amount used for the merger of Unigas Distribuzione Gas S.r.l. described above.

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

The following table shows in detail the other changes in the financial position in 2019:

(Thousands of Euro)	Full Year	
	2019	2018
Sale of own shares	(9,793)	540
Dividends paid to Ascopiave S.p.A. shareholders	(75,163)	(40,016)
Dividends paid to minority interest or jointly controlled companies	(0)	(2,054)
<b>Other changes in financial position</b>	<b>2,311</b>	<b>684</b>
	<b>(82,645)</b>	<b>(40,845)</b>

#### General operational performance - Investments

During the year, the Group made investments in tangible and intangible assets for Euro 34,401 thousand, an increase as compared to the same period in the previous year of Euro 4,936 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +3,621 thousand) and the increase in other investments (Euro +1,315 thousand).

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 31,431 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 11,356 thousand, the creation of connections for Euro 7,876 thousand and the installation of metres for Euro 9,420 thousand.

The other investments made during the year mainly concerned the replacement of the user management system employed by the Group's distribution companies and the development of software for the design, monitoring, development and reporting of the investments made. Investments in hardware and software consequently recorded an increase of Euro 1,380 thousand.

INVESTMENTS (Thousands of Euro)	Full Year	
	2019	2018
Connecting a gas users	7,876	5,655
Expansions, reclamations and network upgrades	11,356	7,465
Flowmeters	9,420	12,374
Maintenance	2,779	2,317
<b>Raw material (gas) investments</b>	<b>31,431</b>	<b>27,810</b>
Land and buildings	373	412
Industrial and commercial equipment	162	65
Furniture	23	58
Vehicles	196	229
Hardware e Software	2,214	834
Right of use	0	0
Other assets	1	58
<b>Other investments</b>	<b>2,970</b>	<b>1,655</b>
<b>Investments of the discontinued operations</b>	<b>0</b>	<b>80</b>
<b>Investments</b>	<b>34,401</b>	<b>29,545</b>

**Schedule of reconciliation of the individual shareholders' equity with the consolidated Shareholders' Equity**

	31.12.2019	31.12.2019	31.12.2018	31.12.2018
(Thousands of Euro)	Groups' operating result	Total net equity	Groups' operating result	Total net equity
<b>Net equity and results for the year as recorded in the statutory financial statements of the parent company</b>	521,266	850,739	41,979	400,131
<b>Net equity and results for the year obtained by subsidiary companies net of the book values of the shareholdings</b>	19,553	(48,872)	47,612	(22,812)
<b>Variations</b>				
Goodwill	(0)	18,606	(0)	56,176
Trade relation value, net of tax effects	(0)	(0)	(1,399)	2,784
Appreciation of gas distribution network, net of tax effects	(619)	56,853	(892)	8,954
Elimination of infra-group dividends	(24,362)	(0)	(42,608)	(0)
Effects of the evaluation of companies consolidated with the net assets method	(0)	(0)	1,046	(2,895)
Effects of the evaluation of joint companies consolidated with the net assets method	(1,663)	(0)	238	4,659
Other effects	4,142	(3,833)	523	872
<b>Total variations, net of tax effects</b>	<b>(22,502)</b>	<b>71,626</b>	<b>(43,092)</b>	<b>70,550</b>
<b>Net Shareholders' equity and result for the period as recorded in the consolidated financial statement</b>	<b>518,317</b>	<b>873,492</b>	<b>46,499</b>	<b>447,869</b>
<b>Minority interests and results</b>	<b>(0)</b>	<b>(0)</b>	<b>1,874</b>	<b>4,303</b>
<b>Operating result and net equity for the period as recorded in the consolidated financial statement</b>	<b>518,317</b>	<b>873,492</b>	<b>44,625</b>	<b>443,567</b>

# **NON-FINANCIAL ANNUAL DISCLOSURE**

**2019**

Prepared in accordance with Italian Legislative Decree no. 254/2016

## **Message from the Chairman**

*The Non-Financial Annual Disclosure, in addition to being a mandatory requirement for companies of a certain size, is also an informative tool regarding aspects relating to social issues, staff, respect for human rights, the fight against active and passive bribery, and the environment, which are considered relevant on the basis of the company's activities and characteristics.*

*The Ascopiave Group has always shown strong sensitivity in providing all the information necessary to understand the business model for managing and organising the company's activities also as concerns the management of the aforementioned aspects.*

*In addition to non-financial indicators, the Disclosure also illustrates the policies adopted by the company and the effects achieved.*

*All the above enables us to testify how fundamental it is for our Group to measure its results, in terms of performance and impacts produced, to set sustainability objectives integrated in the Business Plan and, ultimately, to offer transparency to our stakeholders, identifying opportunities for continuous improvement in terms of environmental and social quality as well as the role played for the territory.*

*The Chairman  
Nicola Cecconato*

## Comment on the methods adopted

This document of the Ascopiave Group (hereinafter also referred to as "Ascopiave", the "Ascopiave Group" or the "Group") constitutes the consolidated non-financial disclosure (hereinafter also referred to as "Non-Financial Disclosure" or "NFD") prepared in accordance with Italian Legislative Decree 254/16 and the amendments dictated by Law no. 145 published in the Official Gazette on 30<sup>th</sup> December 2018.

The document herein illustrates all the elements needed to ensure the understanding of the Group's business, its performance and results and the impact exerted on the issues considered relevant and set forth in Article 3 of Italian Legislative Decree 254/16 for the year 2019 (from 1<sup>st</sup> January to 31<sup>st</sup> December).

The aspects which are relevant to the Group and its stakeholders were defined on the basis of a structured materiality analysis process. Such analysis was updated during the reporting period, taking into account the assessments of the top management and a selection of internal and external stakeholders (directors, employees, suppliers and some municipalities that are shareholders of Asco Holding S.p.A.).

The system for detecting the fundamental performance indicators has been implemented according to the principles «GRI Sustainability Reporting Standards», published in 2016 by Global Reporting Initiative (GRI), according to the "Core" option. Additionally, the "Electric Utilities Sector Disclosures" published by Global Reporting Initiative in 2013 have been taken into consideration.

The scope of the **data and information on operating results and cash flows** is the same as the Consolidated Financial Statements of the Ascopiave Group as at 31<sup>st</sup> December 2019.

The scope of the **social and environmental data and information** extends over the companies belonging to the Ascopiave Group as at 31<sup>st</sup> December 2019 which are consolidated on a line-by-line basis within the Group's Consolidated Financial Statements.

With regard to the significant changes in the ownership structure that occurred during 2019, please refer to the Report on operations for details of the changes that occurred within the Group companies.

In order to compare data over time and assess the performance of the Group's activities, also in light of the extraordinary operations performed in the reporting period, a comparison with the previous year is provided, illustrating the data approved last year and adding a column (called "2018 Restated") which presents the restatement of the data shown for comparative purposes.

The staff figures as at 31<sup>st</sup> December 2019 presented in this document also consider the employees of the company Ap Reti Gas Nord Est S.r.l. who joined the Ascopiave Group on the same day. Furthermore, the data relating to the company Unigas Distribuzione S.r.l., merged through acquisition into Edigas Esercizio Distribuzione Gas S.p.A. on 1<sup>st</sup> July 2019, were also included.

In order to give a fair representation of performance and ensure the reliability of data, we have minimised the use of estimates which, if any, are however based on the best available methodologies which are properly reported.

In order to prepare the Non-financial disclosure and collect non-financial data and information in a timely manner, the Group has adopted a reporting procedure, so as to guarantee the adoption of standardised methods for reporting and the implementation of an adequate internal control system at the Parent Company and the Subsidiaries, for the reporting year and future years.

The Ascopiave Group has undertaken a process of continuous improvement as concerns the issues and policies implemented with a view to reducing its environmental impact, developing social and personnel policies, protecting human rights along the entire supply chain and committing constantly to the fight against active and passive bribery. During 2020, a Group Sustainability Strategic Plan will be defined, in order to integrate a sustainability strategy into the business and the company processes with specific targets.

In order to better monitor the risks associated with sustainability issues, the Group is carrying out a first ESG risk analysis connected to the material issues that emerged from the new materiality analysis. The Group also undertakes to gradually

expand and improve such risk analysis, also in light of the new corporate structure, focusing on the core business of gas distribution.

#### FIGHT AGAINST ACTIVE AND PASSIVE BRIBERY

This issue is already monitored within the 231/01 Organisation Model adopted by the Parent Company and by the Subsidiaries, and the Group's Code of Ethics.

In 2019, the Ascopiave Group started a process for updating the 231 Models of the Parent Company Ascopiave and its subsidiaries, and approved the "Ascopiave Group Whistleblowing Procedure".

#### ENVIRONMENTAL, SOCIAL AND PERSONNEL POLICIES AND PROTECTION OF HUMAN RIGHTS

In February 2018, the Parent Company adopted an integrated Quality, Environment and Safety policy with the aim of formalising the principles set out in the international standards ISO 9001, ISO 14001 and OHSAS 18001. This policy had already been implemented by the subsidiaries AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A.. The Group undertakes to implement this policy with a view to continuous commitment and improvement towards verifiable objectives ensuring compliance with laws and regulations and the protection of the environment and its employee.

As far as Climate Change and the consequent impacts are concerned, the Group undertakes to integrate in the future reports its analyses - and consequently its disclosure - on the impact generated and suffered by the Group as regards Climate Change, also on the basis of the evolution of the relevant legislation.

With regard to staff aspects, in light of the transaction between Ascopiave and the Hera Group completed on 19<sup>th</sup> December 2019, we announce that the agreements signed included, with reference to the companies involved in the transaction, guarantees for the benefit of employees, in order to maintain the current employment level and the workplace. No particular critical issues emerged regarding relations with trade unions, testifying to the successful management of the operation.

As regards respect for human rights, given the operational and regulatory context in which Ascopiave operates, the topic is relevant to the Group in that it maintains relations with its employees and suppliers, in compliance with the principles and values stated in the Group's Code of Ethics.

Considering the specific business sector, the Group's activities do not entail significant water consumption; for this reason, while ensuring adequate understanding of the company's business, the information stated in art. 3, paragraph 2 of Decree 254, is not reported in this document.

Ascopiave's Non-Financial Disclosure is compiled annually: this 2019 NFD was approved by the Board of Directors of Ascopiave S.p.A. on 13<sup>th</sup> March 2020.

The Report was also subject to a limited audit ("limited assurance engagement" according to the principles stated in the ISAE 3000 Revised standard) by PwC which, at the end of the examination performed, issued a specific report on the compliance of the information provided in the Consolidated Non-Financial Disclosure prepared by Ascopiave pursuant to Italian Legislative Decree no. 254/16.

The NFD is an integral part of the Report on Operations, published in the "Investor Relations" section of the Company's website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).

## IDENTITY AND RESPONSIBILITY

### Local presence of the Ascopiave group

The Ascopiave Group is one of the main national operators in the natural gas distribution sector. The Group holds concessions and direct assignments for the management of the activity in 268 Municipalities, providing the service to approximately 775,000 users through a network which extends over 12,000 kilometres.

Ascopiave is also a partner of the Hera Group in the sale of gas and electricity, holding a 48% stake in the company EstEnergy, a leading operator in the sector with a portfolio of over 1 million sales contracts to end customers, mainly in the regions of Veneto, Friuli Venezia-Giulia and Lombardy.

The distribution companies of the Ascopiave Group, with operational headquarters in Pieve di Soligo (TV), have an Emergency Service to solve issues related to the supply of gas on the networks managed, such as for example leaks, interruptions or irregularities in the supply and damage to the distribution facilities. The service is completely free from landlines and mobile phones, active 24 hours a day, every day of the year.

The Ascopiave Group, thanks to successive company mergers, has increased the geographical areas in which it operates, so that it is now present, in addition to the province of Treviso, also in the rest of Veneto, in Friuli-Venezia Giulia, in Lombardy and Piedmont, in Emilia Romagna and Liguria.



## Mission, values and strategic objectives

The Ascopiave Group operates directly in the natural gas distribution sector and, by participating in the partnership established with the Hera Group through the company EstEnergy, in the sale of gas and electricity.

Through an effective and flexible organisation of managerial and technical skills, which are constantly enhanced and amplified, it aims to increase the economic value of the company and sustainable social and environmental development.

The Group's strategy is focused on the satisfaction of its stakeholders, on maintaining the levels of excellence of the services offered and on respecting the environment and responding to social needs, in order to enhance the context in which it operates.

The Ascopiave Group follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions in synergy with the core business and the improvement of operative processes.

The Group intends to consolidate its leadership in the gas sector on a regional level and reach a prominent position also at the national level.

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.

### Values

The fundamental values on which the Ascopiave Group bases its strategy are:

- Customer satisfaction

Upon conducting its business, the Ascopiave Group considers that offering a high quality service at competitive economic conditions to meet the needs and expectations of all stakeholders is paramount. This goal is achieved thanks to compliance with the methodological standards required by the legislation, the consolidated skills of the staff and the adoption of the best technologies.

- Protection of the environment and rational use of energy

In accordance with a development model compatible with the territory and the environment, the Ascopiave Group undertakes to manage its processes according to criteria of environmental protection and efficiency, through the identification, management and control of the impact of its activities, as well as through the rational use of energy resources.

- Safety in the workplace and workers' health

The Ascopiave Group considers the protection of workers' safety and health a top priority; therefore, the objective is not only to comply with the requirements of the specific regulations on the matter, but also to take action aimed at continuously improving the working conditions, promoting the integration of safety in all company activities and the accountability of the personnel.

- Continuous improvement

The Ascopiave Group believes that the continuous improvement of processes and systems is a necessary condition for the establishment and growth of the company in a competitive context and for meeting the needs of stakeholders. The continuous improvement process, i.e. the identification of areas for improvement and the definition of measurable parameters and objectives, is also implemented through the application of international certification standards on quality, safety and the environment.

- Respect and personal development of people

The Ascopiave Group, aware that the main key to success of each company consists in human resources, promotes the involvement of staff in achieving the company's strategic objectives and recognises the professional contribution of everyone, in a context of loyalty, mutual trust and cooperation, enhancing professional skills through training and growth.

- Innovation and change

The Ascopiave Group operates in an ever-changing socio-economic context, where innovation and change become fundamental aspects to face the challenges of the market in the name of efficiency and competitiveness.

- Sustainable development and cooperation with the community

All the activities of the Ascopiave Group are performed in the awareness of social responsibility towards stakeholders: employees, shareholders, customers, suppliers, communities, business and financial partners, institutions, professional associations and trade union representatives. The Ascopiave Group therefore adopts a growth model aimed both at increasing the economic value of the company and achieving sustainable development.

## Strategic objectives

Ascopiave's strategy is inextricably intertwined with sustainability and is based on the pursuit of macro-objectives related to four of the main areas cherished by the company: the quality of services, people, the environment and social issues.

- **Attention to social issues to enhance the context in which the Ascopiave Group operates:** The Group has a strong focus on the local community and expresses its commitment also by supporting local initiatives in 7 areas of intervention: health and prevention, community and assistance, culture, history and traditions, sports, environment and emergencies (see chapter: Local focus and community);
- **Respect for the environment:** The commitment to the protection of the environment and the reduction of the environmental impact of the Ascopiave Group are guided by the integrated quality, environment and safety policy and continuously monitored for all of the activities of the organisation (see chapter: Environmental sustainability);
- **Excellence and quality of services offered:** The achievement of high quality standards of the service offered is the primary objective of the Ascopiave Group and applies both to commercial activities and to technical activities, such as the emergency service and network inspections (see chapter: *Customers and citizens served*);
- **Staff safety, well-being and development:** We promote actions aimed at minimising risks to the health and safety of our personnel and the development of appropriate work practices and conditions ensuring equal opportunities, through the elimination of all forms of discrimination; we offer development and training programmes aimed at enhancing the skills of our resources and consolidating the professionalism required by their role (see chapter: *Social sustainability*).

## Parent company's Governance

The system and the rules for the management and control of the company are the backbone of Ascopiave Group's business model and, together with the business strategy, are aimed at supporting the relationship of trust between the company and its stakeholders, contributing to the achievement of the operating results and creating sustainable value in the long run. Transparency and fairness are the guiding principles for the Ascopiave Group upon defining its own Corporate Governance system, which is structured based on the general and special legislation in force, the Articles of Association, the Code of Ethics and the applicable best practices.

A Governance system structured in this way is capable of providing the best response to the challenges coming from the sector and the local context, thus allowing an open and transparent dialogue with the Local Entities. Ascopiave S.p.A. adopts a "traditional" Governance system that is characterised by the presence of the following corporate bodies:

- **Shareholders' Meeting**, which makes decisions on the supreme acts of governance of the company;
- **Board of Directors**, in charge of managing the company by assigning operational powers to appointed bodies and individuals;
- **Chairperson and Managing Director**: in addition to being the legal representative and having the powers established by the law and the Articles of Association as far as the operation of the corporate bodies (Shareholders' Meeting and Board of Directors) is concerned, (s)he steers and supervises the activities of the Board of Directors, in accordance with the fiduciary powers that make him/her the advocate of the legality and transparency of the company's business towards all shareholders; the Chairperson and Managing Director, in addition to being the legal and institutional representative and having the competences established by the law and the Articles of Association, has been granted with all the powers for the completion of the deeds relating to the Management, Coordination and Control of the company's functions and services, which can be exercised in compliance with the budget, the investment plan and the instructions of the Board of Directors and in accordance with the Code of Ethics, the unbundling legislation and, where applicable, the Procedure for Related Party Transactions;
- **Board of Auditors**: in charge of monitoring compliance with the law and the Articles of Association and the observance of the principles of correct administration, as well as of checking the adequacy of the organisational structure, the internal control system and the company's administrative and accounting system;
- **Auditing Company**, registered in the Register of Independent Auditors and in charge of external audit;
- **Supervisory Board**, established to monitor the operation of and compliance with the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 (231 Model) and prevent the crimes set out in the same decree;
- **Remuneration Committee**, which intervenes on the issue of the remuneration of directors and assesses the criteria adopted for the remuneration of executives having strategic responsibilities;

- **Control and Risk Committee**, which is in charge of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors pertaining to the internal control and risk management system, as well as those relating to the approval of interim financial reports.

Board of Directors - Members as of 31 <sup>st</sup> December 2019	
Nicola Cecconato	Chairman and Managing Director
Dimitri Coin	Independent director
Enrico Quarello	Independent director
Greta Pietrobon	Independent director
Antonella Lillo	Non-executive director
Giorgio Martorelli	Independent director
Board of Auditors - Members as of 31 <sup>st</sup> December 2019	
Antonio Schiro	Chairman of the Board of Auditors
Luca Biancolin	Standing Auditor
Roberta Marcolin	Standing Auditor

Members of the Board of Directors		
Gender	Men	Women
no.	4	2

Members of the Board of Directors			
Age	<30	30-50	>50
no.	0	4	2

## 231 Model and Code of ethics

The Ascopiave Group has adopted the 231 Model aimed at ensuring that corporate officers at all levels of the organisation do not engage in illicit conducts in the interest or for the benefit of the Company.

The Code of Ethics of the Ascopiave Group, an integral part of the 231 Model, states that all activities must be carried out in compliance with the law and in accordance with the principles of fair competition, honesty, integrity, fairness and good faith, respecting the legitimate interests of customers, employees, shareholders, business and financial partners and the communities in which the company conducts its activities.

The Model is periodically updated in order to reflect regulatory and jurisprudential developments and better respond to the company's organisational changes; this further guarantees the efficiency and transparency of the company's activities.

During 2019, the Ascopiave Group started a process for updating the 231 Models of the parent company Ascopiave and the subsidiaries.

Specifically, the Model of the parent company Ascopiave was approved by the Board of Directors during the meeting held on 5<sup>th</sup> August 2019. In addition to updating the predicate offences, the text was simplified, for the sake of understanding and application, also by making explicit, both as regards the general part and the individual special parts, the main and mandatory obligations and/or prohibitions for all those who act and/or interface with Ascopiave and the Group companies, highlighting, in particular, the duty to submit alerts in the presence of potential violations or non-conformities, even if only alleged.

During 2019, the Company, in compliance with Law dated 30<sup>th</sup> November 2017, no. 179, also approved the “Ascopiave Group Whistleblowing Procedure” (adopted by all Group companies), annex 3 to the Model, with the aim of governing the procedure of receipt, analysis and processing of the Alerts, even transmitted anonymously or confidentially, relating to violations and/or critical issues connected to one or more of the following issues:

- Code of ethics;
- 231 Model;
- Procedures relating to and/or explaining the Code of Ethics or 231 Model;
- Internal Control and Risk Management System;
- Laws, regulations, or provisions of Public Authorities

Ascopiave therefore decided to extend the scope of the aforementioned Procedure beyond Legislative Decree 231/2001, deeming it a valid and effective tool for general verification and control, to safeguard the legality that must inspire the actions of the Company, and therefore of directors, employees, collaborators, consultants and suppliers, as well as, in general, anyone who is called to act and/or work for or on behalf of Ascopiave.

The Procedure protects whistle-blowers, within the limit of bad faith or unfounded alerts for gross negligence.

It envisages three main contact channels (letter, dedicated e-mail box and web platform) and assigns the management of alerts to an “Alert Committee”(composed of (i) Head of the Internal Auditing function, (ii) Director of Legal and Corporate Affairs (iii) the Supervisory Board of Ascopiave S.p.A.), in close cooperation with the Supervisory Boards of the individual Group companies.

The Procedure, however, does not modify, nor otherwise limits, or binds the prerogatives and autonomy assigned, by the law and/or the internal procedures, to the Boards of Auditors, and/or to the Supervisory Boards and/or the other Control bodies of Ascopiave and the Group companies. The respective contacts complement and do not replace those (already in force) of the Supervisory Boards.

The Code of Ethics of the Ascopiave Group, approved by the Board of Directors on 14<sup>th</sup> March 2013, states, among other things, that company assets and, in particular, IT and network resources may not be used under any circumstances for purposes contrary to mandatory rules of law, public order or morality, as well as in order to commit crimes, such as child pornography, or incite the commission of crimes or racial hatred, exalt violence or the violation of human rights.

With regard to respect for and development of people, the Code of Ethics makes explicit and reaffirms the prohibition of any form of discrimination and in particular any discrimination based on race, nationality, gender, age, physical disability, sexual orientation, political or trade union opinions, philosophical views or religious beliefs. Ascopiave and the Group companies undertake to avoid and prosecute any type of harassment in the workplace, interpreting their entrepreneurial role both as the protection of working conditions and the protection of the psycho-physical integrity of the worker, respecting his/her moral personality, avoiding that the latter suffers illicit conditioning or unjustified nuisance.

## Compliance with privacy legislation

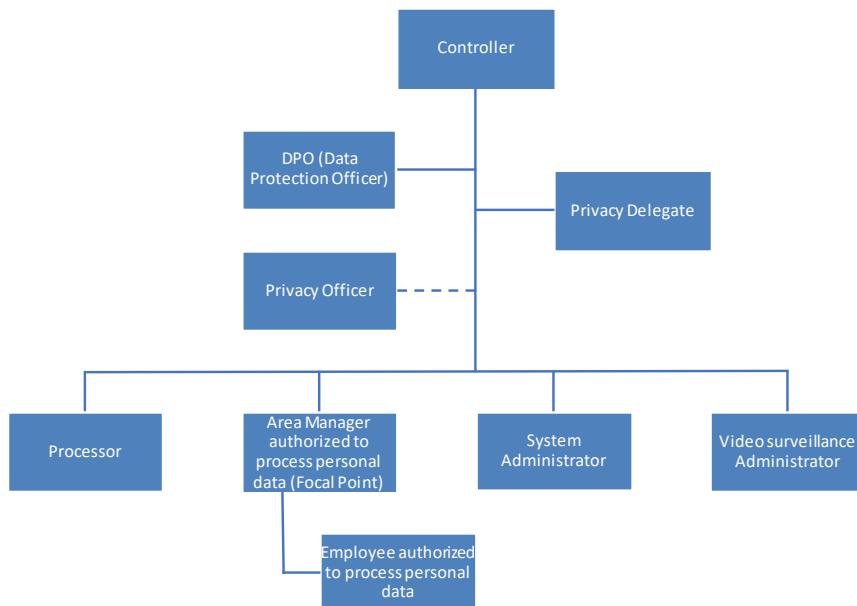
The Ascopiave Group, in order to safeguard the rights and freedoms of the “data subjects” (such as end customers, employees, collaborators, suppliers and private citizens in general), pays utmost attention to compliance with the privacy legislation, as most recently defined, pursuant to EU Regulation 2016/679 (or GDPR) and Italian Legislative Decree dated 30<sup>th</sup> June 2003 no. 196, as amended by Legislative Decree 101/2018 (so-called “Privacy Regulation”).

Ascopiave, together with the other Group companies, has adopted, first of all, its own “General” Privacy Policy, which can be consulted in the dedicated sections of the website of each Group company, aimed at governing the management structure created to comply with the Privacy Regulation. Specifically, the Privacy Policy contains:

- the definitions and general principles regarding Privacy;
- the roles, responsibilities and appointments of the figures relating to the management of issues related to the Privacy Regulation;
- the rights granted to the data subjects, whose data are processed, with limitations on their transfer;

- the principles, obligations, general rules and guidelines for data processing and document management.

The Policy envisages the following management structure, defining the roles of each figure involved:



Ascopiave, like the subsidiaries, pursuant to the GDPR, has also appointed the Data Protection Officer - DPO. In exercising his/her functions, the DPO is independent of the operational functions and has been provided with the human and financial resources necessary for the fulfilment of his/her duties.

Internal coordination is ensured by the Group's "Privacy Function", a collegial body (made up of the Privacy Officer, Ascopiave's Privacy Delegate and DPO), which combines the duties typical of the fulfilment of the obligations and procedures connected with the application of the Privacy Regulation, with duties typical of control and verification of management performance.

In order to guarantee the necessary connection with the individual activities related to the core business conducted by the individual companies, some "Focal Points" were also identified, that is, persons designated (and appointed) by each Group company, who, by virtue of their strategic role within the individual organisations, in addition to the typical duties of each "Person authorised to process personal data", in their respective scopes, are called to: (1) oversee projects and activities that have and/or may have an impact on Personal Data (e.g. need to start a new Processing or need to modify or integrate an existing Processing), (2) assess privacy aspects, (3) constantly inform and, if applicable, timely alert the Privacy Function on the progress of activities affecting Privacy and on the most important situations (as regards specifically possible cases of Data Breach).

Subsequent to the adoption of the Privacy Policy, Ascopiave and the other Group companies, consistent with the provisions of the GDPR and in order to complement the internal regulations, also prepared and adopted the detailed Policies, dedicated, respectively, to:

- Management of requests from data subjects related to the exercise of the rights stated in EU Regulation 2016/679;
- Privacy By Design;
- Data Breach;
- Data Protection Impact Assessment (DPIA);
- Data Retention.

## Possible risk factors associated with sustainability issues

The Ascopiave Group continuously monitors and manages the main potential risks to which it could be exposed, for each corporate function.

As regards sustainability risks, specifically, the Group is implementing an initial analysis of ESG risks, primarily by examining the material issues with the highest score that emerged from the new materiality analysis and the respective existing controls and management methods.

In particular, the main risk **factors associated** with the sustainability issues are reported below:

- **Governance and compliance risks:** Risks related to possible errors and/or frauds that may be committed; risks related to failure to comply with the rules and regulations applicable to the Group.
- **Economic and business responsibility:** market and strategic risks, or risks relating to general macroeconomic trends and/or trends specific to the markets in which the Group operates; risks associated with failure to meet any target for the supply of innovative energy services due to the presence of competitors which are already well-established in the target sectors and changes in the market scenario, risks of failure to implement national decarbonisation programmes, difficulties of the Group in dealing with growth and investment strategies, risks related to geopolitical imbalances and changes in consumer choices by the end users.
- **Responsibility towards human resources:** risks associated with the failure to develop talents and their retention; risks relating to the health and safety of workers, connected to possible accidents and occupational diseases that involve the personnel working at the offices and at the operating sites; risks of discrimination against people and lack of respect for diversity and human rights.
- **Customer accountability:** risks associated with any downtimes of the plants and network infrastructures, malfunctions, misalignments or temporary unavailability of the information systems dedicated to Customer Relationship Management (CRM), possible risks connected with the availability, integrity and confidentiality of information.
- **Environmental risks:** risks associated with failure to comply with current and future environmental legislation.
- **Climate change risks:** risks associated with damage to infrastructures caused by extreme environmental events, risks associated with the drop in demand subsequent to the rise in average temperatures due to Global Warming.
- **Risks towards the territory and the local community:** risks of an indirect nature linked to the performance of the Group; reputational and image risk; risk of failure to communicate with the target audience.

Subsequent to the analysis, the existing prevention measures for each material issue have been identified, reinforcing the progressive inclusion of social responsibility in the Group's managerial and strategic spheres.

The Group undertakes to manage effectively the risk factors listed above, implementing any procedures and systems designed to prevent any critical issues with the objective of protecting and increasing its value over time and generating further value for its stakeholders.

Specifically, the Group has adopted the following tools for controlling risks, some of which have been recently implemented:

- **231 Model:** Ascopiave S.p.A. and all the subsidiaries have adopted an Organisation, Management and Control Model, pursuant to Italian Legislative Decree dated 8<sup>th</sup> June 2001 no. 231, updated in 2019, whose purpose, among other things, is to set up a prevention and control system aimed at reducing the risk of committing offenses relevant to the company's activities; the 231 Model contains a specific section dedicated to crimes against workplace health and safety, environmental crimes and computer crimes and illicit data processing.

*For further information on the 231 Model adopted by the Ascopiave Group, please refer to the "Corporate Governance" section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).*

- **Code of Ethics:** The Code of Ethics of the Ascopiave Group, which is an integral part of the 231 Model, is a tool for defining the set of corporate ethical values that Ascopiave S.p.A. recognises, accepts and embraces, and the set of responsibilities it assumes upon maintaining internal and external relations. The Code of Ethics states that all the employees of the Ascopiave Group are required, within the scope of their functions, to participate in the process of

risk prevention, environmental protection and protection of their own health and safety and those of their colleagues and third parties.

The subsidiaries have adopted the Parent Company's Code of Ethics and commit to disseminating the values thereof to their employees.

*For further information on the Ascopiave Group's Code of Ethics, please refer to the "Corporate Governance" section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).*

- **Ascopiave Group Whistleblowing Procedure:** in 2019 the Group adopted the procedure that governs the process of receipt, analysis and processing of alerts, through the dedicated reporting channels, ensuring the confidentiality of the whistle-blower. The procedure is aimed at ensuring the effectiveness of the alert system, promoting the corporate culture on the matter and ensuring that appropriate actions are taken, including penalties, and that all the measures necessary to avoid their recurrence are operational.

*For further information on the Ascopiave Group Whistleblowing Procedure, see the paragraph "231 Model and Code of Ethics" herein and the "Corporate Governance" section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).*

- **Stakeholder engagement and materiality analysis:** in light of the new corporate structure and the importance of involving and communicating with stakeholders, at the end of 2019 the Group performed an engagement activity with its main stakeholders, which enabled the new materiality analysis. The analysis highlighted the material issues for the Group, the correct monitoring of which ensures proper risk management and a guide for defining corporate strategies.
- **Privacy Policy:** the Group has implemented a series of measures aimed at adapting the organisational structure to the current legislation on privacy, as stated in the dedicated procedure, which can be consulted in the dedicated sections of the institutional websites of each Group company.

*For further information on the Ascopiave Group's Privacy Policy, see the paragraph "Compliance with privacy legislation" herein and the dedicated section of the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it).*

- **Training:** aware of the importance of enhancing and developing the skills of its resources, the Group has implemented a new system for planning and reporting training, which will become fully operational in 2020.
- **Health and Safety Management System,** (as stated in the *Integrated Quality, Environment and Safety Policy*) in compliance with the standard BS OHSAS 18001, common to the parent company and certified subsidiaries (Ascopiave, AP Reti Gas and AP Reti Gas Vicenza are BS OHSAS 18001 certified, while the other distribution companies have adopted practices and procedures in compliance with Italian Legislative Decree 81/08). It defines the workplace health and safety management model. The system is intended as a guide and a tool to keep under control risks and legal obligations and to monitor and verify periodically and systematically the company's compliance and the improvement objectives.

The model is aimed at guaranteeing legislative compliance, keeping workplace risks at levels considered acceptable or compliant with legal limits and reducing the level of risk in equal working conditions.

The Group also monitors the accidents of workers of third-party companies that occurred at sites under the responsibility of the Ascopiave Group; in fact, according to the provisions of the Contract Conditions, the contractors of "open" contracts for network connections, maintenance and expansion must provide statistics on accidents on a yearly basis.

- **"Financial risk management and control policy"** which aims to identify and manage the risks associated with financial management, such as interest rate, exchange rate and liquidity risk.
- **Emergency and gas accident management plan:** defines the operational procedures to be adopted during an emergency and upon managing emergencies and accidents, in order to avoid the occurrence of risks for public safety and users, as well as to ensure continuity of services.
- **Integrated Quality and Environment Management System** (as stated in the *Integrated Quality, Environment and Safety Policy*) compliant with the standards ISO 14001 and ISO 9001, common to the parent company and the certified

subsidiaries: Ascopiave, AP Reti Gas and AP Reti Gas Vicenza. The Environmental System adopted envisages a practice for identifying, assessing and rating the environmental aspects and impacts related to Ascopiave and the ISO 14001 certified companies: this analysis allows each company to formalise an “Environmental Analysis” document and a “Register of environmental impacts”.

These documents are periodically updated also through the regular evaluation of specific monitoring indicators, essential for the management and continuous improvement of potential significant risks and opportunities.

- **Sponsorships and investments for the community:** the Group supports projects and initiatives proposed by the Municipalities or associations in the social, cultural and sports fields, for public health prevention and promotion and support during emergency situations; in order to disburse contributions for commercial initiatives having a social impact in an impartial manner, the Group uses the internal Policy, according to which each company is required to report quarterly to the parent company the sponsorships activated.

## Sustainability management system and technological innovation

Continuous improvement of processes and systems

Continuous improvement is a necessary condition, both for the company's success and growth in a competitive environment, and for the qualification of the institutional image and the fulfilment of the emerging needs of the stakeholders. All this is achieved through the identification of areas for improvement, the definition of measurable benchmarks and objectives and the timely application of the international standards for quality, safety, environmental and energy service certifications.

### Certifications

The Ascopiave Group has decided to incorporate aspects of economic, social and environmental sustainability into its strategies and activities, according to a progressive and organic process, consistent with the organisation's business objectives. With these decisions, the Group intends to make apparent an inclination towards sustainability that has always distinguished the Company. In fact, since its foundation, Ascopiave has paid increasing attention to aspects such as:

- Quality, reliability, security and accessibility to services for end customers and the community;
- Implementation of initiatives addressed to employees on the issues of health and safety, organisational climate and training;
- Respect for the community and promotion of initiatives for the benefit of the local community;
- Protection of the environment and energy resources;
- Search for cutting-edge solutions aimed at strengthening the economic system in favour of the entire community, through investments in infrastructure and innovative projects.

The Certifications of the Management Systems, progressively acquired and maintained, attest to the existence of a reliable and structured internal system, which allows us to supervise and manage in the best way the quality of the services provided, health and safety at work and the protection of the environment.

Testifying to its on-going commitment, as of 31<sup>st</sup> December 2019 the Ascopiave Group had the following types of system certifications:

- ISO 9001:2015 - Quality Management System: it ensures the improvement of the quality standard over time and of the reliability of the Group towards its customers;
- BS OHSAS 18001:2007 - Occupational Health and Safety Management System: certifies compliance with the Occupational Health and Safety requirements and allows the continuous assessment of risks and the improvement of the organisation's performance;
- ISO 14001:2015 - Environmental Management System: certifies the concrete commitment to minimising the environmental impact of processes, products and services.
- UNI CEI 11352 - Energy Management: energy service companies (ESCO) - General requirements, checklists for the verification of the organisation's requirements and the contents of the service offer.

The following table shows the System Certifications as at 31<sup>st</sup> December 2019, associated with the individual Group companies:

Type of certification		Group company	Scope	Expiration
1	UNI EN ISO 9001:2015	Ascopiave S.p.A.	Provision of services for the Group companies	11/03/2021
2	UNI EN ISO 14001:2015	Ascopiave S.p.A.	Provision of services for the Group companies	11/03/2021
3	BS OHSAS 18001:2007	Ascopiave S.p.A.	Provision of services for the Group companies	08/03/2021
4	UNI EN ISO 9001:2015	AP Reti Gas S.p.A.	Methane gas distribution	07/06/2022
5	UNI EN ISO 14001:2015	AP Reti Gas S.p.A.	Methane gas distribution	21/10/2020
6	BS OHSAS 18001:2007	AP Reti Gas S.p.A.	Methane gas distribution	21/10/2020
7	UNI EN ISO 9001:2015	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	26/09/2022
8	UNI EN ISO 14001:2015	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	26/09/2022
9	BS OHSAS 18001:2007	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	03/12/2020
10	UNI EN ISO 9001:2015	Edigas Esercizio Distribuzione Gas S.p.A.	Methane gas distribution	30/07/2022
11	UNI EN ISO 9001:2015	ASCO ENERGY S.p.A.	Heat management/Energy services	07/08/2020
12	UNI CEI 11352:2014	ASCO ENERGY S.p.A.	ESCO Energy service supply	15/10/2020

As compared to the year 2018, the following new system certifications have been acquired and/or updated:

- New certification ISO 9001:2015 for the distribution company EDIGAS S.p.A.
- Cessation of ISO 9001 of Unigas: merger through acquisition into Edigas
- Updating of expiring ISO 9001 certifications of AP Reti Gas and AP Reti Gas Vicenza.
- Updating of expiring ISO 14001 certification of AP Reti Gas Vicenza.
- Transfer of ISO 9001 and UNI CEI 11352 certificate ASCO Energy (former Veritas Energia).
- Updating of OHSAS 18001 certificate of AP Reti Gas Vicenza (Entity's administrative change).
- Updating of OHSAS 18001 certificate and ISO 14001 of AP Reti Gas (Plant changes).

## Dialogue with stakeholders and materiality analysis

Upon formulating its strategies, the Ascopiave Group takes into consideration the indications and expectations of the main categories of stakeholders: for each of them, the specific composition, the most relevant and material topics (all the issues affecting the decisions, actions and performances of an organisation or its stakeholders are defined as “material”) and the

listening and dialogue activities in progress have been identified. The main dialogue, consultation and engagement initiatives undertaken in 2019 are listed below, with the respective categories of related stakeholders:

Stakeholder	How we listened to and discussed with them
Shareholders and investors	<i>Conferences, periodic meetings, road shows, interim reports, press releases, institutional website, materiality analysis</i>
Staff (workers and their families, trade unions)	<i>Corporate meetings, one-to-one meetings, Internal committees, training courses, interviews, evaluations, internal investigations, intranet, Code of Ethics, materiality analysis</i>
Institutions and Communities (e.g. Bodies, Associations, Schools etc.)	<i>Technical round tables, meetings with local Mayors and other authorities, focus groups, press conferences, audit inspections, local events, cooperation with the Authorities, meetings with Associations, relations with Schools and Universities</i>
Customers (sales companies, end customers, families and private citizens, Businesses, local authorities, Consumer and professional associations)	<i>Call centre, meetings, service conferences, satisfaction surveys, focus groups, dedicated web sections, discussion with Representative committees and associations, Joint settlement processes</i>
Suppliers (suppliers of raw materials, suppliers of goods and services, local suppliers, suppliers having social significance - Social cooperatives - other business partners)	<i>Quality assessment dialogue, Regular meetings, audits at suppliers, E-procurement portal, Code of Ethics, materiality analysis</i>

The Ascopiave Group believes in dialogue with the territory and has joined many organisations that protect the same interests; the main associations in which the Group participates are listed below: Assonime, Utilitalia, Unindustria, Anigas, Assolombarda.

#### Analysis of the sustainability issues relevant to the Ascopiave Group and its stakeholders

In order to identify the economic, social and environmental topics that are most relevant to the Group and that influence or could significantly influence the assessments, actions and decisions of internal and external stakeholders, the Ascopiave Group performed a new materiality analysis. This analysis was conducted at the end of 2019, on the basis of the new corporate structure, and has highlighted the social, environmental, economic and governance issues of greatest importance for the company and its stakeholders. The analysis was based on the materiality principle as required by the GRI reporting standard and comprised the following steps:

- **Identification of the potentially relevant issues for the Ascopiave Group:** first, the issues relevant to the Group and its stakeholders were identified through interviews with the Management and the analysis of internal (Code of Ethics, Financial Report, institutional website, etc.) and external (sector studies and publications) documentation, as well as through a structured benchmarking analysis with respect to the industry best practices;
- **Evaluation of the relevant issues for the Ascopiave Group:** in order to prioritise the relevant issues, the Group has submitted an evaluation questionnaire to a selection of its employees, suppliers and Municipalities shareholders of Asco Holding S.p.A., collecting 40 responses; the results gathered from the survey were cross-checked with the evaluations of the members of the Board of Directors and Heads of function. The issues were evaluated on a scale of 1 to 5.
- **Identification of material issues for the Ascopiave Group:** by processing the results, on the basis of the materiality threshold chosen (scores above 3.5), it was possible to define the new materiality matrix of the Ascopiave Group, which consists of 17 material issues (divided into 5 macro areas: economic responsibility, social responsibility, responsibility towards employees, responsibility of service towards customers, environmental responsibility);
- **Approval of the materiality analysis** by the Ascopiave Group Board of Directors on 27<sup>th</sup> February 2020.

The topic relating to the use of water, stated in Italian Legislative Decree 254/16, has not emerged as a material issue from the analysis conducted and therefore will not be further explored within this document.



## ECONOMIC SUSTAINABILITY

Sustainable development and cooperation with the community

Ascopiave and the Group companies perform all their activities bearing in mind their Social Responsibility towards their stakeholders: employees, shareholders, suppliers, communities, customers, institutions, trade associations and trade union representatives. Ascopiave therefore adopts a growth strategy aimed, on the one hand, at increasing the economic value of the company and, on the other hand, at developing and affecting the social context.

### Main operating results and cash flow data

As evidenced by the figures reported below, the Ascopiave Group has been able to create wealth, by focusing on its human capital, making the most of and developing its resources and their professionalism, adopting efficient practices of personnel management and introducing innovations. The company, over the years, has expanded its range of action and continues to have all the credentials to pursue its important growth process and still be an integral part of the local context, contributing to the creation of well-being and development.

Main operating results (in millions of Euro)	2018	2018 Restated	2019
Revenues	581.7	115.3	124.9
Gross operating margin	80	42	44.9
Operating result	55.1	21.07	21.6
Earnings before taxes	62.9	21.5	21.1
Consolidated net profit	46.5	14.7	14.5
Group net profit	44.6	46.5	493.2

With the operation completed on 19<sup>th</sup> December 2019, Ascopiave strengthened its position in the gas distribution sector by acquiring new assets and reaching 775,000 users served.

Group total	2018	2018 Restated	2019
million m <sup>3</sup> of gas distributed	1,086.7	1,162.6	1,151.7

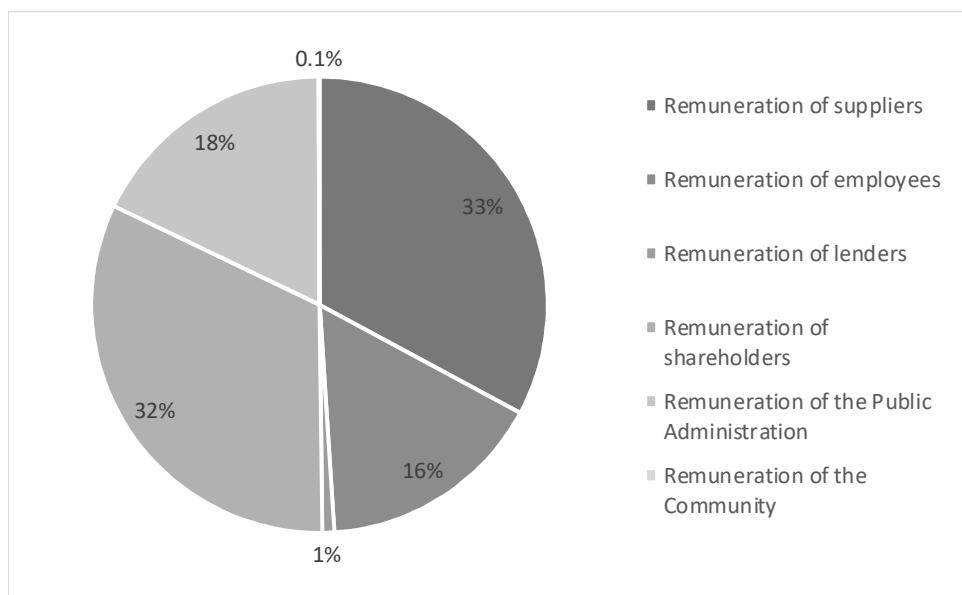
The ability to maintain profitability in the medium and long term, therefore, guarantees an adequate remuneration of shareholders but also contributes to the generation of value for many stakeholders: the existing employment levels were maintained, customers were granted access to energy services, local initiatives were financed, our suppliers benefited from upstream and downstream activities, the public administration received social security contributions, etc..

### Production and distribution of added value

The economic value generated by the Group and consequently distributed to the stakeholders is represented by the scheme of generated and distributed value. This figure is determined by the value generated in the reference period, net of amortisation, depreciation and write-downs, and the value redistributed, in various forms, to the Group's stakeholders. A portion of the economic value is retained by the Group in the form of amortisation, depreciation and reserves.

This value was inferred from the items of the income statement used in the Group's Consolidated Financial Statements as of 31<sup>st</sup> December 2019.

The economic value generated by the Ascopiave Group in 2019 amounted to Euro 615.9 million and was redistributed to the stakeholders as shown in the tables below:



Economic value directly generated and distributed (in thousands of Euros)	2019
(A) Economic value directly generated	615,910
(B) Economic value distributed	147,786
(A-B) Economic value retained	468,123

Breakdown of the economic value distributed (in thousands of Euros)	2019
Remuneration of employees	23,755
Remuneration of suppliers	48,591
Remuneration of lenders	1,259
Remuneration of shareholders	47,770
Remuneration of the Public Administration	26,322
Remuneration of the Community	90
<b>Total economic value distributed</b>	<b>147,786</b>

## Investments

Confirming the commitment to the creation of a sustainable business in the long run and in order to offer an excellent service to its customers, in 2019 the Ascopiave Group made investments totalling Euro 34.4 million (Euro 29.5 million in 2018), mainly in the development, maintenance and renovation of gas distribution networks and plants and in the installation of metering equipment.

2019	
Type of investment	Thousands of Euro
Connections	7,876
Expansions, remediation and upgrades of the network	11,356
Metres	9,420
Reduction facilities	2,779
<b>Methane investments</b>	<b>31,431</b>
Land and buildings	373
Equipment	162
Furniture	23
Vehicles	196
Hardware and software	2,214

Other investments	1
<b>Other investments</b>	<b>2,970</b>
<b>Total</b>	<b>34,401</b>

## Relations with the Regulatory Authority

The Ascopiave Group conducts its main activity in sectors subject to regulation. The directives and regulatory provisions issued on the matter by the European Union and the Italian Government, the ARERA Decisions and more generally the modification of the reference regulatory framework can have a significant impact on the operations, economic results and financial balance of the Group.

Specifically, the natural gas distribution sector is governed by the Regulatory Authority for Energy, Networks and the Environment (ARERA) which, through specific measures, determines and updates the tariffs applied to users, defines the minimum levels of quality and safety of the services provided and establishes the methods for non-discriminatory access and use of the infrastructures.

The Authority also performs consultative functions vis-à-vis the Parliament and the Government, to which it can submit alerts and proposals.

The regulation relating to the procedures for launching the Minimum Territorial Area tenders for awarding the service in concession, including the criteria for the evaluation of the bids, is primarily under the scope of the Ministries, with an important role exercised by the Ministry for Economic Development.

Ascopiave maintains a constructive dialogue with ARERA and the Ministry for Economic Development in order to contribute to the definition of a clear, transparent and stable regulatory framework, which safeguards the sustainable development of the gas system and ensures satisfactory conditions of profitability and financial balance for operators.

To this end, Ascopiave constantly monitors the regulatory evolution of the sector, assesses in advance its economic, financial, operational, organisational and strategic impacts, taking the necessary initiatives vis-à-vis the competent institutional subjects to promote its point of view and contribute to guiding the regulation towards sustainable choices compatible with the corporate objectives.

If it deems that the choices made are prejudicial to its legitimate interests, the Group considers the activation of the appropriate means of judicial protection.

With regard to the provisions issued by ARERA, Ascopiave participates both independently and through its professional association in the consultation procedures, formulating its own proposals and observations.

## Position of the Ascopiave Group in the gas supply chain

Upon performing its activities, the Ascopiave Group relies on numerous suppliers and/or contractors, and establishes collaborations on the basis of principles of fairness, equity, transparency and mutual cooperation. In addition to the suppliers of energy raw materials, the two main categories with which the Group maintains relationships are the suppliers of goods and services and contractors.

The primary aim of the Ascopiave Group is to achieve maximum efficiency, streamlining and speed in the contractual procedure, while ensuring at the same time high quality standards in the provision of the service. In order to achieve these objectives, the Group has set up a supplier approval process, through registration in the company's register, and a selection process based on objective criteria for entrusting the supply assignment.

## Supplier approval

Before establishing a contractual relationship with the Ascopiave Group, the supplier must qualify as a "supplier and/or contractor" by registering in the supplier register.

In order to be able to apply and become a partner of the Ascopiave Group, the supplier must fulfil and maintain the requirements established by the Procurement Code and other criteria set by the company, in line with Ascopiave's values:

- Respect for human rights, workers and the environment;

- Scrupulous observance of labour law, specifically as concerns the obligations regarding child labour and female employment, sanitary conditions and health and safety, trade union rights and employment of foreign workers, and the fight against and emergence of undeclared employment;
- The correct and timely fulfilment of remuneration, contributory, insurance and tax obligations;
- Compliance with the principles of legality, transparency and fairness in business;
- The highest degree of professionalism and diligence, as well as utmost honesty and good faith in relations with the Ascopiave Group.

Each supplier and contractor must ensure that the aforementioned requirements are maintained until the termination of the contract, observe the Code of Ethics of the Ascopiave Group, the prescriptions and procedures set out in the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01, regularly fulfil all obligations concerning safety in the workplace and not engage in behaviours or practices that are anti-competitive or incompatible with laws, regulations and third-party rights.

Finally, the supplier approval system adopted is also based on the standards UNI EN ISO 9001 (quality certification), UNI EN ISO 14001 (environmental certification) and OHSAS 18001 (occupational health and safety), which provide the Ascopiave Group with a structured and complete system of procedures that the contractors must also respect.

## **Supplier selection**

Suppliers and contractors are selected in compliance with the principles of competition and equality, on the one hand, and on the basis of objective assessments regarding competitiveness, quality, usefulness and price, on the other hand. The Ascopiave Group does not maintain relationships with companies in relation to which situations of dubious legitimacy or conflict of interests arise and, where economically compatible, favours the use of local contractors, strengthening its bond with the territory and encouraging the economic development of the latter, as the Group believes that it is easier to interact with local businesses, which feel involved in the development of the offer of public services to the citizens.

With regard to the execution of works and in order to guarantee an adequate level of specialisation in the approval process, the types of assignments are grouped into Product Categories divided into critical levels. Each level corresponds to different criteria for evaluating candidates.

Any further checks can be conducted to investigate aspects of professionalism, reliability, solvency, etc. of the supplier being examined, for the purpose of ascertaining that the declarations given by the latter are true.

<b>NUMBER OF CERTIFIED SUPPLIERS</b>		
	<b>2018</b>	<b>2019</b>
ISO 9001	368	413
ISO 14001	123	146
OHSAS 18001	138	159

The Ascopiave Group pays attention to the certifications held by its suppliers in the environmental, quality and health and safety areas, which are those most in line with the Company's sustainability choices.

As concerns contractors in particular, also in 2019 all new suppliers were included in an assessment process according to the social and environmental criteria described above. As early as the selection stage, the supplier must certify the existence of any management systems adopted or commit to observing the principles thereof in the absence of specific certifications. In addition, for large-scale works (generally above Euro 500 thousand), the Group ascertains the correctness and authenticity of the suppliers' requirements and qualifications, especially with regard to compliance with laws and regulations, by applying directly to the relevant Authorities and/or bodies.

The systematic use of electronic procedures is aimed at better responding to market needs, at the same time increasing the degree of collaboration between the Group and its partners.

## E-procurement Portal

During 2019, 114 invitations to tender were published on the e-procurement portal for the purchase of goods, services and works for a total amount of approximately Euro 34.7 million, in addition to numerous requests for quotations, relating to purchases of a less significant amount, which occur with "traditional" procedures.

The online supplier register has 1,292 registered and approved subjects to date.

The solutions of the On-line supplier register help the Ascopiave Group to identify - in a very extensive market - the best supply alternatives for its needs under sustainable conditions (in terms of time dedicated to research and assessment, risk management, cost etc.). The information can be collected, approved and evaluated on the basis of objective benchmarks and systematically updated almost automatically so as to guarantee the exchange of information both with the supply markets and with the various contact persons involved. The e-procurement system improves the company's performance also in terms of inventory management costs.

## Value distributed to suppliers

In terms of purchase volume, in 2019 the Ascopiave group collaborated with 805 suppliers, for a total of 4,262 purchase orders and about Euro 46 million invoiced, excluding purchases of gas and electricity.

<b>Number of suppliers and purchase orders</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Number of suppliers	1,676	921	805
Number of purchase orders	5,605	3,935	4,262

If we analyse the wealth distributed to suppliers in order to assess the impact on the local economy, we find that about half of the value invoiced in 2019 refers to local suppliers (i.e. based in North-Eastern Italy). Although Ascopiave does not intend to favour specific categories of suppliers (in terms of their geographical origin), the impact of the Group on the area where its presence is strongest is nevertheless apparent. In 2019, the Ascopiave Group in fact collaborated with 407 local suppliers, which account for 50.6% of the total, for a total invoiced value of approximately Euro 22 million.

<b>Number of suppliers by geographical area</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
North-Eastern Italy	953	489	407
North-Western Italy	544	378	343
Central Italy	77	36	37
Southern Italy and islands	66	3	5
Foreign countries	19	15	13
<b>Total</b>	<b>1,659</b>	<b>921</b>	<b>805</b>

<b>Purchases by geographical area (in thousands of €)</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
North-Eastern Italy	19,963	17,350	22,104
North-Western Italy	11,111	12,800	15,518
Central Italy	7,777	6,227	7,768
Southern Italy and islands	440	192	334
Foreign countries	378	1,118	97
<b>Total</b>	<b>39,669</b>	<b>37,687</b>	<b>45,821</b>

## SOCIAL SUSTAINABILITY

Respect for and development of people

Ascopiave, aware that the main keys to success for every enterprise are its human resources, ensures that human rights are respected, promotes the involvement of staff in the achievement of the company's strategic objectives and recognises the professional contribution of people in a context of loyalty, mutual trust and collaboration, making the most of professional skills through training and development activities.

### The people of Ascopiave

The Ascopiave Group considers people as the main resource for achieving strategic objectives and as a fundamental value for the growth and development of its business and service to the communities involved.

A fundamental element of the managerial approach is accountability at all levels, which takes concrete shape in respect for the roles, in the relationship between the supervisor and the worker and in the work of inter-functional teams. As stated in its Code of Ethics (delivered to all employees at the time of recruitment), Ascopiave undertakes to implement initiatives that make the most of and develop the skills, the creativity and the active participation of its employees, in order to increase their motivation and foster personal growth.

The Group believes that the work and the professional potential are the determining factors for pay and career progression. The selection, recruitment, training, management, development and remuneration policies are strictly based on merit and skills, and an exclusively professional evaluation, without any discrimination. The Group actively commits to ensuring equal opportunities for female employment by developing work-life balance projects.

The activities of the Ascopiave Group are managed in full compliance with the regulations in force on labour, social security contributions, salary, taxes and insurance obligations, and on the prevention of and protection from accidents and occupational safety.

The Group undertakes to disseminate and consolidate the culture of safety at work and to raise awareness of risks by using the resources required to guarantee the health and safety of the recipients, the customers and the communities in which it operates.

The employees, at every level, of Ascopiave and the Group companies are expected to collaborate in order to maintain within the company a climate of mutual respect for the dignity, honour and reputation of everyone.

### Staff characteristics

As of 31<sup>st</sup> December 2019, the human resources employed by the Ascopiave Group amounted to 481 units. Please note that 103 resources, of which 83 men and 20 women, pertain to the company AP Reti Gas Nord Est S.r.l. and joined the Ascopiave Group on 31<sup>st</sup> December 2019.

As regards the companies involved in the operation between Ascopiave and the Hera Group completed on 19<sup>th</sup> December 2019, the agreements signed included guarantees for the benefit of employees, in order to maintain the current employment level and the workplace. No particular critical issues emerged regarding relations with trade unions.

Group Total <sup>2</sup>	2018		2018 Restated		2019	
	Men	Women	Men	Women	Men	Women
Employees	412	266	308	89	376	105
Total	678		397		481	

<sup>2</sup> Note: the column "2018 Restated" shows the data for the year 2018, revised for the purposes of comparison with the 2019 values. The 2018 Restated values do not contain the data relating to the companies of the "Sales" unit, sold during 2019, and include the values of the company Unigas, fully acquired and merged into the company Edigas in 2019. The 2018 Restated values do not include the data relating to the company AP Reti Gas Nord Est, established in 2019, whose employees joined the Ascopiave Group on 31<sup>st</sup> December 2019.

99% of employees are employed on permanent contracts, confirming the Ascopiaeve Group's commitment to guaranteeing a stable working relationship and therefore making the most of the professional contribution of each person within the company. Furthermore, 90% of employees are employed full-time.

The Group does not resort to any atypical contractual forms as it greatly values the professional contribution of each person and commits to building long-lasting relationships based on the principles of loyalty, mutual trust and collaboration.

Total of the Group	2018		2018 RESTATED		2019	
	TEMPORARY CONTRACT	PERMANENT CONTRACT	TEMPORARY CONTRACT	PERMANENT CONTRACT	TEMPORARY CONTRACT	PERMANENT CONTRACT
Men	1	411	0	308	5	371
Women	6	260	1	88	0	105
<b>Total</b>	<b>7</b>	<b>671</b>	<b>1</b>	<b>396</b>	<b>5</b>	<b>476</b>

*Based on the Group's operational areas, all the above figures refer to Italy*

As far as the geographical distribution of employees is concerned, 77.5% work at the Group's offices in Veneto (44% in the province of Treviso and 33.5% in the other provinces of Veneto), followed by Lombardy, Friuli-Venezia Giulia, Liguria, Emilia Romagna and Piedmont.

PROVINCE OF RESIDENCE/DOMICILE	No. of employees 2019
Province of Treviso	212
Province of Padua	82
Province of Vicenza	58
Province of Rovigo	21
Region of Lombardy	57
Region of Friuli Venezia Giulia	30
Region of Liguria	10
Region of Emilia Romagna	6
Region of Piedmont	5
<b>Total</b>	<b>481</b>

As regards female presence within the Companies, about one-third of white-collar workers are women, whereas the small number of women (1) in blue-collar positions is explained by the specific nature of the sector and the activity performed.

Total of the Group	Men			Women			TOTAL		
	2018	2018 RESTATED	2019	2018	2018 RESTATED	2019	2018	2018 RESTATED	2019
Executives	19	13	12	1	1	1	20	14	13
Managers	31	17	21	11	5	5	42	22	26
White-collar workers	229	145	183	252	81	98	481	226	281
Blue-collar workers	133	133	160	2	2	1	135	135	161
<b>Total</b>	<b>412</b>	<b>308</b>	<b>376</b>	<b>266</b>	<b>89</b>	<b>105</b>	<b>678</b>	<b>397</b>	<b>481</b>

The average age of the workforce is medium-high, between 30 and 50 years in 52.8% of cases; employees under the age of 30 account for 3.7% of the workforce while 43.5% are over 50.

Age groups	<30			30-50 included			>50		
	2018	2018 RESTATED	2019	2018	2018 RESTATED	2019	2018	2018 RESTATED	2019
Executives	0	0	0	7	5	4	13	9	9
Managers	0	0	0	22	9	10	20	13	16
White-collar workers	36	18	12	314	133	161	131	75	108
Blue-collar workers	4	4	6	70	70	79	61	61	76
Total	40	22	18	413	217	254	223	158	209

#### Staff recruitment and turnover rate

One element that highlights the solidity of the Group and its commitment to stable and on-going employment is the turnover rate that stands at low and physiological values. In 2019, the turnover rate was 7.5%.

In addition, the Ascopiave Group hired 17 people in 2019, reaching a recruitment rate of 3.53%. As far as age groups are concerned, mostly people between 30 and 50 years old were hired.

*Note: the turnover figures for 2019 do not include the company AP Reti Gas Nord Est, which joined the Group at the end of 2019. The 2018 and 2019 restated values include data from the company Unigas.*

Total of the Group	Recruitments 2018			
Age groups	M	F	Tot.	% tot.
<30 years	10	10	20	50.0%
30-50 years included	16	13	29	7.0%
>50	1	0	1	0.4%
Total	27	23	50	7.4%

Total of the Group	Recruitments 2018 RESTATED			
Age groups	M	F	Tot.	% tot.
<30 years	9	3	12	54.5%
30-50 years included	14	2	16	7.4%
>50	1		1	0.6%
Total	24	5	29	7.3%

Total of the Group	Recruitments 2019			
Age groups	M	F	Tot.	% tot.
<30 years	5		5	27.8%
30-50 years included	8	4	12	4.7%
>50				0%
Total	13	4	17	3.53%

Total of the Group	Terminations 2018			
Age groups	M	F	Tot.	% tot.
<30 years	8	1	9	22.5%
30-50 years included	7	8	15	3.6%
>50	20	2	22	9.9%

<b>Total</b>	<b>35</b>	<b>11</b>	<b>46</b>	<b>6.8%</b>
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<b>Total of the Group</b>	<b>Terminations 2018 RESTATED</b>			
	<b>M</b>	<b>F</b>	<b>Tot.</b>	<b>% tot.</b>
<30 years	4	1	5	22.7%
30-50 years included	4	2	6	2.8%
>50	15	0	15	9.49%
<b>Total</b>	<b>23</b>	<b>3</b>	<b>26</b>	<b>6.5%</b>

<b>Total of the Group</b>	<b>Terminations 2019</b>			
	<b>M</b>	<b>F</b>	<b>Tot.</b>	<b>% tot.</b>
<30 years	1	1	2	11.1%
30-50 years included	5	4	9	3.5%
>50	22	3	25	12.0%
<b>Total</b>	<b>28</b>	<b>8</b>	<b>36</b>	<b>7.5%</b>

*Based on the Group's operational areas, all the above figures refer to Italy*

#### Portion of senior managers hired locally

92.3% of the senior managers (executives) of the entire Group are employed from the local community

	<b>2019</b>
Total number of Group executives	13
Number of executives hired in the Italian region where they work	12
% of senior managers hired locally	92.3%

#### Development and growth of human capital

The development of human resources is one of the fundamental objectives of the Ascipia Group, which is achieved through the direct involvement of employees in the development of training plans upon:

- Recruitment;
- Transfers to other job positions;
- Organisational changes and/or technical/technological innovations that significantly modify the professional content;
- Paths of professional growth

#### Training

<b>TRAINING HOURS 2018</b>	<b>AVERAGE HOURS MEN</b>	<b>AVERAGE HOURS WOMEN</b>	<b>TOTAL AVERAGE HOURS</b>
Executives	4.2	0.0	3.9
Managers	9.5	4.9	8.3
White-collar workers	4.3	3.1	3.7
Blue-collar workers	4.8	0.0	4.7
<b>Total</b>	<b>4.9</b>	<b>3.0</b>	<b>4.1</b>

TRAINING HOURS 2018 RESTATED	AVERAGE HOURS MEN	AVERAGE HOURS WOMEN	TOTAL AVERAGE HOURS
Executives	4.2	0.0	3.9
Managers	13.9	3.7	11.6
White-collar workers	3.9	2.6	3.5
Blue-collar workers	4.8	0.0	4.7
<b>Total</b>	<b>4.9</b>	<b>2.6</b>	<b>4.4</b>

TRAINING HOURS 2019	AVERAGE HOURS MEN	AVERAGE HOURS WOMEN	TOTAL AVERAGE HOURS
Executives	4.6	20.0	5.8
Managers	39.6	7.2	32.8
White-collar workers	24.8	7.8	18.6
Blue-collar workers	23.2	4.0	23.1
<b>Total</b>	<b>24.3</b>	<b>7.9</b>	<b>20.6</b>

Particular attention is paid to constant training and refresher courses for employees and figures specifically dedicated to safety management (persons appointed and supervisors). In 2019, the total training hours (calculated as the sum of all the hours used by all workers) were around 7,800, with an average of 20.6 hours per worker. The courses covered various aspects of health prevention and protection.

Finally, in order to better manage and plan the training activities, the Group has implemented a new training planning and reporting system, which will become fully operational in 2020.

#### Incentive and remuneration policies

The Ascopiave Group promotes the management and motivation of people through incentive and development policies and instruments. To this end, every year the Group defines and plans schemes complementing those deriving from organisational changes and/or contractual automatisms; such schemes are not envisaged in the contract but enhance individual professional skills.

Ascopiave has developed a streamlined and efficient assessment system through which most of the employees periodically receive an evaluation. In this regard, in 2018 a long-term incentive plan was approved, based on performance indicators and the trend of the Group's shares, in favour of executive directors and managerial staff with strategically relevant functions. The adoption of the Plan, called the "2018-2020 long-term incentive plan", was aimed at encouraging and retaining the Ascopiave Group's directors and employees who hold the positions of greater responsibility.

Furthermore, the Ascopiave Group has implemented an incentive system based on objectives (so-called MBO), which envisages a remuneration mechanism according to which the allocation of a variable bonus is dependent on the achievement of corporate and individual objectives. The system aims to consolidate the commitment of the entire organisation to the strategic lines and promote personal development, increasing the accountability and growth of all staff, according to objective and fair criteria.

#### Equal opportunities and corporate welfare

##### EXCERPT FROM THE CODE OF ETHICS

*"All forms of discrimination must be avoided and in particular any discrimination based on race, nationality, gender, age, physical disability, sexual orientation, political or trade union opinions, philosophical views or religious beliefs. Ascopiave and the Group companies undertake to avoid and prosecute any type of harassment in the workplace, interpreting their entrepreneurial role both as the protection of working conditions and the protection of the psycho-physical integrity of the worker, respecting his/her moral personality, avoiding that the latter suffers illicit conditioning or unjustified nuisance."*

The Ascopiave Group does not discriminate in any way its employees and is sensitive to the issues of equal opportunities both as concerns personnel selection and management, and the organisation of work. The Code of Ethics of the Ascopiave Group, in fact, expressly states the Companies' commitment to non-discrimination and equal opportunities; any violation of these rights is recognised as a breach of the Code of Ethics.

Ascopiave pays particular attention to the work-life balance of its workers: specifically, by virtue of a contract which provides for exceptions to the national collective bargaining agreement, the company ensures flexibility for the beginning and end of the working day and allows working mothers with children aged up to 11 to get a part-time job and/or benefit from a more convenient working time.

Employees can also apply for part-time contracts and, at 31<sup>st</sup> December 2019, 48 contracts had been activated (approximately 10% of total), requested in 87.5% by women workers. The Group also offers the opportunity to benefit from the company canteen service even in the case of part-time working hours.

Total of the Group	FULL-TIME			PART-TIME		
	2018	2018 RESTATED	2019	2018	2018 RESTATED	2019
Men	404	302	370	8	6	6
Women	184	57	63	82	32	42
Total	588	359	433	90	38	48

*Based on the Group's operational areas, all the above figures refer to Italy*

In 2019, 10 parental leaves were granted, of which 92% to women. All employees returned to work at the expiration of the leave. 100% of those who returned to work were still employed by the company 12 months later.

PARENTAL LEAVES AND RE-ENTRY RATES			
AS OF 31 <sup>ST</sup> DECEMBER 2018			
NO. OF EMPLOYEES	M	F	T
No. of employees entitled to parental leave	412	266	678
No. of parental leaves granted	2	22	24
No. of workers who returned to work after benefitting from the parental leave	2	22	24
AS OF 31 <sup>ST</sup> DECEMBER 2018 RESTATED			
NO. OF EMPLOYEES	M	F	T
No. of employees entitled to parental leave	308	89	397
No. of parental leaves granted	2	4	6
No. of workers who returned to work after benefitting from the parental leave	2	4	6
AS OF 31 <sup>ST</sup> DECEMBER 2019			
NO. OF EMPLOYEES	M	F	T
No. of employees entitled to parental leave	376	105	481
No. of parental leaves granted	2	8	10
No. of workers who returned to work after benefitting from the parental leave	2	8	10

#### Benefits granted to employees

The Ascopiave Group has defined, with the trade unions of the individual companies, 2<sup>nd</sup> level agreements according to which employees are granted a performance bonus, commensurate with the achievement of a system of indicators of profitability, efficiency, productivity and quality. The agreements envisage the possibility for the beneficiary of receiving the bonus in the form of Corporate Welfare services, benefitting from additional tax and social security advantages. Furthermore, in order to manage the delivery of the services more effectively, the Group has implemented an internal platform for taking advantage of the services. The platform offers a wide range of benefits, ranging from education and training, to social security and health services, to the purchase of other goods and services from suppliers accredited on the platform. Many employees used the

services in 2019: approximately 19% of staff converted a portion of their 2018 performance bonus into their Welfare account.

As additional corporate welfare measures, the Group offers its employees the possibility of benefitting from:

- Contractual Complementary Pension Schemes (Pegaso, Solidarietà Veneto, Previndai Negri);
- Complementary Healthcare Insurance, with the Group's contribution for the gas-water contract staff;
- Welfare plan for all companies according to which employees can use their 2019, performance bonus, increased by 15%, for welfare services (complementary pension scheme, healthcare services, cultural services, baby-sitting, etc.).

## Occupational health and safety

Ascopiave and the Group companies believe that the protection of workers' health and safety is a priority: therefore, the objective is not only to comply with the requirements of the specific applicable regulations, but also to implement actions aimed at the continuous improvement of the working conditions. Safety is promoted within all company activities.

For the Group, the prevention of accidents and occupational diseases is an essential objective of its business activity.

The key elements of the health and safety policy are:

- Measures aimed at increasing the economic value of the company, in full compliance with safety;
- Implementation of activities in full compliance with rules and regulations on the health and safety of workers;
- Continuous training of personnel, in order to raise awareness of the importance of working according to the laws and regulations in force, as well as of the consequences that may affect their own safety;
- Definition and review of quality, safety and environment targets, in order to maintain an adequate control system and provide resources for their achievement.

## BS OHSAS 18001 certification: "Occupational Safety Management System"

The Ascopiave Group has defined guidelines common to all the Group companies in order to promote a Safety Management System complying with the requirements of the OHSAS 18001 standard, increasingly effective and efficient, able to guarantee not only the observance of the mandatory rules but also a continuous improvement, in line with the objectives of the corporate safety policy. The BS OHSAS 18001 certification was obtained in 2011 and reconfirmed again in 2019. The system is fully integrated with those for Quality and the Environment, thus guaranteeing a shared working culture, based on professionalism and efficiency. Thanks to the certified Occupational Health and Safety Management System, Ascopiave is able to monitor the risks related to work, improve performance, make the work environment safer, respect and apply correctly the relevant laws and ensure compliance in the event of inspection. The Ascopiave Group pays particular attention to the analysis of accidents, which allows a detailed report of every type of activity that caused the event. In 2019, there were 9 workplace accidents in total involving operational staff. There was 1 commuting injury. The main accident indexes are described below:

- Frequency index: it reveals the frequency of accidents, i.e. the number of accidents per million hours worked (the greater the index, the greater the frequency of accidents occurred per hours worked);
- Severity index: it shows the number of days lost per thousand hours worked, i.e. the severity of the accidents occurred (the greater the index, the greater the severity of the injuries);
- Occupational disease rate: is the ratio of the number of cases of occupational disease to the total hours worked in the same period, multiplied by 200,000;
- Absenteeism rate: is the ratio of the total days of absence to the total number of workable days in the same period, expressed as a percentage.

The continuous commitment of the Ascopiave Group, combined with the search for continuous improvement, is reflected this year by the data that we derive from the indexes below: accidents remain basically constant, with a decrease in lost days, despite the extension of the scope due to the merger of the company Unigas Distribuzione S.r.l. into Edigas Esercizio Distribuzione Gas S.p.A..

<b>Work Days Lost and Accidents</b>	<b>2018</b>		<b>2018 Restated</b>		<b>2019</b>	
<b>GENDER</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>
<b>No. of accidents at work</b>	<b>10</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>9</b>	<b>0</b>
<b>No. of commuting injuries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>No. of deaths due to accidents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>No. of cases of occupational diseases</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(INAIL)* accident index</b>	<b>13.97</b>	<b>2.6</b>	<b>15.15</b>	<b>0,00</b>	<b>17,35</b>	<b>0,00</b>
<b>(INAIL)* severity index</b>	<b>0.23</b>	<b>0.016</b>	<b>0.34</b>	<b>0,00</b>	<b>0,15</b>	<b>0,00</b>
<b>Occupational disease rate</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>Absenteeism rate</b>	<b>5.81%</b>		<b>0.40%</b>		<b>0.36%</b>	

\* The calculation of the indices excludes commuting injuries

Based on the Group's operational areas, all the above figures refer to Italy

Particular attention is devoted to the constant training and refresher courses for employees and for positions specifically dedicated to safety management (managers and persons appointed). In 2019, the total training hours (calculated as the sum of all hours attended by all workers) were 7,078, with an average of about 18.72 hours per employee. The lessons covered various aspects of prevention and protection and health and safety in the workplace.

#### On-site safety for third-party companies

In order to also improve the safety conditions of the personnel of the supplier companies working in our offices and plants, the Ascopiave Group has established specific procedures that govern their access and operation. Third-party companies must inform the Ascopiave Group of any accidents in which their staff is involved during their work at the company's sites.

Since 2016, the Contract Conditions require the parties to "open" contracts for connections, maintenance and network expansions to provide the statistics relating to the accidents occurred during the year on the sites under the responsibility of the Ascopiave Group.

In 2019, there were 6 accidents on site, a figure emerging from the 13 companies involved in the works.

Furthermore, the Ascopiave Group also involves the suppliers who work at its sites in safety training: courses, updates and meetings are addressed to the employers/managers when the work starts and whenever the specific nature of the work requires it.

## CUSTOMERS AND CITIZENS SERVED

### Customers and markets served

The Group's customers are predominantly families, followed by entities and condominiums, businesses and professionals, shops, artisans and large companies. Thanks to its broad customer base and the quantity of gas sold, the Group is currently one of the main operators in the industry at a national level.

The Ascopiave Group continues working towards the achievement and maintenance of high quality standards of the service offered to end customers, sales companies and licensor Municipalities; these operations and services feature complex plant design, construction and management stages, which require high professionalism and careful monitoring of the conditions of service, as well as periodic maintenance to guarantee safety and efficiency over time in compliance with the applicable regulations.

The Ascopiave Group's primary objectives are:

- To maintain the highest level of quality of the gas and energy supply service, in compliance with the requirements set by AEEGSI;
- To ensure an efficient and safe gas distribution network without service downtime.

These commitments are based on the desire to lead the company towards an excellent service in order to become a high quality and dynamic partner able to meet the specific needs of the various customer segments. For this reason, the company's activity is constantly aimed at improving its business with investments based on innovative and pioneering services for the benefit of the community.

As a consequence, one of the Group's priorities is to ensure honest and clear trade communications, based on the correctness of the commercial conduct of its own staff and external business partners and on the preparation of transparent and competitive offers in the free market, combined with campaigns dedicated to families.

The Group owns concessions and direct assignments for the management of distribution activities in 268 Municipalities, supplying the service to a market segment of 775,000 inhabitants, through a distribution network which spreads over 12,000 kilometres.

The sale of natural gas is performed through different companies, some under joint control. Overall, in 2019 the companies of the Group sold over 1 billion cubic metres of gas to end users.

The Ascopiave Group maintains relationships with the customer through different channels, working on the quality of the service, safety, appropriate commercial offers with particular attention to the needs of families and on the help to the local community.

Thanks to shared values which are determining for its growth, the Ascopiave Group is close to the territory, to the municipal administrations and to local associations, contributing to their sustainable social and environmental development. With this set of intentions, the company wants to contribute to the growth of the surrounding area while respecting sustainability and implementing environmentally friendly solutions in order to make the community aware of energy saving, safety and respect for the environment. With a penchant for volunteering, the Group also supports socially valuable initiatives, bringing tangible aid to citizens and trying to assist the most disadvantaged categories through concrete tools for granting subsidies.

The Ascopiave Group is a major industrial company, attentive to people, social issues and local needs.

The development of technological innovation projects has also led the Company to evolve towards efficiency and saving, confirming an excellent service quality that exceeds the standards established by the Authority for Electricity, Gas and the Water System (AEEGSI).

In 2019, the Ascopiave Group served over 700 thousand users of gas and electricity services. 85% of customers use gas services, while 15% electricity services.

### Quality, safety and continuity of service

Service quality indicators represent, in qualitative and quantitative terms, the performance levels of the service provided. They concern:

- Commercial quality (mainly relating to the ability to perform rapidly activities such as the preparation of quotations and the execution of works at the end customers' premises, the activation and deactivation of the supply, timeliness in personalised appointments);

- Technical quality (emergency response times, number of checks performed for odorization and percentage of network inspected).

Below are the results considered satisfactory by the Ascopiave Group in 2019 for each of the quality indicators established:

Service Quality Indicators	2018	2019
Compliance with the maximum time set for rendering services under specific commercial quality standards	99.55%	98.34%
Punctuality in appointments agreed with the end customer	99.99%	99.96%

#### Facility inspection plan

The Group's attention to plant safety and service continuity is demonstrated by the increasingly concrete commitment to prevention, through inspections on the distribution network as summarised in the following table:

Inspections and leakages of the gas network	2018	2019
No. of checks performed for odorization	1,355	1,337
% of high and medium pressure network inspected of total	76.2%	92.84%
% of low pressure network inspected of total	78.5%	91.76%

During 2019 there were no accidents related to the company facilities involving the population and the community.

#### Intervention plan

Since 1969, when the Ascopiave Group began equipping the territory with methane facilities and networks, a highly qualified team of engineers and technicians has been applying the most forward-looking technologies in order to guarantee high quality standards in the construction of distribution networks and systems. The design phase is characterised by the use of technologically advanced IT tools and state-of-the-art equipment for the simulation of fluid dynamics configurations in the entire network. This allows us to:

- Ensure the optimal use of the networks, through the correct configuration of the pressures and design the components of the entire network, so as to guarantee continuity of supply even in any "out of order" situations of some plants;
- Forecast the need to adjust the pipeline supply capacity;
- Plan effective network replacements so as to adapt them to the local emerging urban/industrial development needs.

Upon building the facilities, the Ascopiave Group has always adopted the most advanced construction solutions, technologies and equipment, and entrusted the construction to contractors with proven experience in the sector and proportionate skills. Supply continuity, by-pass works and no-dig techniques are just some of the measures taken to ensure an efficient and effective service and a safe management of the construction sites.

#### Emergency service

The Group offers an Emergency Service to solve problems related to the supply of gas on the networks managed, such as leaks or seepage, interruptions or irregularities in supply, and damage to the distribution facilities. The service is completely free both from the landline and mobile phones and is available 24 hours a day, every day of the year.

All the calls received are recorded and their outcome is monitored.

Gas Emergency Service	2018**	2019
% of answers within 120 sec.	99.7%	99.64%
% of calls with intervention compliant with the standard*	98.68%	99.17%
Average time taken to arrive on site (minutes)	40.3	38.48

\* 60 minutes on average, but for some plants the standard envisages different deadlines

\*\* Data do not include the company Unigas Distribuzione S.r.l.

### **Emergency management plan**

The Ascopiaeve Group has adopted a “Plan for handling gas emergencies and accidents” which defines the responsibilities, objectives, activities, organisational structure and methods for collecting, recording and transmitting the information needed to ensure a rapid and effective management of emergency situations or accidents involving the gas distribution service. An emergency is defined as any event that involves the gas distributed through a network, which may result in serious and/or extensive effects on safety and the continuity of the distribution service. The definition also applies to any event that causes the interruption of the gas supply to at least 250 end Customers without notice when the supply is not reactivated within 24 hours from the start of the interruption.

In 2019 there were no gas incidents or emergencies.

## TERRITORY AND COMMUNITY

### Social commitment

The Ascopiave Group has a company policy that expresses a strong focus on the territory and the local community with a vision based on social commitment, solidarity, support for non-profit groups and Associations which, in agreement with the Municipalities, work in favour of the community.

Distribution of sponsorships and donations by area

Donations in favour of local community associations by the distribution company:

2019		
Type of activity	Total disbursed (€)	No. of subjects
Health and prevention	2,000.00	1
Community and assistance	20,500.00	11
Culture, history, traditions	63,000.00	35
Sports	19,500.00	13
Environment	1,500.00	1
Emergencies	52,500.00	2
<b>Total</b>	<b>159,000.00</b>	<b>63</b>

Many actions and initiatives are aimed at the above, supported by Ascopiave, but also by the other companies of the Group, with a view to cooperation with the community.

The Groups contributes in many ways: involvement in projects for supporting the communities, also in partnership with local organisations, aimed at addressing significant issues both for the territory and for the Group; medium-long term actions related to community development and relations with associations operating in the social, welfare, environmental and cultural fields, with foundations and research institutes; support to municipalities to help low-income groups, support educational, cultural and sporting activities, children coming from disadvantaged families, help or assist the elderly or people with disabilities, contribute to the purchase of vehicles or equipment to promote the removal of architectural barriers or public health and more.

Ascopiave communicates with the territory through various means and the main areas of intervention at a social level are the following:

- Health and prevention: activities in support of health and prevention in general, including activities to foster medical and scientific research and training;
- Community and assistance: support for non-profit associations or organisations that work on social issues and initiatives aimed at assisting disadvantaged and financially struggling people; solidarity and interventions in the social and welfare field;
- Culture: cultural, artistic and musical initiatives with a strong educational focus, initiatives to promote local specialties and actions aimed at preserving and capitalising on the artistic, historical and cultural heritage of the territories in which the Group operates;
- Sports: support for sporting initiatives that embody universal values such as dedication and commitment to improve the physical condition, as an aid to socialisation, as an education factor, as an example of respect and loyalty;
- Environment: support for initiatives for the protection of the environment and to raise awareness of issues such as resource saving and the reduction of environmental impacts.
- Emergencies: contributions to support and aid populations that have suffered damages as a result of natural disasters, conflicts, etc.

### Relationships with schools

The Ascopiave Group constantly hires apprentices from high schools and local and foreign universities, who generally attend engineering and economics courses.

The Ascopiave Group offers students and new graduates the possibility of integrating or completing their studies with in-company training, aimed at acquiring first-hand experience of the professional world.

The Ascopiave Group has also been supporting for years the “Man, energy and environment in history” contest organised by Bim Piave Consortium, based in Treviso, which in 2019 was dedicated to “The climate changes, the climate has changed. What to do?” In a quarter century, 12,000 elementary and middle school students were involved in the contest, now in its 25<sup>th</sup> edition.

## ENVIRONMENTAL SUSTAINABILITY

### Fundamental values and Environmental policy

The set of values, the corporate ethical principles and the behavioural rules set out in the Code of Ethics inspire every day the activity of all of those who work, as employees or independent contractors, within the Group's sphere of action.

The Environmental Policy was adopted by the Parent Company and by the two leading distribution companies. Integrated into Quality and Safety, it expresses the principles and values in the environmental area adopted by the Parent Company Ascopiave and consisting in:

- Sensitivity to ecological issues that limit the impact on the environment of activities and services;
- Research and development of technologies aimed at safeguarding resources and reducing the environmental impact and related risks.
- Deep respect for the environment in providing the service, by optimising the management of special waste and the consumption of the resources used (water, fuels and energy);
- Constant compliance with legal standards and requirements for the protection of the environment and risk prevention for the safeguard of the environment in direct processes (employees) and in indirect ones, entrusted to suppliers and contractors;
- Continuous training of personnel, so that they are aware of the importance of working according to the laws and regulations in force, as well as of the consequences that may affect both their own safety and the surrounding environment;
- Definition and review of specific environmental objectives, maintaining an adequate control system and providing the resources needed to achieve them.

### Environmental protection and rational use of energy

In accordance with a development model compatible with the territory and the environment, Ascopiave undertakes to manage its processes according to principles of environmental protection and efficiency, through the identification, management and control of its environmental aspects, as well as through the rational use of energy resources. Ascopiave is a large enterprise operating on the national scale whose daily objective is to distribute energy, in addition to providing services to the community minimising the environmental impact of its activities also thanks to serious and careful research, technological developments and investments.

UNI EN ISO 14001 Certification "Environmental Management Systems"

#### Distribution SBU Certification

Our sensitivity to ecological issues, combined with the indirect economic benefits resulting from choices that limit the impact on the environment of the activities and services rendered, were decisive factors for the decision to adopt an Environmental Management System, primarily for the activity of methane gas distribution.

The decade-long and considerable experience with the Quality Management System has motivated the Ascopiave Group in the pursuit of the Environmental Management System certification and the Occupational Health and Safety certification: the joint certification of Ascopiave for the activity of methane gas distribution was obtained in October 2011. The Integrated Certification was then transferred to the subsidiary AP Reti Gas S.p.A. on 1<sup>st</sup> July 2016 subsequent to the transfer of the business unit.

On 3<sup>rd</sup> April 2017, Ascopiave acquired 100% of the share capital of Pasubio Group S.p.A. which subsequently changed its name to "AP Reti Gas Vicenza S.p.A.", acquiring the pre-existing integrated Quality, Safety and Environment certifications, duly transferred.

The UNI EN ISO 14001 Environmental Management System, integrated with the Quality and Occupational Health and Safety systems, certifies that the organisation is committed daily to such issues: this choice guarantees constant commitment to the improvement of environmental performance and the constant review of the main documents for the analysis and assessment of environmental risks by the Parent Company and the two certified companies dealing with methane gas distribution: AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A..

These operating practices and procedures are also strictly applied by the other two Distribution Companies of the Grou: AP Reti Gas Rovigo S.r.l. and Edigas Esercizio Distribuzione Gas S.p.A..

#### **Ascopiave Parent company certification**

On 12<sup>th</sup> March 2018, the Parent Company Ascopiave obtained the Certifications attesting that its Management Systems are compliant with the reference standards UNI EN ISO 9001, BS OHSAS 18001, UNI EN ISO 14001, in relation to the following scope: "Provision of services for the Group companies Ascopiave".

For ISO 14001, Ascopiave has adopted a simplified Environmental Analysis, because of its scope, limited to administrative services, and the reduced environmental impacts pertaining to civil buildings (soil, water, emissions, special waste, energy and fuel consumption).

#### **Company's fleet**

The Ascopiave Group has 262 corporate vehicles powered by diesel fuel and gasoline.

Considering that Ascopiave operates locally, the impact on vehicular traffic linked to its fleet can be considered negligible: nevertheless, the Group constantly monitors fuel consumption. Overall, consumption was around 375 thousand litres, recording a proportional increase in consumption, due to the acquisition of AP Rete Gas Vicenza's fleet, in addition to the full merger of Unigas into Edigas.

<b>Total of the Group</b>			
<b>FUEL CONSUMPTION (in thousands of litres)</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Gasoline	13	15	15
Diesel fuel	377	321	360
Bifuel	3	-	-
<b>Total</b>	<b>393</b>	<b>336</b>	<b>375</b>

As far as the Group's fleet is concerned, in 2019 the portion of vehicles in the efficiency category EURO 6 increased to 34%.

<b>Total of the Group</b>				
<b>VEHICLE TYPE</b>	<b>NO. OF VEHICLES</b>	<b>% EURO CATEGORY</b>		
		<b>% EURO 6</b>	<b>% EURO 5, EURO 4</b>	<b>% EURO 3, 2, 1 and 0</b>
Diesel fuel	238	34% (82 vehicles)	63% (149 vehicles)	4% (7 vehicles)
Gasoline	8	-	88% (7 vehicles)	13% (1 vehicle)
Bifuel	16	13% (2 vehicles)	88% (14 vehicles)	-
<b>Total</b>	<b>262</b>			

## Energy management and emissions

In 2019, the activity for updating the Energy Diagnosis by EGE (expert in energy management) continued with the collection and reporting of the Group's energy data, pursuant to the provisions of Italian Legislative Decree 102/2014 art. 7-8, and the preparation of a new Energy Diagnosis for all the companies belonging to the Ascopiave Group. During the period over which the systems were monitored and reported, some areas for improvement were detected in the production of thermal energy in the structure dedicated to the headquarters, planning the refurbishment of the external coating of the main building of the registered office, in addition to the possible replacement of some obsolete heat generators. The existing photovoltaic system is expected to double in 2020.

Total of the Group	2018	2018 RESTATED	2019
Natural Gas (Sm <sup>3</sup> )	2,777,108	2,297,523	2,130,518
Car fuel - Diesel fuel (lt)	377,130	321,109	360,016
Car fuel - Gasoline (lt)	15,434	14,643	15,255
Electricity purchased (kWh)	3,319,579	3,227,800	3,070,883
Electricity produced by solar panels (kWh)	226,627	226,627	214,199

Total of the Group	2018	2018 RESTATED	2019
Natural Gas (GJ)	99,901	80,995	75,107
Car fuel - Diesel fuel (GJ)	13,543	11531	12,928
Car fuel - Gasoline (GJ)	496	470	490
Electricity purchased (GJ)	11,950	11,620	11,055
Electricity produced by solar panels (GJ)	816	816	771
<b>TOTAL ENERGY CONSUMPTION (GJ)</b>	<b>126,706</b>	<b>105,432</b>	<b>100,351</b>

### Electricity produced by solar panels

In line with its commitment to reducing environmental impacts, in June 2011 the Group put into service a photovoltaic station, integrated into the roof of the building used as a warehouse/archive for the exclusive use of the registered office.

In 2019, the amount of self-produced electricity was equal to 214 thousand kWh, a slight decrease as compared to 2018, essentially due to less radiation and some accidental breakdowns that occurred to the plant; this resulted in a decrease of 1% in self-consumed energy compared to 2018. Despite this, however, the consumption of gas and electricity decreased thanks to prudent actions to rationalise consumption.

	2018 GJ	2018 RESTATED GJ	2019 GJ
Self-produced quantity	816 GJ	816 GJ	771 GJ
Self-consumed %	98%	98%	97%

### District heating/Cogenerators

In 2019, the total methane consumption for the Dolo/Mirano (VE) plant, amounted to 355 thousand Sm<sup>3</sup>, producing 1,176 thousand kWhe of electricity in total, and a total thermal production of 1,618,000 kWht. Despite a significant decrease in production due to the sale of the Lavena Ponte Tresa plant because of the expiry of the agreement, production efficiency was

maintained, in high-efficiency cogeneration mode, of thermal and electrical energy, thus increasing the efficiency ratio of gas consumed to energy produced ≥ 80%.

<b>Methane consumption [thousands of Sm3]</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Cogenerator in Lavena Ponte Tresa (VA)	18	18	0
Cogenerators CA' TRON - Dolo (VE)	75	75	53
Cogenerators BELLA MIRANO - Mirano (VE)	56	56	54
Cogenerators LE CIME - Mirano (VE)	266	266	248
<b>Electricity produced [thousands of kWhe]</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Cogenerator in Lavena Ponte Tresa (VA)	51	51	0
Cogenerators CA' TRON - Dolo (VE)	227	227	161
Cogenerators BELLA MIRANO - Mirano (VE)	169	169	165
Cogenerators LE CIME - Mirano (VE)	894	894	850
<b>Thermal energy produced [thousands of kWht]</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Cogenerator in Lavena Ponte Tresa (VA)	65	65	0
Cogenerators CA' TRON - Dolo (VE)	377	377	292
Cogenerators BELLA MIRANO - Mirano (VE)	286	286	286
Cogenerators LE CIME - Mirano (VE)	1134	1134	1040

<b>Methane consumption [GJ]</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Cogenerator in Lavena Ponte Tresa (VA)	635	635	0
Cogenerators CA' TRON - Dolo (VE)	1,833	1,833	1,868
Cogenerators BELLA MIRANO - Mirano (VE)	1763	1763	1,904
Cogenerators LE CIME - Mirano (VE)	9,413	9,413	8,743
Total methane consumption	13,643	13,643	12,515
<b>Electricity produced [GJ]</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Cogenerator in Lavena Ponte Tresa (VA)	184	184	0
Cogenerators CA' TRON - Dolo (VE)	554	554	580
Cogenerators BELLA MIRANO - Mirano (VE)	558	558	594
Cogenerators LE CIME - Mirano (VE)	3,164	3,164	3,060
Total electricity production	4,460	4,460	4,234
<b>Thermal energy produced [GJ]</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>

Cogenerator in Lavena Ponte Tresa (VA)	234	234	0
Cogenerators CA' TRON - Dolo (VE)	698	698	1.051
Cogenerators BELLA MIRANO - Mirano (VE)	965	965	1.030
Cogenerators LE CIME - Mirano (VE)	4,417	4,417	3,744
Total thermal energy produced	<b>6,584</b>	<b>6,584</b>	<b>5,825</b>
<b>Production efficiency [(kWhe+ kWht) / kWh comb.] %</b>	<b>2018</b>	<b>2018 RESTATED</b>	<b>2019</b>
Cogenerator in Lavena Ponte Tresa (VA)	66	66	0
Cogenerators CA' TRON - Dolo (VE)	84	84	87
Cogenerators BELLA MIRANO - Mirano (VE)	86	86	85
Cogenerators LE CIME - Mirano (VE)	80	80	79

The efficiency of the cogenerators combined with district heating has made it possible to save 37 TEP TOEs (tons of oil equivalent).

## Energy efficiency initiatives

### Enhancement of the efficiency of the Ascopiave Group headquarters in Pieve di Soligo

With the aim of making the Group's headquarters more energy efficient, in 2019 the process for improving the efficiency of the lighting system of the Ascopiave Group's registered office continued. Specifically, entire sections of the external lighting system switched to LED technology, both as regards wall and pole lamps, as indicated in the diagram below:

AREA	NO. LAMPS REPLACED	PREVIOUS CONSUMPTION (per lamp)	CURRENT CONSUMPTION (per lamp)
EXTENSION	30	35W	7.5W
UNITS A-B	15	18W	7.5W
UNITS X	13	60W	15W

The Ascopiave Group has pursued the objectives set for energy savings through interventions on customers, initiatives within the company and the plants and through the purchase of Energy Efficiency Certificates (TEE), while continuing to promote efficiency.

2019 benefitted from some existing energy efficiency projects:

- Efficiency improvement project relating to the renovation of the external envelope of two nursing homes, one in Treviso and one in Pieve di Soligo.
- Efficiency improvement project relating to the public lighting system in the Municipality of Vidor (TV)
- Efficiency improvement project relating to the public lighting system in the Municipality of Coseano (UD)

GROUP COMPANY	DESCRIPTION OF ACTION IMPLEMENTED IN 2019	QUANTIFIED SAVINGS OF TOEs and/or CO <sub>2</sub> equivalent emissions
Ascopiave S.p.A.	Enhancement of the efficiency of nursing homes	60 TOEs/142 ton CO <sub>2</sub> equivalent
Ascopiave S.p.A.	Enhancement of the efficiency of public lighting system	108 TOEs/184 ton CO <sub>2</sub> equivalent
Ascopiave S.p.A.	Replacement of headquarters' heat pump	8 TOEs/14 ton CO <sub>2</sub> equivalent
Asco Energy	Cogeneration	37 TOEs/87 ton CO <sub>2</sub> equivalent

During 2019, Ascopiave developed its Research and Development sector, creating a new company called Asco Energy S.p.A., born from the reorganisation of the company Veritas Energia S.p.A.. The new structure has acquired, together with the Research and Development Division, the ESCO UNI 11339 Certification, a new ISO 9001-2015 accreditation, for the activities of efficiency improvement, management and construction of thermal and electric plants, district heating. The new enterprise, under the guidance of the parent company's Research and Development Division, was entrusted with the task of developing energy efficiency projects, performing energy efficiency certificates transactions on behalf of all the companies of the Group which have to comply with such obligation, and identifying new business opportunities in the energy field. In 2019, Asco Energy performed TEE transactions in favour of the group's companies to which the obligation applies, for a quantity equal to 79,675 TEEs.

The organisation was equipped, in affiliation with the Parent company's Research and Development Division, with high-level technical staff, in particular figures specialising in the field of Energy Efficiency and Project Management, and EPC. The structure thus has several graduates in industrial engineering and economics, who are EGE certified according to the UNI CEI 11352 standard for the Industrial and civil sector, EMAS certified as "NACE code 84.11 Environmental Reviewer Consultant", Lead Auditor of Management Systems for the Environment UNI EN ISO 14001. The employees are guided by executives, graduates with proven experience, specialised in managerial engineering.

The Research and Development Division renewed, on behalf of Asco Energy, the UNI CEI 11352 certification for ESCO companies.

In 2019, the new company participated, in aggregated mode, in a call for tenders issued by the Municipality of Treviso, for the improvement of the entire public lighting network in the municipal area. The extent of the project can be inferred from the 11,810 light fixtures to be replaced in order to save, as forecast in the public tender, 3,969,000 kWh per year.

In 2018, the project concerning the local production and injection into the network of biomethane extracted from the biodegradable fraction of urban solid waste was revised and approved. The revised and re-proposed project envisages the optimisation of the local municipal waste collection chain, through the recovery and production of biofuel in compliance with the provisions of Italian Ministerial Decree dated 5<sup>th</sup> December 2013. The original project envisaged the treatment, at the collection site, of 43,000 tons of biodegradable waste, assuming an annual production of 2,000,000 Scm of biomethane. The revised project involves the production of 4,000,000 Scm of biomethane, about half of which to be injected directly into the urban distribution networks, while the remaining 2,000,000 Scm would be allocated to the production of bio-LNG (Liquid Natural Gas), to be sold to the local goods transport sector, minimising the negative externalities (CO<sub>2</sub>) produced locally.

In mid-2019, the biomethane production project was presented, as a project financing proposal, to the local public company responsible for managing the collection and disposal cycle of solid urban waste.

#### Cogeneration / District Heating

The Group has managed cogeneration plants and the respective district heating networks serving around 700 civil, commercial and public customers and some thermal plants serving condominiums.

These plants contribute to the improvement of air quality in the urban centres in which they are located because, thanks to their construction, the installation of individual thermal facilities is avoided (the latter are certainly less efficient both in terms of consumption and CO<sub>2</sub> emissions). With district heating, heat production is centralised in more efficient and better controlled stations than domestic boilers. Control is continuous, both as concerns combustion processes and atmospheric emissions.

In 2019, the most significant plants managed by the Group, in terms of environmental friendliness, were four:

- The “Le Cime” plant in Mirano (Venice): this is a trigeneration plant, operating in winter for the supply of thermal energy for heating the connected customers and in summer to supply the absorber for the production of refrigeration energy for cooling the same customers. The plant benefited from the incentive deriving from the Green Certificates which in 2014, the last year of the incentives, produced 294 green certificates. At the end of 2016, another 51 customers of a new real estate complex built near the station were connected, allowing in 2017 the improvement of its overall efficiency, avoiding the installation of 51 new single-family boilers and their respective CO<sub>2</sub> emissions.
- The “Bella Mirano” plant in Mirano (Venice): it provides thermal energy in district heating and electricity to the grid. The plant in 2015 recorded an increase from 89% to 100% in the saturation of connected residential customers. During 2017, the saturation level remained unchanged. Thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5<sup>th</sup> September 2011, the company obtained, as in 2019, 18 TEEs (energy efficiency certificates) equal to 18 TOEs saved (tons of oil equivalent);
- The “Cà Tron” plant in Dolo (Venice): in the cogeneration station combined with the district heating grid, compared to last year, the degree of saturation of users remained unchanged. In 2017, thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5<sup>th</sup> September 2011, 19 TEEs (energy efficiency certificates) were achieved, equal to 26 TOEs saved (tons of oil equivalent), increasing by 90%;
- The “S. Silvestro” plant in Vetręgo di Mirano (Venice): in operation since 2014, it is our first thermal system, completely powered by renewable sources. In 2019, the plant produced about 101 MWh of thermal energy, allowing a saving of about 10 TOEs (tons of oil equivalent), thanks to the use of “renewable” fuel; the balance of CO<sub>2</sub> emissions is zero.

NAME OF PLANT MANAGED IN 2019	DESCRIPTION	QUANTITY OF ENERGY PRODUCED (kWh)	WHITE CERTIFICATES GENERATED
CIME	Trigeneration plant combined with district heating	1,890,207	0
BELLA MIRANO	Cogeneration plant combined with district heating	450,986	18
CA TRON	Cogeneration plant combined with district heating	453,038	19

## Emissions

The following table shows the main CO<sub>2</sub> emissions generated in 2019 by the Ascopiate Group:

Total of the Group	2018	2018 RESTATED	2019
<b>Direct and Indirect emissions</b>			
<b>Scope 1</b>	Tons CO <sub>2</sub> EQ	Tons CO <sub>2</sub> EQ	
Natural Gas	5,454	4,531	4,201
Diesel	954	851	954
Gasoline	31	31	36
<b>Total Scope 1</b>	<b>6,439</b>	<b>5,413</b>	<b>5,192</b>
<b>Scope 2 - Location Based</b>			

<b>Electricity purchased</b>	<b>1,056</b>	<b>1,027</b>	<b>977</b>
<b>Scope 2 - Market Based</b>			
Electricity purchased	1,582	1,538	1,463
Electricity from renewable sources	-108	-108	-102
<b>Total Scope 2 Market based</b>	<b>1,474</b>	<b>1,474</b>	<b>1,361</b>

Sources used:

- The data relating to electricity and gas consumption in 2019 were extracted from the billing system of the energy sales companies. For the first seven months of the year, consumption was invoiced consistent with actual consumption, while for the remaining three months the figure is assumed on the basis of the consumption of the previous year, and will be adjusted by March 2020. The indicators and sources of reference listed below referring to 2019 have not been published yet by the bodies in charge, so the 2018 indicators have been used temporarily.
- Data from ISPRA publication no. 280 2018 "Atmospheric emission factors of CO<sub>2</sub> and other greenhouse gases in the electricity sector" [www.isprambiente.gov.it](http://www.isprambiente.gov.it)
- Data from MISE publication dated 28<sup>th</sup> February 2017 "Monitoring of greenhouse gas emissions for the period (2013-2020) for stationary plants" <http://www.minambiente.it/pagina/monitoraggio-delle-emissioni-di-gas-ad-effetto-serra-il-periodo-2013-2020-gli-impianti>
- Figures contained in the publication in the monthly magazine Quattroruote of 11<sup>th</sup> January 2017 "Consumption and emissions: updated data and everything you need to know" [http://www.quattroruote.it/news/eco\\_news/2010/01/15/consumi\\_ed\\_emissioni\\_per\\_capi\\_re\\_di\\_pi%C3%B9.html](http://www.quattroruote.it/news/eco_news/2010/01/15/consumi_ed_emissioni_per_capi_re_di_pi%C3%B9.html)
- Year 2018: emission factor relating to Italy's national "residual mix" equal to 476.53 gCO<sub>2</sub>/kWh (Source: European Residual Mixes 2017 Version 1.13, 2018-07-11).

## Waste management

### Production and storage of Special Waste

The Ascopiave Group uses a specific IT programme to support and standardise the management of Special Waste for all Group companies that handle Special Waste. The Parent Company and all the distribution companies are involved in this practice, while Asco Energy is the only exception: its special waste is produced and disposed of by the external suppliers entrusted with ordinary and extraordinary maintenance.

This type of management has succeeded in standardising both document registration and filing practices and the annual MUD (unified form of environmental declarations)<sup>3</sup>.

The waste generated during the various production stages is collected in special containers, chosen according to their type (barrels, garbage bins, bags, boxes, etc.), adequately identified and stored in areas specifically defined in order to avoid dispersion into the environment (Temporary Storage). Where applicable, the Group has extended the registration in the SISTRI (waste traceability control system) to all the Sites that produce hazardous waste, namely all the sites that manage the production and disposal of Special Waste (even in small quantities).

### ECOBOX for the disposal of used toner cartridges

Used toner cartridges are disposed of through ECOBOX.

The consolidated practice, used for over two years now, is supported by a specific Operating Instruction, included in the Ascopiave Integrated Management System and adopted by all Group companies that use rented printers contracted by the Parent Company.

<sup>3</sup> Defined as the unified form of environmental declarations; the declaration is the annual report of the loading and unloading registers of special waste.

Two different periodic delivery methods have been defined, which have in common the supply of the ECOBOX and the deadline, at least annual:

- ❖ Agreements with the inter-municipal Centres for Differentiated Waste Collection (CERD):

for the ecological disposal of used toner cartridges of the company's photocopiers;

- ❖ Agreements with private companies in the absence of a public collection service:

in the absence of such agreements the Ascopiave Group has defined a procedure according to which waste is collected by a private company authorised to transport waste, with the formalisation of a specific "private agreement"; unlike the procedure with local cooperatives, the collection involves the preparation of the form (FIR).

Thanks to ECOBOX, the Administrative Offices and the local offices do not have to manage the two EWC codes (080318 - 160216) as "Special waste", and the Loading and unloading register does not apply to the Group's companies.

In 2019, only the former company UNIGAS registered this EWC code in the loading and unloading register of the Nembro registered office (the company was an "investee" of the Group).

#### **Recovery and disposal of Special Waste**

The waste is collected and sent to recovery or disposal operations within the expiration date of the Temporary Storage chosen by the waste producer (quarterly or annual frequency). Currently, for the Ascopiave Group, only the Warehouse of AP Reti Gas Headquarters needs to respect a quarterly expiration for its Temporary Storage. The other Storages, among which Ascopiave's registered office, maintain an annual frequency.

The Group Companies, namely Ascopiave and the distribution companies, deliver the special waste to the authorised disposal or recovery facility via accredited transporters: once the suppliers have been approved subsequent to the verification of the required qualifications, the periodic renewal of the Authorisations is monitored and updated by using software dedicated to special waste management.

Both AP Reti Gas and AP Reti Gas Vicenza are authorised by the Register of Environmental Managers to transport their own non-hazardous special waste to the Authorised Recovered Facility. In 2019, AP Reti Gas delivered directly to the Authorised Recovered Facility (6 journeys) 1,300 kg of paper and cardboard packages in total (EWC 150101) produced at the Sandrigo site (the Group's total annual production was 15,330 kg, or 9.5%).

The transportation of the remaining quantities of special waste produced by the Group to the authorised Destination Facilities, exclusively in the Italian territory, took place through accredited companies (National Register of Environmental Managers for transportation).

Asco Energy did not produce special waste in the 2017-2019 three-year period, as the waste produced in the maintenance activities of the plants operated is disposed of by outsourced Contractors, as highlighted in the specific Maintenance contracts. In the three-year period 2017-2019, no complaints/reports were received about this environmental aspect from the parties involved, and no critical issues regarding the disposal of waste were recorded.

<b>Total of the Group 2018</b>					
<b>kg</b>	<b>Recovered</b>	<b>Recycled</b>	<b>Disposed of</b>	<b>Total</b>	<b>%</b>
Non-hazardous	342,968	0	3,422	346,390	98.6%
Hazardous	4,830	0	6	4,836	1.4%
<b>Total</b>	<b>347,798</b>	<b>0</b>	<b>3,428</b>	<b>351,226</b>	
<b>%</b>	<b>99.0%</b>	<b>0%</b>	<b>1.0%</b>	<b>100%</b>	

<b>Total of the Group 2019</b>					
<b>kg</b>	<b>Recovered</b>	<b>Recycled</b>	<b>Disposed of</b>	<b>Total</b>	<b>%</b>
Non-hazardous	224,688	0	3,373	228,061	99.2%
Hazardous	1,880	0	0	1,880	0.8%
<b>Total</b>	<b>226,568</b>	<b>0</b>	<b>3,373</b>	<b>229,941</b>	
<b>%</b>	<b>98.5%</b>	<b>0%</b>	<b>1.5%</b>	<b>100%</b>	

The percentage of "Recovered" Waste in the three-year period is confirmed at 99%.  
Special cases of territorial exceptions for the provision of EWC codes as "disposal":

- in the two-year period 2018/2019, AP Reti Gas Vicenza delivered 100% of the EWC 150106 production (mixed packaging) to the Schio waste-to-energy plant: in 2019, the incidence was 14.3% of the Group total; normally this type of waste is always “recovered”, both in the Ascopiave Group and in the national territory.
- some warehouses in the Lombardy/Piedmont Area of the companies AP Reti Gas and Edigas, in 2019 delivered the hazardous waste EWC 150111\* for disposal (D15), for a percentage of 4% of the Group's total production; normally this type of waste is always “recovered”, both in the Group and in the national territory.

The main categories of special waste produced by the Group, having a greater impact in terms of quantity, are:

EWC Code	Type of Special Waste	2018 %	2019 %
150101 - 200101	Paper and cardboard packages / paper and cardboard	9.0%	9.5%
150103 - 170201	Wooden packaging / wood	3.4%	5.4%
160213* - 160214	Waste of electrical/electronic equipment	4.5%	5.4%
150106	Mixed materials packaging	3.1%	7.1%
170402	Aluminium	50.6%	41.9%
170405	Iron and steel	26.6%	28%

All Hazardous special waste (0.8%), deriving from the use of products purchased for maintenance and/or resulting from disposal of equipment, is attributable to Ascopiave (EWC 160213\*), and the distribution companies (EWC 150111\* - EWC 160601\*).

The table shows the special hazardous waste produced in the 2018/2019 two-year period.

Compared to the past, the EWC 160114\* and the EWC 160307\* are no longer present:

EWC Code	Type of Special Waste (kg)	2018	2019
150111*	Mix of packaging containing dangerous substances	519	449
160213*	Discarded equipment containing hazardous components	1,507	391
150202*	Absorbents, filter materials, wiping cloths contaminated by hazardous substances	6	0
160601*	Lead batteries	1,104	1,040

## Environmental initiatives

### Electric vehicle charging station

In 2019, a charging station for the electric vehicles of the company was installed at the headquarters in Pieve di Soligo, with a power of 22 kW.

The charging station is located in the parking lot opposite the office open to the public, and is therefore also available to external users.

### Reduction of plastic consumption

In order to reduce plastic waste deriving from the consumption of bottled water by employees, 12 drinking water dispensers were installed in 2019 at the offices of Pieve di Soligo and Treviso.

Furthermore, reusable bottles made of Tritan were distributed to employees, free of charge. Tritan is an ecological material, completely safe for health, which can be reused for a long time.

## ANNEX: GRI STANDARD TABLES

### Boundaries and impacts of material issues

The following chart shows the activities and/or group of activities that have been defined as material for the Ascopiave Group. For these aspects, the “Impact boundary” column shows the subjects that can generate an impact, whether inside or outside the Ascopiave Group. Furthermore, the “Type of impact” column indicates the role of the Group in relation to the impact generated with respect to each material aspect, i.e. if the organisation directly causes the impact, contributes to its generation or is directly connected to the impact through a business relationship.

Material Aspect	GRI Aspect	Impact boundary	Type of impact
Creation of value sustainable over time	Operating results	Ascopiave Group	Caused by the Group
Corporate Governance and risk management	Anti-bribery	Ascopiave Group	Caused by the Group
Innovation, Research and Development	-	Ascopiave Group	Caused by the Group
Energy efficiency and saving	Energy	Ascopiave Group	Caused by the Group
Emissions in the atmosphere	Emissions	Ascopiave Group	Caused by the Group
Emergency management	Consumer health and safety	Ascopiave Group	Caused by the Group and directly connected to its activities
Employment	Employment	Ascopiave Group	Caused by the Group and directly connected to its activities
Training and skills development	Training and education	Ascopiave Group	Caused by the Group
Social commitment and positive impact on the territory	Presence on the market	Ascopiave Group	Caused by the Group and directly connected to its activities
Promotion of diversity and equal opportunities	Diversity and equal opportunities	Ascopiave Group	Caused by the Group
Health and safety of workers	Health and safety in the workplace	Ascopiave Group	Caused by the Group and directly connected to its activities
Responsible management of the supply chain	Procurement practices Social evaluation of suppliers Environmental evaluation of suppliers	Ascopiave Group, suppliers, contractors and business partners	Caused by the Group and directly connected to its activities
Corporate welfare	Employment	Ascopiave Group	Caused by the Group
Safety and reliability of services	Consumer health and safety	Ascopiave Group	Caused by the Group and directly connected to its activities

Relations with the regulatory authority	-	Ascopiave Group	Caused by the Group
Protection of human rights	Non-discrimination Assessment of respect for human rights	Ascopiave Group, suppliers, contractors and business partners	Caused by the Group and directly connected to its activities
Ethics and Integrity	Anticompetitive practices Environmental compliance Socio-economic compliance	Ascopiave Group	Caused by the Group

Chart connecting the scopes set out in Italian Legislative Decree 254 with the reference documents  
 Reference documents: Report on Operations (RO); Corporate Governance Report (CGR); Non-Financial Disclosure (NFD).

Scopes of Leg. Decree 254/2016	Requirements of Italian Legislative 254/2016	References to 2019 documents
Business management model	Art. 3.1, par. a) Description of the business model for the management and organisation of the company's activities, including any models adopted pursuant to Italian Legislative Decree 231/2001	<i>RO: Corporate Governance and Code of Ethics</i> <i>CGR: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001</i> <i>NFD: IDENTITY AND RESPONSIBILITY</i>
Policies	Art. 3.1, par. b) Description of the policies implemented by the company, including those regarding due diligence	<i>RO: Corporate Governance and Code of Ethics</i> <i>CGR: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001</i> <i>NFD: COMMENT ON THE METHODS ADOPTED, IDENTITY AND RESPONSIBILITY, SOCIAL SUSTAINABILITY, ENVIRONMENTAL SUSTAINABILITY</i> <i>Policy for quality, environment and occupational safety</i>
Risk management model	Art. 3.1, par. b) Description of the main risks, generated or suffered, and deriving from the company's activities	<i>CGR: 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</i> <i>NFD: IDENTITY AND RESPONSIBILITY</i>
People	Art 3.2, par. d) Information concerning the management of personnel, including gender equality, the implementation of conventions of international organisations and dialogue with the social partners Art 3.2, par. c) Information regarding the impact on health and safety	<i>RO: Human resources</i> <i>NFD: SOCIAL SUSTAINABILITY</i>  <i>NFD: SOCIAL SUSTAINABILITY</i>

Environment	Art 3.2, par. a, b, c) Use of energy resources, distinguishing between those produced from renewable and non-renewable sources, use of water resources; greenhouse gas emissions and polluting emissions into the atmosphere; impact on the environment	<b>NFD: ENVIRONMENTAL SUSTAINABILITY</b>
Social issues	Art 3.2, par. d) Information regarding social aspects	<b>NFD: SOCIAL SUSTAINABILITY, CUSTOMERS AND CITIZENS SERVED, TERRITORY AND COMMUNITY</b>
Respect for human rights	Art 3.2, par. e) Information regarding respect for human rights and measures taken to prevent violations thereof and discriminatory behaviour	<b>NFD: SOCIAL SUSTAINABILITY</b>
Fight against bribery	Art 3.2, par. f) Information concerning the fight against active and passive bribery	<b>RO: Corporate Governance and Code of Ethics CGR: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001 NFD: IDENTITY AND RESPONSIBILITY</b>

## GRI Content Index

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205-1	Operations assessed with respect to bribery risks	111	100% of the areas have been reviewed through the application of the 231 Model
<b>UNFAIR COMPETITION</b>			
103-1	Material aspect and boundary	75; 106-107	
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103-3	Assessment of the aspect management approach	67-68	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	112	No legal action of this nature during the reporting period
<b>CATEGORY: ENVIRONMENT</b>			
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<b>ENVIRONMENTAL COMPLIANCE</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	95	
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307-1	Non-compliance with environmental laws or regulations	113	During the reporting period, the Group did not receive significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations
<b>ENVIRONMENTAL ASSESSMENT OF SUPPLIERS</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	79-80	
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308-1	New suppliers that were screened using environmental criteria	80	The indicator refers only to suppliers classifiable as contractors
<b>CATEGORY: SOCIAL</b>			
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401-2	Benefits offered to full-time employees which are not offered to temporary or part-time employees	87	
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103-2	Aspect management approach	87-89	
103-3	Assessment of the aspect management approach	87-89	
403-2 (2016)	Types of accidents, frequency index, severity index, absenteeism rate and number of work-related deaths	88-89	
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103-1	Material aspect and boundary	75; 106-107	
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<b>DIVERSITY AND EQUAL OPPORTUNITIES</b>			
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405-1	Diversity of government bodies and employees	67; 82-84	
<b>NON-DISCRIMINATION</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	66; 68; 81; 86	
103-3	Assessment of the aspect management approach	66; 68; 81; 86	
406-1	Incidents of discrimination and actions taken	114	During the reporting period, the Group did not record any episodes related to discriminatory practices
<b>ASSESSMENT OF RESPECT FOR HUMAN RIGHTS</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	67-68; 81	
103-3	Assessment of the aspect management approach	67-68; 81	

412-1	Activities that were reviewed or whose impact on human rights was assessed	115	100% of the areas have been reviewed through the application of the 231 Model.
<b>SOCIAL ASSESSMENT OF SUPPLIERS</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	79-80	
103-3	Assessment of the aspect management approach	79-80	
414-1	New suppliers that were screened using social criteria	80	The indicator refers only to suppliers classifiable as contractors
<b>HEALTH AND SAFETY OF CONSUMERS</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	91-92	
103-3	Assessment of the aspect management approach	91-92	
416-2	Cases of non-compliance with health and safety impacts of products and services	115	No cases of non-compliance
EU 25	Number of accidents related to corporate facilities	91-92	
<b>SOCIAL AND ECONOMIC COMPLIANCE</b>			
103-1	Material aspect and boundary	75; 106-107	
103-2	Aspect management approach	67-68	
103-3	Assessment of the aspect management approach	67-68	
419-1	Non-compliances with social and economic regulations and laws	115	No cases of non-compliance

<b>MATERIAL ASPECTS NOT RELATED TO SPECIFIC DISCLOSURES OF GRI STANDARDS</b>			
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# **Ascopiaeve Group**

**Consolidated financial statements charts**

**as of 31<sup>st</sup> December 2019**

## Consolidated assets and liabilities statement

(Thousands of Euro)	31.12.2019	31.12.2018	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	(1)	47,914	80,758
Other intangible assets	(2)	567,194	351,878
Tangible assets	(3)	34,694	32,724
Shareholdings	(4)	449,945	68,357
Other non-current assets	(5)	3,296	12,044
Non current financial assets	(6)	2,478	1,122
Advance tax receivables	(7)	19,390	11,358
<b>Non-current assets</b>	<b>1,124,910</b>	<b>558,240</b>	
<b>Current assets</b>			
Inventories	(8)	8,132	6,020
Trade receivables	(9)	43,124	166,947
Other current assets	(10)	46,830	45,062
Current financial assets	(11)	6,993	981
Tax receivables	(12)	1,263	1,508
Cash and cash equivalents	(13)	67,031	66,650
Current assets from derivative financial instruments	(14)	0	123
<b>Current assets</b>	<b>173,373</b>	<b>287,291</b>	
<b>ASSETS</b>	<b>1,298,283</b>	<b>845,530</b>	
<b>Net equity and liabilities</b>			
<b>Total Net equity</b>			
Share capital		234,412	234,412
Own shares		(26,774)	(16,981)
Reserves		665,854	226,136
<b>Net equity of the Group</b>	<b>873,492</b>	<b>443,567</b>	
<b>Net equity of Others</b>	<b>0</b>	<b>4,303</b>	
<b>Total Net equity</b>	<b>(15)</b>	<b>873,492</b>	<b>447,869</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(16)	1,344	3,901
Severance indemnity	(17)	4,931	4,807
Medium- and long-term bank loans	(18)	135,083	55,111
Other non-current liabilities	(19)	24,553	28,003
Non-current financial liabilities	(20)	441	0
Deferred tax payables	(21)	22,021	14,534
<b>Non-current liabilities</b>	<b>188,374</b>	<b>106,356</b>	
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(22)	136,803	131,044
Trade payables	(23)	52,082	131,185
Tax payables	(24)	4,728	207
Other current liabilities	(25)	25,549	27,539
Current financial liabilities	(26)	17,156	115
Current liabilities from derivative financial instruments	(27)	98	1,216
<b>Current liabilities</b>	<b>236,417</b>	<b>291,305</b>	
<b>Liabilities</b>	<b>424,791</b>	<b>397,661</b>	
<b>Net equity and liabilities</b>	<b>1,298,283</b>	<b>845,530</b>	

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

## Comprehensive consolidated income statement

(Thousands of Euro)	Full Year		
	2019	2018	
<b>Revenues</b>	(28)	124,911	115,347
<b>Total operating costs</b>		80,013	73,354
Purchase costs for other raw materials	(29)	1,358	1,271
Costs for services	(30)	31,732	28,766
Costs for personnel	(31)	14,500	16,125
Other management costs	(32)	33,902	27,548
Other income	(33)	1,479	355
Amortization and depreciation	(34)	23,325	20,927
<b>Operating result</b>		21,573	21,066
Financial income	(35)	142	147
Financial charges	(35)	1,259	1,160
Evaluation of subsidiary companies with the net equity method	(35)	648	1,407
<b>Earnings before tax</b>		21,105	21,460
Taxes for the year	(36)	6,626	6,733
<b>Result for the year</b>		14,479	14,727
Net result from transer / disposal assets	(37)	478,737	31,773
<b>Net result for the year</b>		493,216	46,499
Group's Net Result		493,216	44,625
Third parties Net Result			1,874
<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		(98)	
Fair value of derivatives, changes in the period net of tax of the companies hel for sale		(0)	(2,281)
2. Components that can not be reclassified to the income statement			
net of tax		(124)	24
Actuarial (losses)/gains from remeasurement on defined-benefit obligations			
net of tax of the companies hel for sale		(0)	(13)
<b>Total comprehensive income</b>		492,994	44,230
Group's overall net result		492,994	42,591
Third parties' overall net result		(0)	1,639
Base income per share		2.202	0.201
Diluted net income per share		2.202	0.201

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 annual financial report.

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

## Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity	
<b>(Thousands of Euro)</b>										
<b>Balance as of 1st 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>443,567</b>	<b>4,303</b>	<b>447,869</b>	
Result for the year						493,216	493,216	0	493,216	
of which:										
<i>Result of continuing operations</i>						14,479	14,479	(0)	14,479	
<i>Result of discontinuing operations</i>						478,737	478,737	(0)	478,737	
Other operations					(98)		(98)	(0)	(98)	
of which:										
<i>Other movements of continuing operations</i>					(98)		(98)	(0)	(98)	
Severance indemnity IAS 19 discounting of the financial year					(124)		(124)	(0)	(124)	
of which:										
<i>Discounting of continuing operations</i>					(124)		(124)	(0)	(124)	
<b>Total result of overall income statement</b>					(124)	(98)	493,216	492,994	0	492,994
Allocation of 2018 result						44,625	(44,625)	(0)	(0)	
Dividends distributed to Ascopiaeve S.p.A. shareholders						(75,163)		(75,163)	(75,163)	
Dividends distributed to minorities of discontinuing operations						6,662		6,662	(4,303)	2,360
Purchase of own shares					(22,376)		15	(22,361)	(22,361)	
Business aggregations					12,583	(377)	15,586		27,793	27,793
<b>Balance as of 31st December 2019</b>	<b>234,412</b>	<b>46,882</b>	<b>(26,774)</b>	<b>(535)</b>	<b>126,292</b>	<b>493,216</b>	<b>873,493</b>	<b>0</b>	<b>873,492</b>	

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity	
<b>(Thousands of Euro)</b>										
<b>Balance as of 1st January 2018</b>	<b>234,412</b>	<b>46,882</b>	<b>(17,521)</b>	<b>(46)</b>	<b>134,649</b>	<b>47,135</b>	<b>445,511</b>	<b>4,989</b>	<b>450,500</b>	
Result for the period						44,625	44,625	1,874	46,499	
of which:										
<i>Result of continuing operations</i>						14,726	14,726	(0)	14,726	
<i>Result of discontinuing operations</i>						29,899	29,899	1,874	31,773	
Other operations					(2,045)		(2,045)	(236)	(2,281)	
of which:										
<i>Other movements of discontinuing operations</i>					(2,045)		(2,045)	(236)	(2,281)	
Severance indemnity IAS 19 discounting of the financial year					11		11	1	11	
of which:										
<i>Discounting of continuing operations</i>					24		24	(0)	24	
<i>Discounting of discontinuing operations</i>					(14)		(14)	1	(13)	
<b>Total result of overall income statement</b>					11	(2,045)	44,625	42,591	1,639	44,230
Allocation of 2017 result						47,135	(47,135)	(0)	(0)	
Dividends distributed to Ascopiaeve S.p.A. shareholders						(40,016)		(40,016)	(40,016)	
Dividends distributed to minorities of discontinuing operations								(0)	(2,054)	(2,054)
Other movements of the discontinuing operations						(743)		(745)	(745)	
Purchase of own shares					540	(810)		(385)	(385)	
Business aggregations						(3,506)		(3,545)	(233)	(3,778)
<b>Balance as of 31st December 2018</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>443,567</b>	<b>4,303</b>	<b>447,869</b>	

## Consolidated statement of cash flows

(Thousands of Euro)	Full Year	
	2019	2018
<b>Net income of the Group</b>	<b>14,479</b>	<b>14,727</b>
<b>Cash flows generated (used) by operating activities</b>		
Adjustments to reconcile net income to net cash		
Third-parties operating result	0	1,874
Companies held for sale operating result	478,737	29,898
Amortization	22,839	20,895
Bad debt provisions	0	15
Variations in severance indemnity	(120)	(213)
Net variation of other funds	(12)	(114)
Evaluation of subsidiaries with the net equity method	0	(1,407)
Gains on disposal of investments	(472,334)	5
Gains on disposal of investments net income discontinued assets	(35,189)	0
Interest paid	(914)	(935)
Taxes paid	(7,901)	(9,054)
Interest expense for the year	1,188	1,033
Taxes for the year	6,621	6,733
<b>Variations in assets and liabilities</b>		
Inventories	(4,179)	(896)
Accounts payable	(10,031)	5,794
Other current assets	(2,539)	9,857
Trade payables	15,854	(1,538)
Other current liabilities	8,516	(14,167)
Other non-current assets	1,006	992
Other non-current liabilities	2,300	5,349
Operating flows from discontinued assets / liabilities	0	(161)
<b>Total adjustments and variations</b>	<b>3,842</b>	<b>53,963</b>
<b>Cash flows generated (used) by operating activities</b>	<b>18,322</b>	<b>68,690</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(33,141)	(29,219)
Realisable value of intangible assets	867	1,210
Investments in tangible assets	(2,202)	(1,422)
Realisable value of tangible assets	35	29
Disposal/(acquisitions) in investments and avances	616,214	0
Investment flows for business aggregations	(629,489)	0
Investment flows from discontinued assets / liabilities	0	(2,683)
<b>Cash flows generated/(used) by investments</b>	<b>(47,716)</b>	<b>(32,084)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financers	33	0
Net changes in short-term bank borrowings	(35,370)	(4,251)
Net variation in current financial assets and liabilities	(1,029)	(4,226)
Purchase of own shares	(9,793)	540
Ignitions loans and mortgages	429,000	218,000
Redemptions loans and mortgages	(309,000)	(162,166)
Dividends distributed to Ascopiaeve S.p.A. shareholders'	(75,163)	(40,016)
Dividends distributed to other shareholders	(0)	(2,054)
Dividends distributed from discontinued assets	28,786	0
Dividends distributed from subsidiary companies	2,311	684
Cash flows from discontinued assets / liabilities	0	3,304
<b>Cash flows generated (used) by financial activities</b>	<b>29,775</b>	<b>9,816</b>
<b>Variations in cash</b>	<b>381</b>	<b>51,095</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>59,353</b>	<b>7,714</b>
<b>Cash and cash equivalents at the beginning of the year of the Companies held for sale</b>	<b>7,297</b>	<b>4,673</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>67,031</b>	<b>58,809</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 annual 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 31<sup>st</sup> December 2019 the majority share of the Company’s share capital, amounting to Euro 234,411,575, was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

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

The publication of the Financial report as of 31<sup>st</sup> December 2019 of the Ascopiave Group was authorised by resolution of the Board of Directors on 13<sup>th</sup> March 2020.

### The activities of the Ascopiave Group

Ascopiave mainly operates in the sector of distribution of natural gas, 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 (230 municipalities as of 31<sup>st</sup> December 2018 (the change is mainly explained by the extension of the scope of consolidation), has a distribution network extending for over 12,855 km<sup>2</sup> (9,809 km as of 31<sup>st</sup> December 2018, 2977 km connected to the extension of the scope of consolidation) and provides a service to a catchment area bigger than 1 million inhabitants.

The process begun in the last months of 2018, aimed at enhancing the gas 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 main accounting standards adopted

The Ascopiave Group Consolidated Financial Statements as of 31<sup>st</sup> December 2019 were prepared pursuant to IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission pursuant to the procedure set forth in EC Directive no. 1606/2002 issued by the European Parliament and Council on 19<sup>th</sup> July 2002.

The accounting principles adopted are consistent with those used as of 31<sup>st</sup> December 2018, except as described in the following paragraph “Accounting principles, amendments and interpretations effective from 1<sup>st</sup> January 2019”.

The consolidated financial statements are expressed in Euro, the currency used in the economy where the Group operates, and includes the Consolidated assets and liabilities statement, the Comprehensive consolidated income statement, the Consolidated statement of changes in shareholders’ equity, the Consolidated statement of cash flows and the Explanatory notes. All the values reported in the statements and explanatory notes are expressed in thousands of Euros, 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 income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group.

These financial statements as of 31<sup>st</sup> December 2019 were approved by the Board of Directors of the Company on 13<sup>th</sup> March 2020.

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

On 19<sup>th</sup> December 2019, as better explained in the paragraph “Significant events during the financial year”, Ascopiave S.p.a. and the Hera Group finalised the operation which led to the establishment of a primary energy business in northern-eastern Italy, which boasts over one million energy customers, as well as the reorganisation of the respective gas distribution activities. The closing, subsequent to the framework agreement dated 30<sup>th</sup> July and the ensuing approvals by the competent authorities and bodies, involved the exchange between the Hera Group and Ascopiave of assets of equal value, in the energy sales activities, on the one hand, and in gas distribution, on the other.

The economic aspects of the transaction did not change compared to the announcements, except for the adjustments at the closing date envisaged by the framework agreement signed in July, as well as the arrangements defined for governance and the options to handle the stakes of Ascopiave in EstEnergy and Hera Comm. The operation represents an important step in the evolution of the business portfolios of the Hera and Ascopiave Groups, fully consistent with the development lines approved by the respective Boards of Directors. The operation, started on 17<sup>th</sup> June 2019 with the execution of a binding Term Sheet, finalised in a framework agreement on 31<sup>st</sup> July 2019, envisaged, in the sector of gas and electricity sales, the creation of a single operator for the respective sales activities in the regions of Veneto, Friuli-Venezia Giulia and Lombardy, through EstEnergy S.p.A., a company which was controlled jointly even before the closing by Ascopiave S.p.A. and Hera Comm S.r.l., the sales company of the Hera Group. EstEnergy S.p.A. will see a substantial expansion of its activities in the aforementioned area, encompassing the sales business of the Ascopiave Group relating to the subsidiaries Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and the joint ventures Asm Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation. Furthermore, as part of the overall reorganisation of the gas and electricity customer marketing area, Amgas Blu, a sales company wholly owned by Ascopiave, active in the province of Foggia has been acquired directly by Hera Comm. Consequently, in this Financial report, the assets listed were represented as “Discontinued operations” based on the provisions of accounting standard IFRS 5 “Non-current assets held for sale and discontinued operations”.

Estenergy S.p.A. itself, due to the nature of the operation, was represented among the “Discontinued operations”. On the basis of these provisions, the economic results achieved by the sales segment during the year are shown separately in a single line of the income statement, while no assets or liabilities are shown. The periods shown for comparative purposes were reclassified in accordance with the principles of the standard. Specifically, the comprehensive income statement as of 31<sup>st</sup> December 2018 and the cash flow statement as of 31<sup>st</sup> December 2018 were restated, while the balance sheet and financial position as of 31<sup>st</sup> December 2018 remained unchanged.

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

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

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

The table below shows the effects deriving from the application of IFRS 5 on the comprehensive income statement as of 31<sup>st</sup> December 2018 shown for comparative purposes:

(Thousands of Euro)	2018	Elision Effects	Adoption IFRS 5 - Companies held for sale	Restated 2018
<b>Revenues</b>	581,652	106,471	572,776	115,347
Purchase costs for raw material (gas)	307,586	555	308,141	0
Purchase costs for other raw materials	25,156	39,066	62,952	1,271
Costs for services	114,827	67,201	153,262	28,766
Costs for personnel	26,030	0	9,905	16,125
Other management costs	30,336	7	2,795	27,548
Other income	356	1	2	355
<b>Amortization and depreciation</b>	22,972	25	2,020	20,927
<b>Operating result</b>	<b>55,101</b>	<b>332</b>	<b>33,702</b>	<b>21,066</b>
Financial income	322	139	314	147
Financial charges	1,101	138	79	1,160
Evaluation of subsidiary companies with the net equity me	8,553	0	7,146	1,407
<b>Earnings before tax</b>	<b>62,875</b>	<b>332</b>	<b>41,083</b>	<b>21,460</b>
Taxes for the period	16,376		9,550	6,733
<b>Result for the period</b>	<b>46,499</b>		<b>31,533</b>	<b>14,727</b>
Net result from transer/disposal of assets	0		31,533	31,773
<b>Net result for the period</b>	<b>46,499</b>		<b>0</b>	<b>46,499</b>

For a better understanding of the operating results, balance sheet and cash flows of discontinued operations, see the paragraph “Operating results of discontinued operations” in the explanatory notes of this Financial report.

## Financial statements representation

The items of the consolidated assets and liabilities statement are classified into “current” and “non-current”; those in the comprehensive consolidated income statement are classified by their nature in multi-step format.

The statement of changes in shareholders’ equity presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

The statement of cash flows has been defined according to the “indirect” method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the economic situation and financial position.

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

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

### IFRIC 23 - Uncertainty over Income Tax Treatments

On 7<sup>th</sup> June 2017, IASB issued interpretation IFRIC 23 - Uncertainty over Income Tax Treatments, which provides indications as to how to recognise, as far as income taxes are concerned, uncertainties over the tax treatment of a

given event. IFRIC 23 is applicable from 1<sup>st</sup> January 2019. Early adoption is allowed, but the Group decided not to exercise this option.

#### **IFRS 9 - Prepayment Features with Negative Compensation**

On 12<sup>th</sup> October 2017, IASB published some amendments to IFRS 9 - Prepayment Features with Negative Compensation, aimed at allowing the measurement of amortised cost or fair value through other comprehensive income (OCI) of financial assets characterised by a prepayment option with the so-called “negative compensation”. These changes will be effective from 1<sup>st</sup> January 2019. Early adoption is permitted (in conjunction with the date of first application of IFRS 9) but the Group decided not to exercise this option.

#### **IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

The amendment, issued by IASB on 12<sup>th</sup> October 2017, concerns companies that finance associates and joint ventures with loans for which a short-term repayment is not expected. The amendment is applicable commencing 1<sup>st</sup> January 2019.

#### **IFRS 16 - Leases**

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

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

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

(Thousands of Euro)	Total effects First application 01.01.2019	Depreciation and amortization	31.12.2019
<b>Non-current assets</b>	<b>991</b>	<b>275</b>	<b>716</b>
<b>Intangible assets</b>	<b>991</b>	<b>275</b>	<b>716</b>
- of which rights to use real estate	590	(149)	441
- of which rights to use other assets	401	(126)	275
<b>Current and non-current liabilities</b>	<b>991</b>	<b>283</b>	<b>709</b>
<b>Non-current liabilities</b>			
- of which non-current financial liabilities	694	(253)	441
<b>Current liabilities</b>			
- of which current financial liabilities	297	(30)	267

The discount rate used for the transition to the new standard is the Group’s marginal cost of debt of as of 1<sup>st</sup> January 2019. The evaluation did not include, as allowed by the standard, short-term leases and low-value asset leases. For the Group, the effect of the application of the new standard has mainly concerned operating leases relating to tangible fixed assets such as buildings, vehicles and trucks, as well as computer equipment. The adoption of IFRS 16 determined, on 1<sup>st</sup> January 2019, the recognition of greater right-of-use fixed assets for Euro 991 thousand and an equal amount of financial payables for leases divided into current and non-current.

#### *Annual improvements to IFRSs 2015-2017 Cycle*

On 12<sup>th</sup> December 2017, IASB issued the “Annual improvements to IFRSs 2015-2017 Cycle” as part of the annual programme for improving the principles; most of the changes are clarifications or corrections to existing IFRSs, or amendments resulting from changes previously made to the IFRSs. These improvements will be effective from 1<sup>st</sup> January 2019.

#### *IAS 19 - Plan Amendment, Curtailment or Settlement*

On 7<sup>th</sup> February 2018, IASB published the amendments to IAS 19 - Plan Amendment, Curtailment or Settlement, specifying the methods according to which, in the event of changes to a defined benefit plan, the costs relating to pension benefits must be determined for the remaining relevant period. These changes will be effective from 1<sup>st</sup> January 2019.

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

#### **IFRS 2 - Classification and Measurement of Share-based Payment Transactions**

On 20<sup>th</sup> June 2016, IASB published a number of amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions. With these changes, the document resolves some issue related to the accounting on share based payments. Specifically, the amendments improve considerably the measurement of cash-settled share-based payments, classification thereof and accounting for modification of a share-based payment from cash-settled to equity-settled.

#### *IFRIC 22 - Foreign Currency Transactions and Advance Consideration*

On 8<sup>th</sup> December 2016, IASB published IFRIC 22 - Foreign Currency Transactions and Advance Consideration, defining the exchange rate to be used in foreign currencies transactions in case the payment is made or received in advance. The application of such interpretation had no impact on the Group’s financial report as the Group does not transact in foreign currency. On the same date, IASB issued the document “Annual improvements to IFRSs 2014-2016 Cycle” as part of the programme of annual improvements to the standards; most amendments are clarifications or corrections of existing IFRS, or amendments resulting from changes previously made to the IFRSs. The application of these amendments had no impact on the Group’s financial reports.

#### *IAS 40 - Transfers of Investment Property*

On 8<sup>th</sup> December 2016, IASB issued amendments to IAS 40 - Transfers of Investment to govern transfer to/from investment property to other asset groups. Specifically, it is settled if a property under construction or development accounted in inventories may be reclassified in property investments if there was a change in its usage.

### **IAS/IFRS accounting standards and related IFRIC interpretations approved and applicable to the financial statements of the years starting after 1<sup>st</sup> January 2019**

Please find below a description of the new standards and interpretations already issued and approved by the European Union, applicable to financial statements beginning after 1<sup>st</sup> January 2019 or adopted earlier.

#### *Conceptual Framework for Financial Reporting*

On 29<sup>th</sup> March 2018, IASB published the revised version of the Conceptual Framework for Financial Reporting together with a document that updates the references to the previous Conceptual Framework contained in the IFRSs, providing:

- an updated definition of assets and liabilities;
- a new chapter on the topics of measurement, derecognition and disclosure;

- clarifications on some postulates for compiling the financial statements, such as the principle of prudence and the substance over form concept.

These changes will be effective from 1<sup>st</sup> January 2020.

#### **IFRS 3 - Business Combinations**

On 22<sup>nd</sup> October 2018, IASB published the amendments to IFRS 3 - Business Combinations, with the aim of identifying the criteria according to which a successful acquisition regards a business or a group of assets that, as such, do not meet the definition of business set out in IFRS 3. These changes will be effective for the business combinations that will occur commencing 1<sup>st</sup> January 2020.

#### **IAS 1 and IAS 8**

On 31<sup>st</sup> October 2018, IASB published the amendments to IAS 1 and IAS 8, clarifying the definition of “material information”, in order to establish whether to include a disclosure in the financial statements. These changes will be effective from 1<sup>st</sup> January 2020.

### **IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet mandatorily applicable and not adopted ahead of time as of 31<sup>st</sup> December 2019**

On 31<sup>st</sup> October 2018, the IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. The document introduced a change in the definition of “relevant” contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the aim of making the definition of “relevant” more specific and has introduced the concept of “obscured information” alongside the concepts of omitted or incorrect information already present in the two modified standards. The amendment clarifies that information is “obscured” if it has been described in such a manner as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or was incorrect. The changes introduced were approved on 29<sup>th</sup> November 2019 and apply to all transactions subsequent to 1<sup>st</sup> January 2020.

On 29<sup>th</sup> March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods starting on 1<sup>st</sup> January 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps the parties involved to understand and interpret the Standards.

The IASB, on 26<sup>th</sup> September 2019, published an amendment called “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”, modifying IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment modifies some of the requirements for the application of hedge accounting, envisaging temporary exceptions, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships which are directly affected by the uncertainties generated by the reform and to which the aforementioned exceptions apply. The changes take effect from 1<sup>st</sup> January 2020, but companies can choose early application.

## IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the reporting date, the competent bodies of the European Union have not completed yet the approval process necessary for the adoption of the amendments and principles described below.

On 22<sup>nd</sup> October 2018, the IASB published the document “Definition of a Business (Amendments to IFRS 3)”. The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the generation of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process which together significantly contribute to the ability to create an output. To this end, the IASB has replaced the expression “ability to create outputs” with “ability to contribute to the creation of outputs” to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduces an optional “concentration test” which excludes the presence of a business if the price paid is substantially attributable to a single activity or set of activities. The changes apply to all business combinations and acquisitions of activities subsequent to 1<sup>st</sup> January 2020, but early application is permitted.

On 18<sup>th</sup> May 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses of existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also envisages presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract based on a General Model or a simplified version thereof, called Premium Allocation Approach (“PAA”). The main features of the General Model are:

- the estimates and assumptions of future cash flows are always the current ones;
- the measurement reflects the time value of money;
- the estimates envisage extensive use of information observable on the market;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and
- the expected profit is recognised in the contractual coverage period taking into account the adjustments deriving from changes in the assumptions relating to the cash flows connected to each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity envisages that this liability provides a reasonable approximation to the general model. Contracts with coverage period of one year or less are automatically eligible for the PAA approach. The simplifications deriving from the application of the PAA method do not apply to the assessment of liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or collected is expected to take place within one year from the date on which the claim occurred. An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also to investment contracts with discretionary participation features (DPF). The standard applies from 1<sup>st</sup> January 2021, but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

On 11<sup>th</sup> September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. In accordance with the provisions of IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the share held in the joint venture or associate by other investors outside the transaction. On the contrary, IFRS 10 envisages the recognition of the entire profit or loss in the event of loss of control of a subsidiary,

even if the entity continues to hold a non-controlling stake in the same, including in this case also the sale or transfer of a subsidiary company to a joint venture or associate. The changes introduced envisage that in a sale/transfer of an asset or subsidiary to a joint venture or associate, the extent of the profit or loss to be recognised in the financial statements of the seller/transferor depends on whether the sold/transferred assets or subsidiaries constitute a business or not, as defined by IFRS 3. In the event that the assets or the subsidiary sold/transferred represent a business, the entity must recognise the profit or loss on the entire stake previously held whereas, otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated. At the moment the IASB has suspended the application of this amendment.

## **Name and registered office of the company in charge of drafting the consolidated financial statements**

With reference to the information required by Art. 2427, item 22-5 and-6 of the Italian Civil Code, we specify that Company Ascopiave S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo drafts the Consolidated Financial Statement of smaller group of which it is part as a subsidiary company. The entirety of this Consolidated Financial Statement is available at its registered office. Furthermore, the Company Asco Holding S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo drafts the Consolidated Financial Statement of largest group of which it is part. The entirety of this Consolidated Financial Statement is available at its registered office.

## **Business combinations**

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

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

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

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

## **Ascopiave and the Hera Group: primary energy partnership in Northern-Eastern Italy**

Ascopiave S.p.A. and the Hera Group completed the transaction which led, on 19<sup>th</sup> December 2019, to the establishment of the largest energy player in Northern-Eastern Italy, boasting over one million customers, and the simultaneous reorganisation of their respective gas distribution activities. The closing, subsequent to the framework agreement dated 30<sup>th</sup> July and the ensuing approvals by the competent authorities and bodies, involved the exchange between the Hera Group and Ascopiave of assets of equal value, in the energy sales activities, on the one hand, and in gas distribution, on the other.

## Consolidation area and principles

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

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

The equity and profit shares attributable to minority interests are recorded in specific items of the shareholders' equity and income statement. In the case of acquisition of partial control, the equity share of minority interests is determined on the basis of the share of the current values assigned to assets and liabilities at the date of acquisition of control, excluding any goodwill attributable to them (so-called partial goodwill method); in relation to this, the minority interests are measured at their total fair value, also including the goodwill (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 positive difference between the acquisition cost and the corresponding portion of equity acquired is recognised in the equity; similarly, the effects arising from the sale of minority interests without loss of control are recognised in equity.

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

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

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

The financial statements of subsidiaries and jointly controlled Companies used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the companies consolidated on a line-by-line basis or with the equity method are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 31<sup>st</sup> December 2019 and consolidated through the line-by-line 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%	0.00%	100%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	0.00%	100%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3.000.000	100.00%	0.00%	100%
Asco Energy S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	0.00%	100%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10.000.000	100.00%	0.00%	100%
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	100.00%	0.00%	100%

As compared to the financial statements closed at 31<sup>st</sup> December 2018, please note that subsequent to the execution of the partnership between the Ascopiave Group and the Hera Group on 19<sup>th</sup> December 2019, the companies Ascotrade S.p.A., Etra Energia S.r.l., Amgas Blu S.r.l., Blue Meta S.p.A., Ascopiave Energie S.p.A., Asm Set S.r.l., EstEnergy S.p.A. and Sinergie Italiane S.r.l. in liquidation were reclassified as established by the international accounting standard IFRS 5.

Subsequent to the same partnership, with effect from 31<sup>st</sup> December 2019, the Group purchased 100% of the company Ap Reti Gas Nord Est S.r.l. of which, due to the effective date, only the balance sheet figures are shown.

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

For further information, please see the chapter “Business combinations” of this Annual Financial Report.

### 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.	35,425	521,540	851,181	196,215	IFRS
<b>100% consolidated companies</b>					
AP Reti Gas S.p.A.	82,392	15,988	314,709	(13,706)	IFRS
AP Reti Gas Nord Est S.r.l.			129,699	(0)	IFRS
Edigas Esercizio Distribuzione Gas S.p.A.	14,326	2,659	55,738	10,284	Ita Gaap
AP Reti Gas Vicenza S.p.A.	18,287	(274)	17,278	16,470	Ita Gaap
AP Reti Gas Rovigo S.r.l.	4,234	1,240	16,839	664	Ita Gaap
Asco Energy S.p.A.	21,788	(60)	1,123	2,682	Ita Gaap

### Information on consolidated subsidiaries with minority interest

The company Ascopiave S.p.A. does not hold interests in consolidated subsidiaries in which third parties hold minority interests. The companies in which, in some cases, third parties held minority interests, were involved in the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group and are not consolidated at the reporting date. With regard to the results achieved by the discontinued companies, please refer to the paragraph “operating results of discontinued operations” of this report.

## Measurement criteria

The accounting principles adopted by the Group are reported below:

**Goodwill:** the goodwill obtained from the acquisition of business units operating in the distribution and sale of gas is initially booked at cost and represents the excess of the purchase price compared to the portion pertaining to the purchaser for the net fair value referred to values identifying the current and potential assets and liabilities.

After the initial booking, goodwill can no longer be amortised and is reduced by any impairment.

Goodwill is subjected to an annual recoverability analysis, or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible impairments.

With the intent of analysing the recoverability, the goodwill acquired through groups of companies is allocated, as of the acquisition date, to each of the units (or groups of units) that generate financial flows with the Group that it is held would benefit from the synergy effects of the acquisition, without regard to the allocation of other assets or liabilities of these units (or groups of units).

Units generating financial flows:

- (i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;
- (ii) are no greater than one sector, as defined in the primary or secondary indication scheme of the Group pursuant to IFRS 8 "Product information sector".

Impairment is determined by defining the recoverable value of a unit, which generates flows (or groups of units) to which goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is less than the book value, an impairment is indicated. In cases in which the goodwill is attributed to a cash generating unit (or group of units) whose assets are partially divested, the goodwill associated with the transferred assets is considered in order to determine the positive or negative change derived from the operation. Goodwill transferred in such cases is calculated based on the values relative to the asset transferred with respect to the assets still held regarding the same unit.

**Other intangible fixed assets:** intangible assets mainly include assets pertaining to concessions between the public and the private sectors (so-called service concession agreements) related to development, financing, management and maintenance of infrastructures in concession, of which:

- (i) the lessor controls or regulates the services supplied by operator through the infrastructure and their prices;
- (ii) the lessor controls through property, ownership of benefits or in other ways any significant remaining profit-sharing at the end of the concession.

Other intangible assets also include the recognition of the fair value of customer lists resulting from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years, the recognition of charges paid to the awarding entities (Municipalities) and/or the outgoing operators subsequent to the assignment and/or the renewal of the relevant invitation to tender to award the service of natural gas distribution.

As concerns the amortisation period:

- (i) the customer lists are amortised on a straight-line basis, based on the estimate of the benefits that will have effects in future years and determined during the Purchase Price Allocation. In particular, the Directors have established that the useful life associated with customer lists is ten years, due to the low turnover rate of customers, represented mainly by civil users;
- (ii) the concessions for the service of natural gas distribution are amortised on a straight-line basis, based on the duration of the concession period. The amortisation period of the concessions acquired by the Ascopiave Group is equal to twelve years pursuant to the regulatory framework.

After initial recognition, intangible assets with a defined useful life are booked net of the accumulated relevant amortisation operations and net of any impairments, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Assets acquired under financial leases are booked at fair value, net of taxes due by the lessee or, if lower, at the current value of the minimum lease payments, including any sum payable for the exercise of the option to purchase, in intangible assets offsetting the financial debt to the lessor.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported in the income statement at the time of the sale.

**Duration and residual value of assets under concession:** The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopia Group, after 31<sup>st</sup> December 2012 or in the following years in the event of extension of the original deadline) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate.

In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value.

**Tangible fixed assets:** tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments based on the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8,5% - 8,3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motocars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and, in the event the book value should exceed the presumed realisation value, the assets are devalued so as to reflect their realisation value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Impairments are reported in the income statement with the costs for depreciation and write-downs. Such impairments are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above-mentioned elimination.

#### **Shareholdings:**

The shareholdings recognised in this item relate to long-term investments deriving from:

- shareholdings accounted for using the equity method;
- other shareholdings

**Shareholdings accounted for using the equity method:** these shareholdings are in turn divided into two categories:

- (i) **Shareholdings in joint companies:** The shareholdings in joint companies, i.e. in which the Group controls the entity with other shareholders, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the joint company. According to the equity method, shareholdings are recognised in the balance sheet at cost, adjusted for post-acquisition changes in the net assets, net of any loss in value of individual shareholdings. The excess of acquisition cost as compared to the share attributable to the Group of the identifiable fair value of assets, liabilities and contingent liabilities of the company at the acquisition date is recognised as goodwill. Goodwill is included in the carrying value of the investment and is subject to impairment tests.
- (ii) **Shareholdings in affiliate companies:** The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the affiliate. If an affiliate company detects adjustments directly attributable to the net equity, the Group recognises its share and includes it, where applicable, in the statement of changes in the net equity.

In the event the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognised in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf. If, at a later stage, the loss does no longer exist or has decreased, a reversal of an impairment loss is booked in the income statement, up to its cost.

**Shareholdings in other companies:** share interests in companies that are not subsidiaries, associates or joint ventures (normally with a share interest not exceeding 20%) are classified in non-current financial assets and entered at their fair value if it can be determined. If their fair value at the date of the balance sheet cannot be determined because the related shares are not listed, they are valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets. Subsequent changes in fair value are reported in profit and loss (FVPL) or, if the option stated in the standard is exercised, in other comprehensive income (FVOCI) in the item "Reserve for instruments at FVOCI".

**Other non-current assets:** are booked at their nominal value adjusted for any losses in value, corresponding to the amortised cost.

#### **Financial assets**

The Group classifies its financial assets into the following categories identified by IFRS 9:

- financial assets measured at amortised cost;
- assets at fair value with the contra-item "Other components of comprehensive income" (FVOCI);
- assets at fair value with the contra-item "Profit or loss for the year" (FVTPL).

**Financial assets measured at amortised cost:** this category includes the financial assets for which the following conditions are met: (i) the asset is held within a business model whose objective is the possession of the asset aimed at the collection of contractual financial flows; and (ii) the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. These mainly refer to receivables from customers and/or loans that contain a significant financial component. Trade receivables that do not contain a significant financial component are instead recognised at the price defined for the related transaction. Subsequent measurements of the assets belonging to this category are valued at amortised cost, using the effective interest rate. Any provisions for the write-down of such receivables are determined with the forward looking approach using a three-stage model: 1) recognition of expected losses in the first 12 months upon initial recognition of the receivable if the credit risk has not increased; 2) recognition of expected losses over the life of the receivable if the credit-related risk increases significantly as compared to the initial recognition; interest is recognised on a gross basis; 3) recognition of the additional losses expected over the life of the receivable as the losses occur; interest is recognised on a net basis.

**Assets at fair value with the contra-item “Other components of comprehensive income” (FVOCI):** financial assets with the following characteristics are classified in this category: (i) the asset is held within a business model whose objective is achieved both through the sale of the asset itself and through the collection of contractual cash flows; and (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. Any write-downs for permanent losses in value, interest income and gains or losses due to exchange differences are recognised in profit or loss for the year.

**Assets at fair value with the contra-item “Profit or loss for the year” (FVTPL):** this category includes all the financial assets that do not meet the conditions, in terms of business model or characteristics of the flows generated, for the purposes of measurement at amortised cost or at fair value with a contra-entry in the comprehensive income statement. The assets belonging to this category are classified under current or non-current assets according to their natural maturity and recorded at fair value upon initial recognition. During the subsequent measurement, the profits and losses deriving from changes in fair value are reported in the income statement in the period in which they are detected.

**Value adjustments:** financial assets are measured based on the credit loss assessment model in application of the incurred losses criterion. The Group has decided to assess the credit risk assuming a total write-down of receivables past due by over 365 days and a partial write-down of those overdue by more than 180 days already in the past. The predictive process is supported by the monthly use of the provision for doubtful accounts set aside based on the execution of cycles of reminders and recovery of outstanding receivables. The historical series relating to past years have shown that the write-down made in predictive terms is a reasonable overestimate of the actual losses that the Group incurs due to its end customers.

**Inventories:** inventories are booked at whichever of the following is lower: purchase and/or manufacturing cost, determined pursuant to the weighted average cost basis, or the estimated realisable net value. The net realisation value is determined based on the estimated sales price in normal market conditions, net of direct sales costs. Obsolete and/or slow to realise inventories are written down in relation to their presumed possibility of use or future realisation. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

**Inventories of stored natural gas:** the inventories of stored natural gas, are booked at whichever of the following is lower: purchase cost including incidental expenses, determined by applying the weighted average cost, or the spot market value at the closing date of the period.

**Trade receivables and other current assets:** trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortised cost net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Group will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported in the income statement. Additionally, the Group sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are with recourse.

**Cash and cash equivalents:** they include cash values, values available at sight and other short-term financial investments. They are accounted at nominal value.

**Own shares:** Re-acquired own shares are taken as a decrease in the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognised under the net equity.

**Benefits for employees:** benefits guaranteed to employees, paid when or after employment ceases, by means of programmes with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognised in the period when the right accrues. The liability related to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR)

owed to the employees of the Group companies pursuant to Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27<sup>th</sup> December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1<sup>st</sup> January 2007, the Severance indemnity is classified as a defined contribution plan.

The Group's obligations are separately determined for each plan, by estimating the present value of future benefits that employees have accrued during the current year and in previous financial periods. This calculation is performed using the projected unit credit method.

The components of the defined benefits are recognised as follows:

- (i) the re-measurement components of liabilities, which include actuarial gains and losses, are recognised immediately in Other comprehensive income (loss);
- (ii) costs related to the provision of services are recognised in the profit and loss statement;
- (iii) net financial charges in the defined benefit liability are recognised in the income statement.

The re-measurement components recognised in Other comprehensive income (loss) are never reclassified in the profit and loss statement of the following years.

For the Severance indemnity accrued after 1<sup>st</sup> January 2007, the company is only required to pay contributions to the State (so-called Fondo INPS) or to a trust fund or a legally separate entity (so-called Fund) and is determined based on contributions due.

Moreover, the Group has signed compensation plans partly based on Ascopia S.p.A. shares and settled through the delivery of shares (stock option plans, long-term incentive plans), recognised as liabilities and measured at fair value at the end of each accounting period and up to the time of payment (approval of 2017 financial statements). Any subsequent change in fair value is recognised in the profit and loss statement.

The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the achievement of pre-set objectives, the financial settlement of which is based on the trend of the share title. This fair value is booked in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each reporting date, until the date of settlement, with all changes made to the fair value reported in the income statement.

In 2019, the compensation plans relating to the 2018 - 2020 three-year period accrued in part; as a consequence, reserves for the portions to be settled by share-based payments were established. Pursuant to the rules governing the plan, there were no other allocations in the period, since the benefits will accrue at the end of the financial year. These compensation plans are accounted for in compliance with the requirements set out in IFRS 2.

For more details on the compensations paid during the year 2019, please refer to "Section II" of the Remuneration Report, prepared pursuant to Art. 123-ter, Legislative Decree no. 58/1998 (TUF).

**Provisions for risks and charges:** The provisions for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) An outlay of resources is likely in order to meet the obligation;
- iii) A reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probably, the relevant potential liability is not entered in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

**Financial liabilities:** financial liabilities, other than derivative financial instruments, include the medium and long-term loans recorded initially at fair value, net of any transaction costs incurred and, subsequently, measured at amortised cost, calculated by applying the effective interest rate, net of principal repayments already made.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorisation for its publishing - not to require the payment because of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

**Trade payables and other payables:** trade payables, whose expiry is within normal commercial trading terms, refer to financial liabilities resulting from trade transactions and are recognised at amortised cost.

Payables in a currency other than the account currency are booked at the exchange rate of the day of the transaction and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported in the income statement.

**Derivative financial instruments:** the Group holds derivative instruments for the purposes of hedging its exposure to the risk of changes in interest rates with reference to two loans taken out during 2019 at a variable rate. The instruments used to manage the risk related to the volatility of goods prices basically consist in Interest Rate Swap agreements, aimed at avoiding impacts on the income statement deriving from changes in the interest rates to which the financial charges of the abovementioned loan agreements are indexed.

The transactions which, pursuant to risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as "hedging transactions" (and recognised as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the international standards, are classified as "trading transactions". In this event, the changes in fair value of derivatives are recognised in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

Derivatives embedded in financial assets/liabilities are separated and assessed at fair value, except for cases where the strike price of the derivative at the starting date is close to the value determined based on the amortised cost of the reference asset/liability. In this event, the valuation of the embedded derivative is absorbed in the valuation of the asset/financial liability.

The fair value measurement of the above-mentioned contracts is performed by using pricing models and based on market data as at 31<sup>st</sup> December 2019.

#### Fair value hierarchy

Financial assets and liabilities measured at fair value are classified in a three-level hierarchy based on the methods for determining the fair value itself, or based on the relevance of the information (input) used in determining their value:

- (i) **Level 1**, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- (ii) **Level 2**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- (iii) **Level 3**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Group, as of 31<sup>st</sup> December 2019 has only one type of financial instruments on interest rates falling within the scope of level 1.

**Revenues and costs:** revenues and costs are booked on an accrual basis.

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone selling price of each good or service; (v) recognition of the revenue when the relevant performance obligation is fulfilled, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (*over time*) or at a specific time (*at a point in time*).

Depending on the type of operation, revenues are entered based on the following specific criteria:

- (i) the revenues from natural gas transportation are recognised at the time when the supply or the service are provided - although not yet invoiced - and are determined by combining estimates with the values recorded during the financial year based on the so-called reference tariffs, in order to determine the restriction on total revenues as provided for by the regulations issued by the ARERA;
- (ii) the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the income statement;
- (iii) the revenues for service performance are recognised regarding the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be booked until the amounts of the costs incurred into are deemed recovered;
- (iv) Revenues are entered net of all discounts, rebates and premiums, as well as the taxes directly connected.

**Public contributions:** public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

**Private contributions:** it should be noted that private contributions received up to 31<sup>st</sup> December 2013 for the construction of connections to users were fully entered in the income statement when the costs for their construction were incurred and the work was commissioned. The contributions received for the construction of these works that were not related to the costs incurred for their construction were suspended in liabilities and recognised in the income statement when the conditions were fulfilled. The private contributions received for the construction of connections to users are recorded from 1<sup>st</sup> January 2014 in liabilities at the moment of payment and recorded to the income statement from the date of connection construction, consistent with the recognition of costs to which the works refer and their useful life.

**Financial income and expenses:** income and costs are booked on an accrual basis according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

**Income taxes:** current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and under the other items of the comprehensive income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave S.p.A.'s subsidiaries (AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., AP Reti Gas Vicenza S.p.A., Edigas Distribuzione Gas S.p.A., Asco Energy S.p.A.) benefited of the national tax consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR) for the 2020 - 2022 three-year period. This option enables the calculation of IRES based on a taxable amount equalling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. Ascopiave S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

Each of the participating companies transfers its income tax (taxable income or tax loss) to the consolidating company recognising therefore in the income statement the item "tax consolidation charges" or "tax consolidation income" for

an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Ascopiave S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, to the extent that the existence of suitable future tax income that enables the use of deductible temporary differences and tax assets and liabilities brought forward is probable, except for the following:

- (i) when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- (ii) regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

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

#### **Use of estimates**

The preparation of the financial statements requires the directors to provide estimates and assumptions based on complex and/or subjective judgments, estimates based on experience and assumptions deemed to be reasonable and realistic based on information available at the time of the estimate. This affects the values of the assets and liabilities reported on the consolidated financial statements, as well as costs and revenues and information relating to potential assets and liabilities as of that date. 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.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31<sup>st</sup> December 2010 and 31<sup>st</sup> December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above-mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Impairments of non-financial assets: At each reporting date, the Group assesses whether there are impairments of all non-financial assets. Goodwill is tested for possible impairments at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate. As of 31<sup>st</sup> December 2019, the book value of goodwill amounted to Euro 47,914 thousand (2018: Euro 80,758 thousand). Further details can be found under Note 1;
- Provisions for risks on receivables, obsolete inventories, the useful lives of intangible and tangible fixed assets and related amortisation and depreciation, employee benefits and payment plans based on stock options (so-called phantom stock option), taxes and provisions for risks and charges.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the Directors have taken decisions based on the stated

discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

#### **Impairment of assets**

The Group performs at least once a year an impairment test on tangible and intangible assets if their useful lives are indefinite or, more often, in the presence of events suggesting that their carrying amount may not be recoverable. Goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this test requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.

#### **Energy Efficiency Certificates**

The Energy Efficiency Certificates purchased during the year are recognised in the income statement at the cost incurred. The portion of certificates not yet purchased but needed to achieve the target of the financial year is recognised at the current market value of the price of the certificates themselves. The relevant contribution that will be paid by CSEA upon the cancellation of the certificates is entered in the item "revenues" at the current value of the contribution itself determined on the basis of the repayment price expected at the end of the year.

#### **Amortisation and depreciation**

Amortisation and depreciation are calculated based on the estimated useful life of the asset or the remaining term of the concession; the useful life is determined by the directors, with the assistance of technical experts, when the asset is entered in the financial statements; the assessments about the duration of the useful lives are based on historical experience, market conditions and expectations of future events that could affect the useful life, including technological innovations. On a regular basis, the company evaluates technological and sector changes, dismantling and close-down charges and the recovery value in order to update the asset's remaining useful life. This periodic update may lead to a change in the depreciation/amortisation period and thus the depreciation/amortisation quota for future periods.

**Duration and residual value of assets under concession:** The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopia Group, between 31<sup>st</sup> December 2010 and 31<sup>st</sup> December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry.

#### **Provisions for risks**

These provisions have been devised by adopting the same procedures as in the previous years and by referring to the updated reports prepared by the lawyers and consultants who are examining the disputes, as well as based on the procedural developments of the latter.

#### **Provision for doubtful accounts**

The provision for doubtful accounts reflects the estimated losses connected with the receivables of the company. Provisions have been established to cover specific cases of insolvency, as well as in relation to expected bad debts estimated based on experience with respect to receivables with a similar risk profile.

## COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEM

### Non-current assets

#### 1. Goodwill

Goodwill, equal to Euro 47,914 thousand as of 31<sup>st</sup> December 2019, shows a decrease compared to 31<sup>st</sup> December 2018 of Euro 32,845 thousand. The change is mainly explained by the effects of the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group involving the transfer of the sales companies consolidated by the Ascopiave Group up to that date and the purchase of the new gas distribution company AP Reti Gas Nord Est S.r.l.. The transfer of the sales companies resulted in the divestiture of their goodwill for a total of Euro 56,362 thousand. This change was partially offset by 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 14,149 thousand, both better described in the "Business combinations" chapter herein. 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.

Net of the effects described, goodwill did not change.

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.

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 goodwill consequently recorded at the reporting date only concerns the gas distribution CGU as shown in the following table:

(Thousands of Euro)	31.12.2019	31.12.2018
Distribution of natural gas	47,914	24,396
Sales of natural gas	(0)	56,362
<b>Total goodwill</b>	<b>47,914</b>	<b>80,758</b>

The impairment test on goodwill has been carried out by comparing the recoverable value of the activities of natural gas distribution with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sale value between the aware and available parties in the activity of gas distribution, other than the criteria put forward in literature to evaluate business units, the recoverable value of the tested assets is determined by using the value-in-use for all the Group's CGUs.

The recoverable amount of gas distribution CGU has been estimated using the Discounted Cash Flow method, discounting the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable amount cover the forecasts formulated by the management in the Economic and Financial Plan for the 2020-2022 period approved with resolution of the Board of Directors dated 28<sup>th</sup> February 2020.

The current sector legislation establishes that the natural gas distribution service is awarded by means of tender procedures in the minimum territorial areas within pre-established time limits.

The tenders for the award of the service in the territorial areas where the Group currently holds most of its municipal concessions, if the deadlines for issuing the calls for tenders illustrated in the regulations had been respected, would have already started. As of today, the only call for tenders affecting the concessions currently held by the Ascopiaeve Group concerns the Vicenza 3 territorial area. The Economic and Financial Plan - and consequently also the assessment methods adopted to determine the use value of the gas distribution CGU - assumes that the Group, during the three-year period 2020-2022, will maintain the management of the current portfolio of concessions.

Regarding the activity of gas distribution, it was hypothesised that in the 2020-2022 period the management would generate financial flows in line with those envisaged in the 2020-2022 Economic and Financial Plan while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by assuming two alternative scenarios:

- scenario 1: The Group obtains in 2022 the renewal of all the concessions and assignments in effect on 31<sup>st</sup> December 2019;
- scenario 2: The Group ends the activity of gas distribution in 2022, realising the reimbursement value of the plants as per Art. 15 of Legislative Decree no 164/2000.

Regarding scenario 1, the terminal value has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.46% (1.69% as of 31<sup>st</sup> December 2018) in line with the inflation rate forecasts elaborated for Italy by the International Monetary Fund.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- a) a beta unlevered coefficient, as indicated by ARERA in Resolution 639/2018/R/com dated 6<sup>th</sup> December 2018 and subsequent update contained in the Resolution ARERA 570/2019/R/gas dated 27<sup>th</sup> December 2019 and its annex;
- b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure for the gas distribution sector presumed by ARERA in Resolution 639/2018/R/com dated 6<sup>th</sup> December 2018;
- c) an equity risk premium equal to 5.5% (5.5% as of 31<sup>st</sup> December 2018), based on authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);
- d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31<sup>st</sup> December 2019;
- e) the cost of debt determined on the basis of the indications provided by ARERA in resolution 639/2018/R/com dated 6<sup>th</sup> December 2018;
- f) an additional risk premium in order to calculate the cost of equity, consistent with the impairment test performed last year; to take into account the uncertainty relating to the timing and outcome of the tenders through which the concessions will be awarded, two scenarios were formulated. The minimum scenario envisages an additional risk premium of 1%, while the maximum scenario an additional premium of 2% (1% as of 31<sup>st</sup> December 2018).

Based on these elements, the average weighted cost of the post-tax capital is equal to 5.16% (5.57% as of 31<sup>st</sup> December 2018). This rate has been used for discounting cash flows in the period provided for by the 2020-2022 Plan.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.72% (6.12% as of 31<sup>st</sup> December 2018) and was calculated based on the above parameters and providing for an additional risk premium for the calculation of the cost of equity (Ke) of 2% (2% as of 31<sup>st</sup> December 2018) to consider the uncertainty on the possible renewal of the concessions and their conditions of renewal.

On the basis of these elements, the recoverable value of the gas distribution CGU is higher than the accounting values and therefore the conditions are not met to write down the goodwill for impairment.

The results obtained have undergone sensitivity tests, in order to find out how the result of this assessment process might vary depending on the change of profitability parameters assumed in future cash flows, of the growth rate considered upon determining the terminal value or of the discount rate to discount the cash flows. This analysis has

led the Directors to evaluate that the expected cash flows can absorb normal variations of the parameters highlighted with respect to the sensitivity analyses generally performed in assessment practice.

The Directors have identified - in scenario 1 - which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 6.4% (7.48% as of 31<sup>st</sup> December 2018), or an average decrease in EBITDA equal to 9.7% (18.2% as of 31<sup>st</sup> December 2018).

The Directors have finally identified - in scenario 2 - which discount rate value and which variation in plants reimbursement values considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 7.2% (11.8% as of 31<sup>st</sup> December 2018), or an average decrease in reimbursement values equal to 7.9% (21.6% as of 31<sup>st</sup> December 2018).

The estimate of the recoverable value of the cash generating units requires discretion and the use of estimates by the management. Several factors related to the evolution of the difficult regulatory context could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

Upon transfer to AP Reti Gas S.p.A. of the gas distribution activities, Ascopiave S.p.A. became a share interest holding that carries out direction and strategic coordination activities in the Ascopiave Group. Pursuant to IAS 36 accounting standard, we verified the recoverability of the so-called "corporate assets" of Ascopiave S.p.A. i.e. the assets and liabilities related to the main Ascopiave S.p.A. assets that have not been allocated in the CGUs during the first level impairment tests. The test has been carried out on a consolidation level (second level test) as prescribed in IAS 36. We verified the net invested consolidated capital of Ascopiave, net of un-consolidated share interests. Specifically, the recoverable amount has been determined as the sum of the following: i) recoverable amount of the CGUs gas distribution, gas sale and activities that were deemed as primary during the first level impairment test and ii) the recoverable amount of company Ascopiave. In both cases the value-in-use value configuration was used.

About the recoverable amount of Ascopiave, the cash flows used are consistent with the forecasts set forth by company management for the years. The terminal value has been determined as an estimate of a perpetuity based on results expected for 2022.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.46% (1.69% as of 31<sup>st</sup> December 2018) in line with the inflation rate forecasts elaborated for Italy by the International Monetary Fund.

The weighted cost of capital (WACC) was estimated as the weighted average of WACC amounts calculated for each CGU, where weighting factors weight in percentage over the Operating Results of each CGU for the entire Operating Result of 2019.

We calculated that the recoverable amount determined with these parameters is higher than the accounting values and therefore it is not necessary to write down Goodwill.

Regarding cogeneration/heat supply, it was hypothesised that in the period 2020-2022 the management would generate financial flows in line with those envisaged in the 2020-2022 Economic and Financial Plan.

The Terminal Value cash flow was calculated in such a way as to represent the level of cash generation sustainable in the long run by the CGU. In particular, the Terminal Value EBITDA was determined on the basis of the EBITDA forecast in 2022 and no changes in the net working capital and in the provisions for risks and charges were assumed. The growth factor g has been estimated at 1.46%, in line with the inflation rate forecasts elaborated for Italy by the International Monetary Fund. Based on these elements, the recoverable amount of the cogeneration/heat supply CGU is higher than the accounting values and therefore it is not necessary to write down Goodwill for impairment.

## 2. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2019			31.12.2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	6,600	(5,700)	900	5,653	(5,601)	52
Concessions, licences, trademarks and similar rights	15,256	(10,458)	4,798	15,256	(9,380)	5,876
Other intangible assets	9,685	(4,199)	5,486	24,676	(20,843)	3,833
Tangible assets under IFRIC 12 concession	1,003,824	(462,330)	541,495	622,519	(288,584)	333,934
Tangible assets in progress under IFRIC 12 concession	13,649	0	13,649	7,693	0	7,693
Inangible assets in progress and advance payments	868	0	868	491	0	491
<b>Other intangible assets</b>	<b>1,049,882</b>	<b>(482,688)</b>	<b>567,194</b>	<b>676,287</b>	<b>(324,409)</b>	<b>351,878</b>

The changes in intangible assets in the year under examination are shown in the following table:

(Thousands of Euro)	31.12.2018						31.12.2019	
	Net value	Change for the period	extension of the scope of consolidation	Decrease	Reclassification s to tangible assets	Amortizations during the year	Depreciations	Net value
Industrial patent and intellectual property rights	52	863	45		(18)	42		900
Concessions, licences, trademarks and similar rights	5,876	0	0			1,078		4,798
Other intangible assets	3,833	0	4,372		(2,598)	121		5,486
Tangible assets under IFRIC 12 concession	333,934	26,790	201,510	1,877		19,905	(1,042)	541,495
Tangible assets in progress under IFRIC 12 concession	7,693	5,120	869	32		0		13,649
Inangible assets in progress and advance payments	491	377	0			0		868
<b>Other intangible assets</b>	<b>351,878</b>	<b>33,149</b>	<b>206,796</b>	<b>1,909</b>	<b>(2,616)</b>	<b>21,145</b>	<b>(1,042)</b>	<b>567,194</b>

The extension of the scope of consolidation, due to the merger through acquisition effective 1<sup>st</sup> July 2019 of the previously jointly controlled company Unigas Distribuzione Gas S.r.l and the first consolidation of the newly established company AP Reti Gas Nord Est S.r.l. acquired in the context of the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group, determined the recognition of the fixed assets of both companies with the consequent increase in other intangible assets of Euro 206,796 thousand. This amount is attributable for Euro 44,025 thousand to the first combination and for Euro 162,771 thousand to the second.

The investments made during the financial year, considering the same consolidation scope, amount to Euro 33,149 thousand and refer to costs incurred for the realisation 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" registered investments for Euro 863 thousand. They are mainly explained by the costs incurred for the replacement and implementation of the user management software employed by the Group's distribution companies. Subsequent to the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group, the Group's sales companies are not controlled by the Ascopia Group and the consequent deconsolidation resulted in a decrease in the item of Euro 18 thousand.

### Concessions, licences, trademarks and similar rights

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

### Other intangible fixed assets

During the year, the item did not record investments and the change is mainly explained by the extension of the scope of consolidation and the deconsolidation of the sales companies involved in the partnership finalised on 19<sup>th</sup> December 2019. Net of these changes, the decrease in the net value of the item is explained by amortisation.

#### Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of metering and reduction groups. At the end of the first nine months of the year, net of the extension of the scope of consolidation, the overall net change amounts to Euro 6,050 thousand, mainly explained by depreciation for the period and the investments made. The investments, including the reclassifications of assets under construction, totalled Euro 26,790 thousand. Net divestments are mainly related to the mass replacement of meters.

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

#### Intangible assets under construction under concession

The item includes the costs incurred for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the first nine months of the year. The item, net of the extension of the scope of consolidation, has changed by Euro 5,088 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 year and related to the core business of natural gas distribution.

### 3. Tangible assets

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

	31.12.2019				31.12.2018			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
<b>(Thousands of Euro)</b>								
Lands and buildings	43,392	(14,743)		28,649	41,501	(12,979)		28,522
Plant and machinery	3,843	(1,699)	(995)	1,148	3,631	(1,474)	(995)	1,162
Industrial and commercial equipment	4,381	(3,688)		693	3,493	(3,001)		492
Other tangible assets	20,136	(17,149)		2,988	17,824	(15,458)		2,366
Tangible assets in progress and advance payments	499	0		499	182	0		182
Right of use	375	(144)		231	0	0		0
<b>Other tangible assets</b>	<b>72,626</b>	<b>(37,423)</b>	<b>(995)</b>	<b>34,208</b>	<b>66,631</b>	<b>(32,912)</b>	<b>(995)</b>	<b>32,724</b>

The changes in tangible assets in the year under examination are shown in the following table:

	31.12.2018						31.12.2019	
	Net value	Change for the period	extension of the scope of consolidation	First time adoption IFRS 16	Decrease	Riclassifiche per attività cessate	Amortizations during the year	Net value
<b>(Thousands of Euro)</b>								
Lands and buildings	28,522	0	1,419		60		1,233	28,649
Plant and machinery	1,162	72	7				93	1,148
Industrial and commercial equipment	492	142	119				59	693
Other tangible assets	2,366	1,089	380		2	(265)	582	2,988
Tangible assets in progress and advance payn	182	352	0		35			499
Right of use	0	(0)	0	375			144	231
<b>Other tangible assets</b>	<b>32,724</b>	<b>1,655</b>	<b>1,925</b>	<b>375</b>	<b>97</b>	<b>(265)</b>	<b>2,111</b>	<b>34,208</b>

The extension of the scope of consolidation, due to the merger through acquisition effective 1<sup>st</sup> July 2019 of the previously jointly controlled company Unigas Distribuzione Gas S.r.l and the first consolidation of the newly established company AP Reti Gas Nord Est S.r.l. acquired in the context of the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group, resulted in the recognition of the fixed assets of the two companies with the consequent increase in other tangible assets of Euro 1,925 thousand. This amount is attributable for Euro 1,684 thousand to the first combination and for Euro 241 thousand to the second.

The investments made during the year, considering the same consolidation scope, amount to Euro 1,655 thousand and mainly relate to the costs incurred for the purchase of other assets.

#### Land and buildings

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

#### Plants and machinery

The item “Plants and machinery” registered a decrease of Euro 73 thousand mainly explained, considering the same consolidation scope, by the depreciation for the period. The extension of the scope of consolidation resulted in an increase in the item of Euro 7 thousand.

#### Industrial and commercial equipment

The item “Industrial and commercial equipment”, considering the same consolidation scope, registered investments equal to Euro 142 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for metering activity. The extension of the scope of consolidation resulted in an increase in the item of Euro 119 thousand.

#### Other assets

The investments made during financial year, considering the same consolidation scope, are equal to Euro 1,089 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 835 thousand) as well as furniture and fittings (Euro 21 thousand). The extension of the scope of consolidation resulted in an increase in the item of Euro 380 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 year, the item changed by Euro 352 thousand.

#### Rights of use

The item includes the rights of use related to the first application of IFRS 16 on 1<sup>st</sup> January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings (Euro 590 thousand), rental of vehicles and trucks (Euro 401 thousand). During the year, the change recorded by the item, net of the first recognition at the amortised cost of the commitments, amounts to Euro 275 thousand, equal to the depreciation for the period.

## 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:

(Thousands of Euro)	31.12.2018		31.12.2019	
	Net value	Increase	Decrease	Net value
Shareholdings in jointly controlled companies	68,355		(68,355)	(0)
Shareholdings in associated companies	0	395,943		395,943
Shareholdings in other companies	2	54,000		54,002
<b>Shareholdings</b>	<b>68,357</b>	<b>449,943</b>	<b>(68,355)</b>	<b>449,945</b>

During the year, the item “Equity investments” recorded significant changes due to the corporate transactions developed during the year and described in the paragraph “Significant events during FY 2019” of this financial report. In chronological order, the expansion of the scope of consolidation occurred with the merger through acquisition of

Unigas Distribuzione S.r.l. into Ascopiave S.p.A. on 1<sup>st</sup> July 2019, and the completion of the partnership with the Hera Group on 19<sup>th</sup> December 2019.

The first determined the acquisition of control of the entire company by Ascopiave S.p.A. and its consequent line-by-line consolidation commencing 1<sup>st</sup> July 2019. The second involved the transfer to the new EstEnergy S.p.A. of 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.), the stake in Sinergie Italiane S.r.l., and those of the Hera Group (Hera Comm Nord-Est S.r.l.). 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).

As regards the reorganisation of the gas distribution activities, Ascopiave acquired a scope of concessions from the Hera Group, including users in Veneto and in Friuli-Venezia Giulia, which were transferred commencing 31<sup>st</sup> December 2019 to the newly established company called AP Reti Gas Nord Est S.r.l., of which it holds 100% of the share capital and which is consequently consolidated on a line-by-line basis.

Finally, as required by the agreement signed at the end of July, 3% of the capital of Hera Comm was acquired by Ascopiave, at a price of Euro 54 thousand.

#### *Equity investments in joint companies*

Investments in joint companies amounted to zero at the end of the year, with a net change of Euro 68,355 thousand. The change is explained by the corporate transactions developed during the year and described in the previous paragraph and, specifically, the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A. occurred on 1<sup>st</sup> July 2019 which resulted in the acquisition of control of the entire company by the parent company and its consequent consolidation on a line-by-line basis. The results achieved up to 30<sup>th</sup> June 2019 are therefore recorded in the item "Companies measured with the equity method" of this report, whereas the operating results and the balance sheet figures of the second half of the current year are represented by nature in the consolidated schedules.

The residual investments in jointly controlled companies were deconsolidated following their sale in the context of the partnership with the Hera Group. The sale of these companies, relating to the investments in EstEnergy S.p.A. and in Asm Set S.r.l., determined a decrease in the item totalling Euro 44,789 thousand.

#### *Equity investments in affiliate companies*

At the end of the year, investments in affiliate companies were recorded for a total of Euro 395,943 thousand, an amount entirely related to the 48% stake held in EstEnergy S.p.A., in its new configuration. At the reporting date, 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 Srl) 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 million).

#### *Other investments*

At the end of the year, other equity investments recorded a change of Euro 54,000 thousand. The change is related to the acquisition of 3% of the share capital of Hera Comm already described in the paragraph "Significant events during FY 2019" of this financial report, which should be consulted for more information.

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 associates 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)	31.12.2019	31.12.2018
Security deposits	1,171	8,917
Other receivables	2,125	3,127
<b>Other non-current assets</b>	<b>3,296</b>	<b>12,044</b>

Non-current assets recorded an overall change compared to the previous year equal to Euro 8,747 thousand. This is mainly explained by the deconsolidation of the sales companies involved in the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group which resulted in a decrease in the item of Euro 7,841 thousand. The extension of the scope of consolidation resulted in an increase in the item for Euro 100 thousand.

Net of the changes described, the item decreased by Euro 980 thousand. The change is mainly explained by the reclassification under non-current and current financial assets of the receivable from the municipality of Costabissara with which a settlement agreement was entered into, better commented in the paragraph “non-current financial assets” herein.

Non-current receivables recognised at the end of the year refer to guarantee deposits for Euro 1,171 thousand and other receivables for Euro 2,125 thousand. The latter also include the receivable from the municipality of Santorso, equal to Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31<sup>st</sup> December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to 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 31<sup>st</sup> December 2019 there is an on-going litigation with the municipality mentioned, in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these 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)	31.12.2019	31.12.2018
Other receivables of a financial nature over 12 months	2,478	1,122
<b>Non-current financial assets</b>	<b>2,478</b>	<b>1,122</b>

Non-current financial assets increased from Euro 1,122 thousand in 2018, to Euro 2,478 thousand in the period in question, showing an increase of Euro 1,356 thousand. The change is mainly explained by the recognition of the receivable due 12 months after the reporting date from the municipality of Costabissara with which a settlement agreement was signed for assessing the value of the natural gas distribution infrastructure, which had been delivered on 1<sup>st</sup> October 2011. The parties agreed an amount of Euro 3,000 thousand, of which Euro 1,000 thousand to be paid within 30 days of signing the agreement, while the remainder will be paid in 12 annual instalments having the same amount. The value entered under non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

## 7. Advance tax receivables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Advance tax receivables	19,390	11,358
<b>Advance tax receivables</b>	<b>19,390</b>	<b>11,358</b>

Advance taxes increase from Euro 11,358 thousand to Euro 19,390 thousand, marking an increase of Euro 8,033 thousand mainly attributable to the extension of the scope of consolidation which resulted in an increase in the item of Euro 7,626 thousand. This effect was partially offset by the deconsolidation of the deferred tax assets recorded by the sales companies involved in the partnership with the Hera Group which led to a decrease in the item totalling Euro 351 thousand. Net of the effects described, the item increased by Euro 762 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 31<sup>st</sup> December 2019 and at the time when it is estimated that any temporary differences will be carried forward.

The item is broken down as follows in the years shown for comparison purposes:

Description	31.12.2019			31.12.2018		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	906	24.0%	217	1,786	24.0%	429
Allocation of inventory write-down	33	28.2%	9	33	28.2%	9
Amortizations IRES 24% + IRAP 4,2%	4,689	28.2%	1,322	1,323	28.2%	373
Risks fund	923	24.0%	221	923	24.0%	221
Exceeding amortizations over 2013	6,638	28.2%	1,872	6,314	28.2%	1,781
Other IRES 24% + IRAP 4,2%	5,041	28.2%	1,422	732	28.2%	206
PILT - Phantom stock option - risks fund	1,040	24.0%	250	781	24.0%	188
Risks fund	180	27.9%	50	359	27.9%	100
Other IRES 24%	450,000	24.0%	108	2,905	24.0%	697
IRES 24% exceeding amortizations	57,911	24.0%	13,899	29,739	24.0%	7,137
Other - gas sale IRES 24% + 3,9%	70	27.9%	20	773	27.9%	216
<b>Total advance taxes</b>	<b>77,901</b>		<b>19,390</b>	<b>45,669</b>		<b>11,358</b>

## Current assets

### 8. Inventories

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

(Thousands of Euro)	31.12.2019			31.12.2018		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	0	0	0	2,694	(35)	2,659
Fuels and warehouse materials	8,171	(39)	8,132	3,399	(39)	3,360
<b>Total inventories</b>	<b>8,171</b>	<b>(39)</b>	<b>8,132</b>	<b>6,093</b>	<b>(73)</b>	<b>6,020</b>

As of 31<sup>st</sup> December 2019, inventories are equal to Euro 8,132 thousand, marking an increase of Euro 2,112 thousand as compared to 31<sup>st</sup> December 2018, mainly explained by the increase in the amount of material as well as the extension of the scope of consolidation which resulted in an increase in inventories of fuels and materials in stock for Euro 592 thousand.

The item Gas in stock amounts to 0 compared to Euro 2,659 thousand in the previous year, mainly explained by the deconsolidation of the sales companies involved in the partnership which led to a decrease in the item of the same amount.

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

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

## 9. Trade receivables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Receivables from customers	18,966	76,617
Receivables for invoices to be issued	24,665	94,046
Bad debt provisions	(506)	(3,715)
<b>Trade receivables</b>	<b>43,124</b>	<b>166,947</b>

Trade receivables decreased from Euro 166,947 thousand to Euro 43,124 thousand, marking a decrease of Euro 123,823 thousand. This is mainly explained by the deconsolidation of the gas and energy sales companies involved in the partnership with the Hera Group which resulted in a decrease in the item of Euro 135,564 thousand. The extension of the scope of consolidation, on the other hand, determined the recognition of higher receivables for Euro 1,708 thousand.

Net of the effects described, the item increased by Euro 10,031 thousand mainly due to the seasonality of the business. The trade receivables consist mainly in receivables from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located. The expansion of the portfolio of users served resulted in the recognition of greater transport services due to the consumption of the end customers in autumn and winter, a period in which natural gas consumption is concentrated.

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

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

The changes in the provision for doubtful accounts during 2019 are shown in the following table.

(Thousands of Euro)	31.12.2019	31.12.2018
Bad debt provisions	3,715	5,358
Bad debt provisions from acquisitions	39	(0)
Provisions	0	1,964
Adoption IFRS 5 - Companies held for sale	(3,244)	
Use	(3)	(3,607)
<b>Final bad debt provision</b>	<b>506</b>	<b>3,715</b>

The uses shown in the table above are almost entirely explained by the deconsolidation of the sales companies which resulted in a decrease in the item of Euro 3,244 thousand.

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

(Thousands of Euro)	31.12.2019	31.12.2018
Gross trade receivable invoices issued	18,966	76,617
- allowance for doubtful accounts	(506)	(3,715)
<b>Net trade receivables for invoices issued</b>	<b>18,460</b>	<b>72,902</b>
<b>Aging of trade receivables for invoices issued</b>		
- to expire	17,434	65,052
- expired within 6 months	863	7,300
- overdue by 6 to 12 months	244	1,472
- expired more than 12 months	425	2,793

## 10. Other current assets

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

(Thousands of Euro)	31.12.2019	31.12.2018
Tax consolidation receivables	1,927	3,034
Annual pre-paid expenses	687	629
Advance payments to suppliers	4,267	2,769
annual accrued income	93	27
Receivables due from CSEA	35,508	25,029
VAT Receivables	1,635	2,854
UTF and Provincial/Regional Additional Tax receivables	74	8,612
Other receivables		159
Other receivables	2,638	1,948
<b>Other current assets</b>	<b>46,830</b>	<b>45,062</b>

Other current assets increase from Euro 45,062 thousand to Euro 46,830 thousand, marking an increase of Euro 1,768 thousand. The extension of the scope of consolidation resulted in an increase in other assets of Euro 3,581 thousand, influencing in particular the receivables from Cassa Servizi Energetici e Ambientali (CSEA). On the other hand, the deconsolidation of the sales companies, as a result of the transaction described in "Significant events during FY 2019", determined a decrease in the item of Euro 4,362 thousand affecting mainly the receivables from the Technical Offices of Finance, Regions and Provinces in relation to regional excise duties and additional taxes.

Net of the effects described, the item showed an increase compared to 31<sup>st</sup> December 2019 of Euro 2,549 thousand mainly attributable to the higher receivables from Cassa Servizi Energetici ed ambientali in relation to energy efficiency certificates.

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 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 Ascopiae S.p.A..

The receivables from the CSEA, equal to Euro 32,658 thousand with the same consolidation scope, are calculated based on the quantities of energy efficiency certificates delivered in November 2019, but not collected at the

reporting date, and the quantities accrued with respect to the 2019 target (regulatory period June 2019-May 2020). The unit contribution used for the economic quantification of the fulfilment is equal to the final contribution communicated by the GSE for the 2019 target (regulatory period June 2018 - May 2019) in relation to the certificates delivered, and equal to the fair value of the forecast contribution for the contributions being accrued and, as of 31<sup>st</sup> December 2019, equal to Euro 250 (Euro 250 as of 31<sup>st</sup> December 2018; 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)	31.12.2019	31.12.2018
Jointly controlled companies	6,195	844
Other financial current assets	798	137
<b>Current financial assets</b>	<b>6,993</b>	<b>981</b>

Current financial assets increased by Euro 6,013 thousand, from Euro 981 thousand at 31<sup>st</sup> December 2018 to Euro 6,993 thousand in the period in question. The increase is mainly related to the deconsolidation of the companies involved in the partnership with the Hera Group. The intercompany current account relationships with them were in fact eliminated at the end of the previous year. These positions closed during the first quarter of the current year. At the end of the period, the item also included, in addition to the short-term portion of the receivables from the municipality of Creazzo, the short-term portion of the receivables, amounting to Euro 305 thousand from the municipality of Costabissara, with which the settlement agreement better described in the paragraph "non-current financial assets" herein was reached.

## 12. Tax receivables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Receivables related to IRAP	556	545
Receivables related to IRES	572	673
Other tax receivables	134	290
<b>Tax receivables</b>	<b>1,263</b>	<b>1,508</b>

Considering the same consolidation scope, tax receivables decreased from Euro 1,508 thousand to Euro 1,263 thousand in the period in question, marking a decrease of Euro 245 thousand as compared to 31<sup>st</sup> December 2018. The deconsolidation of the sales companies subsequent to the partnership with the Hera Group determined a decrease in the item of Euro 308 thousand. Net of the changes described, the item increased by Euro 41 thousand.

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

## 13. Cash and cash equivalents

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

(Thousands of Euro)	31.12.2019	31.12.2018
Bank and post office deposits	67,017	66,632
Cash and cash equivalents on hand	14	18
<b>Cash and cash equivalents</b>	<b>67,031</b>	<b>66,650</b>

Cash and cash equivalents increased from Euro 66,650 thousand in 2018, to Euro 67,031 thousand in the period in question, recording an increase of Euro 381 thousand and they mainly refer to the bank accounting balance and to the company funds. The extension of the scope of consolidation resulted in an increase in cash equivalents of Euro 1,037

thousand whereas the deconsolidation of the sales companies determined a decrease in the item of Euro 7,296 thousand.

For a better understanding of the changes in cash flows in 2019, 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)	31.12.2019	31.12.2018
Cash and cash equivalents	67,031	66,650
Current financial assets	6,993	981
Current financial liabilities	(17,156)	(115)
Payables due to banks and financing institutions	(136,803)	(131,044)
<b>Net short-term financial position</b>	<b>(79,935)</b>	<b>(63,528)</b>
Non-current financial assets	2,478	1,122
Medium- and long-term bank loans	(135,083)	(55,111)
Non-current financial liabilities	(441)	0
<b>Net medium and long-term financial position</b>	<b>(133,046)</b>	<b>(53,989)</b>
<b>Net financial position</b>	<b>(212,981)</b>	<b>(117,517)</b>

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

#### **14. Current assets from derivative financial instruments**

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

(Thousands of Euro)	31.12.2019	31.12.2018
Current assets from derivative financial instruments	0	123
<b>Current assets from derivative financial instruments</b>	<b>0</b>	<b>123</b>

The assets recorded at the end of 2018 for derivative contracts referred entirely to the sale of natural gas and consequently the balance was entirely deconsolidated due to the operation described in the paragraph "Significant events during FY 2019".

## Consolidated shareholders' equity

### 15. Shareholders' equity

Ascopiave S.p.A. share capital as of 31<sup>st</sup> December 2019 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	31.12.2019	31.12.2018
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(26,774)	(16,981)
Reserves	125,756	134,629
Group's Net Result	493,216	44,625
<b>Net equity of the Group</b>	<b>873,492</b>	<b>443,567</b>
Net equity of Others	(0)	2,428
Third parties Net Result		1,874
<b>Net equity of Others</b>	<b>(0)</b>	<b>4,303</b>
<b>Total Net equity</b>	<b>873,492</b>	<b>447,869</b>

Consolidated shareholders' equity at 31<sup>st</sup> December 2019 amounted to Euro 873,492 thousand, marking an increase compared to 2018 of Euro 425,623 thousand. Changes in the consolidated shareholders' equity during the period, excluding the result achieved, are mainly explained by the distribution of ordinary and extraordinary dividends approved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2019. In ordinary session, the Shareholders' Meeting resolved to distribute an ordinary dividend of Euro 0.125 per share and an extraordinary dividend of Euro 0.2133 for each of the 222,178,966 outstanding shares. This extraordinary dividend was paid together with the ordinary one on 8<sup>th</sup> May 2019, with ex-dividend date on 6<sup>th</sup> May 2019 and record date on 7<sup>th</sup> May 2019. The total disbursement amounted to Euro 75,163 thousand.

At the end of the year the company held treasury shares for a total value of Euro 26,774 thousand, up Euro 9,793 thousand compared to 31<sup>st</sup> December 2018. In fact, during the year, specifically since 1<sup>st</sup> April, Ascopiave S.p.A., has purchased treasury shares on the electronic share market for a value of Euro 22,376 thousand.

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

As of 31<sup>st</sup> December 2019, Ascopiave S.p.A. held, subsequent to the purchases made during the period and the transfer of treasury shares to Anita S.r.l., 10,456,025 shares, equal to 4.4605% of the share capital, for the value indicated above.

The hedge accounting reserve recorded at the end of 2018 was fully related to the sale of natural gas and consequently the balance was entirely deconsolidated due to the partnership described in the paragraph "Significant events during FY 2019" herein. The hedge accounting reserve recorded at the end of the period represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations. Such reserve, as at 31<sup>st</sup> December 2019, shows a negative balance of Euro 98 thousand. At the reporting date, no effects were recorded in the income statement.

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

### *Net equity of minority interests*

Net equity of minority interests at the end of 2018 consisted of net assets and the result not attributable to the Group and referred to minority interests of the subsidiaries Ascotrade S.p.A. and Etra Energia S.r.l.. The companies were deconsolidated and at the reporting date there are no Group companies having minority interests.

## Non-current liabilities

### 16. Provisions for risks and charges

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

(Thousands of Euro)	31.12.2019	31.12.2018
Previsions for pension for gas sector employees	1,285	1,024
Other reserves for risks and charges	59	2,877
<b>Reserves for risks and charges</b>	<b>1,344</b>	<b>3,901</b>

Reserves for risks and charges decreased from Euro 3,901 thousand in 2018 to Euro 1,344 thousand in the period in question, thus recording a decrease of Euro 2,557 thousand. The deconsolidation of the sales companies and Sinergie italiane S.r.l. in liquidation determined a decrease in the item of Euro 2,825 thousand; whereas the extension of the consolidation scope led to an increase in the item of Euro 76 thousand.

Net of the changes described, the item increased by Euro 192 thousand, mainly explained by the recognition of costs accrued in the period in question for long-term incentive plans. These amounts refer to the portion accrued in the year and relate to the 2018-2020 three-year period, 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:

(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2019	3,901
Reserves for risks and charges from acquisitions	76
Adoption IFRS 5 - Companies held for sale	(2,825)
Provisions for risks and charges	275
Use of provisions for risks and charges	(83)
<b>Provisions for risks and charges 31th of December 2019</b>	<b>1,344</b>

The following table shows the composition of reserves for risks and charges by type:

(Thousands of Euro)	31.12.2019	31.12.2018
Cover losses associated companies	0	2,642
Risk of litigation with suppliers	59	235
Retirement fund and similar obligations	1,285	1,024
<b>Total</b>	<b>1,344</b>	<b>3,901</b>

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

### 17. Severance indemnity

Severance indemnity increases from Euro 4,807 thousand as of 1<sup>st</sup> January 2019 to Euro 4,931 thousand as of 31<sup>st</sup> December 2019, with an increase of Euro 124 thousand. The change is mainly due to the deconsolidation of the sales companies which resulted in a decrease in the item of Euro 1,965 thousand, more than offset by the extension of the

scope of consolidation which led to the recognition of the severance indemnity of the employees of Unigas Distribuzione Gas S.r.l. on the date of the merger through acquisition (Euro +801 thousand) and the severance indemnity of the employees of AP Reti Gas Nord Est S.r.l. (Euro +1,285 thousand).

The following table shows the changes in the item in the period considered:

<b>(Thousands of Euro)</b>	
Severance indemnity as of 1st January 2019	4,807
Values of new companies acquired	2,086
Retirement allowance	(1,153)
Payments for current services and work	1,085
Adoption IFRS 5 - Companies held for sale	(1,965)
Actuarial loss/(profits) of the year (*)	71
<b>Severance indemnity as of 31th of December 2019</b>	<b>4,931</b>

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

The liability for employee severance indemnities are measured using an actuarial method, its value is therefore sensitive to changes in assumptions. The main assumptions used in the measurement of severance indemnities are the discount rate, the annual average percentage of outgoing employees and the maximum retirement age of employees. The discount rate used for the measurement of the liability resulting from employee severance indemnity is determined regarding the market yields of high quality fixed-income securities for which the due dates and amounts correspond to the due dates and amounts of future payments envisaged. For this plan, the average discount rate that reflects the estimated due dates and amounts of future payments relating to the 2019 plan is 0.79% (1.57% as of 31<sup>st</sup> December 2018).

The other main assumptions of the model are:

- mortality rate: survival table IPS55
- invalidity rate: INPS tables year 2000
- personnel turnover rate: 3.00%
- increase in remuneration rate: 1.50%
- inflation rate: 0.80%
- anticipation rate: 2.00%

The sensitivity analysis on the actuarial value of the provision did not highlight significant discrepancies compared to the value accounted in the statement.

The cost of work activities has been included in the costs of personnel, while the interest cost, equal to Euro 54 thousand, is booked in "Other financial costs".

## 18. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2019	31.12.2018
Loans from Cassa Centrale Banca	7,833	8,611
Loans from European Investment Bank	16,750	21,500
Loans from INTESA SAN PAOLO SPA	40,000	
Loans from BNL	46,500	25,000
Loans from CREDIT AGRICOLE FRIULADRIA	24,000	
<b>Medium- and long-term bank loans</b>	<b>135,083</b>	<b>55,111</b>
Current portion of medium- and long-term bank loans	30,778	8,014
<b>Medium- and long-term bank loans</b>	<b>165,861</b>	<b>63,124</b>

Medium and long term loans, mainly represented as of 31<sup>st</sup> December 2019 by the payables of the Parent Company to BNL for Euro 55,000 thousand, Intesa SanPaolo for Euro 50,000 thousand, Crédit Agricole Friuladria for Euro 30,000 and the European Investment Bank for Euro 21,500 thousand, increase from Euro 63,124 thousand to Euro 165,861 thousand, with an increase of Euro 102,737 thousand, explained by the payment of the instalments in the first half of the year and a new loan taken out in August 2019 with BNL and Credit Agricole - Friuladria in October 2019 of Euro 30,000 thousand each and with Intesa SanPaolo in November 2019 of Euro 50,000 thousand. Considering only the portion due beyond the year, the total value increases from Euro 55,111 thousand to Euro 135,083 thousand considering the same consolidation scope. Specifically:

- For the loan with BNL, taken out in 2019 for an amount equal to Euro 30,000 thousand, equal to the residual debt of as of 31<sup>st</sup> December 2019, Euro 6,000 thousand were recorded under due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS.
- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt of Euro 25,000 thousand as of 31<sup>st</sup> December 2019, and Euro 6,000 thousand were recorded under due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS.
- the loan taken out with Intesa SanPaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, equal to the residual debt as of 31<sup>st</sup> December 2019, 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 taken out with Crédit Agricole Friuladria, disbursed in October 2019 for an amount of Euro 30,000 thousand, equal to the residual debt as of 31<sup>st</sup> December 2019, with the recognition of Euro 6,000 thousand in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified each year and every six months on the Group's consolidated data prepared in accordance with the IFRS.
- Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 31<sup>st</sup> December 2019 is Euro 21,500 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group's consolidated data prepared in compliance with 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 of Euro 8,611 thousand as of 31<sup>st</sup> December 2019, with the recognition of Euro 778 thousand in due to banks and short-term loans.

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

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

(Thousands of Euro)	31.12.2019
Year 2020	30,778
Year 2021	30,042
Year 2022	30,057
Year 2023	30,072
After 31st December 2023	44,912
<b>Medium and long-term loans</b>	<b>165,861</b>

## 19. Other non-current liabilities

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

(Thousands of Euro)	31.12.2019	31.12.2018
Security deposits	401	11,350
Multi-annual passive prepayments	24,152	16,653
<b>Other non-current liabilities</b>	<b>24,553</b>	<b>28,003</b>

Other non-current liabilities decreased from Euro 28,003 thousand in the previous year to Euro 24,553 thousand in the period in question, with a decrease of Euro 3,450 thousand. The deconsolidation of the gas and electricity sales companies, described in the paragraph "Significant events during FY 2019", determined a decrease in the item of Euro 10,792 thousand mainly due to the security deposits of gas and electricity users. The extension of the scope of consolidation, on the other hand, led to an increase in the item of Euro 5,042 thousand, mainly attributable to long-term deferred income.

Net of the changes described, considering the same consolidation scope, the item increased by Euro 2,300 thousand due to the performance of long-term deferred income. Long-term deferred income was recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

Security deposits recorded at the 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.

## 20. Non-current financial liabilities

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

(Thousands of Euro)	31.12.2019	31.12.2018
Debts for rights of use beyond 12 months	441	0
<b>Non-current financial liabilities</b>	<b>441</b>	<b>0</b>

On 1<sup>st</sup> January 2019, the Group applied IFRS 16 for the first time. The first adoption of the standard, with the "modified retrospective approach" method, led to the recognition of non-current financial liabilities equal to Euro 694 thousand. The decrease recorded at 31<sup>st</sup> December 2019 is explained by the short-term reclassification of the principal amount that will be repaid within the next twelve months.

## 21. Deferred tax payables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Deferred tax payables	22,021	14,534
<b>Deferred tax payables</b>	<b>22,021</b>	<b>14,534</b>

Payables for deferred taxation increase from Euro 14,534 thousand in the previous year to Euro 22,021 thousand, with an increase of Euro 7,487 thousand. The change is mainly explained by the extension of the scope of consolidation due to the merger through acquisition of Unigas Distribuzione S.r.l. and the effects of the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group which involved the deconsolidation of the sales companies and the consolidation of AP Reti Gas Nord Est S.r.l..

The deconsolidation of the sales companies determined a decrease in the item of Euro 1,503 thousand, mainly explained by the amortisation of customer lists. The extension of the scope of consolidation, related to the entry of the deferred tax payables of AP Reti Gas Nord Est S.r.l., determined on the other hand an increase in the item for a total of Euro 9,485 thousand. For further information, please see the chapter "Business combinations" of this annual financial report.

Net of the change described, deferred tax payables decreased by Euro 905 thousand and mainly include the tax effects deriving from the dynamics of amortisation of gas distribution networks.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31<sup>st</sup> December 2019 and at the time when it is estimated that any temporary differences will be carried forward.

Description	31.12.2019			31.12.2018		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	25,546	24.0%	6,131	25,601	24.0%	6,144
Severance indemnity	21	24.0%	5	25	24.0%	6
Exceeding amortizations	47,338	28.2%	13,349	13,101	28.2%	3,695
Goodwill deductibility for tax purposes - gas sale	0	27.9%	0	2,681	27.9%	748
Other	227	24.0%	54	266	24.0%	64
Customer list after 2016	0	28.2%	0	3,878	28.2%	1,093
Goodwill deductibility for tax purposes	8,799	28.2%	2,481	9,872	28.2%	2,784
<b>Total deferred tax payables</b>	<b>81,931</b>		<b>22,021</b>	<b>55,424</b>		<b>14,534</b>

## Current liabilities

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

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

(Thousands of Euro)	31.12.2019	31.12.2018
Payables due to banks	106,025	123,031
Current portion of medium-long-term loans	30,778	8,014
<b>Payables due to banks and financing institutions</b>	<b>136,803</b>	<b>131,044</b>

Payables to banks increase from Euro 131,044 thousand in the previous year to Euro 136,803 thousand in the period in

question, with an increase of Euro 5,759 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The following table shows the allocation of Group's credit lines used and available and related rates applied as of 31<sup>st</sup> December 2019:

Bank	Type of line of credit	Credit line at 31.12.2019	Rate at 31.12.2019	Use of credit line at 31.12.2019
Banca di Credito Cooperativo delle Prealpi	Long-term mortgag	4,305	1.83%	4,305
Banca Europea per gli Investimenti	Long-term mortgag	7,500	0.34%	7,500
Banca Europea per gli Investimenti	Long-term mortgag	14,000	0.58%	14,000
Banca Monte dei Paschi di Siena	Endorsement loan	11,000	n.d.	9,700
Banca Nazionale del Lavoro	Cash loan	24,000	0.07%	24,000
Banca Nazionale del Lavoro	Long-term mortgag	25,000	1.92%	25,000
Banca Nazionale del Lavoro	Long-term mortgag	30,000	0.59%	30,000
Banca Nazionale del Lavoro	Endorsement loan	10,375	n.d.	435
Banca Popolare dell'Emilia Romagna	Cash loan	10,000	n.d.	0
Banca Sella	Cash loan	5,000	n.d.	0
Banco BPM	Cash loan	20,000	0.10%	20,000
Banco BPM	Endorsement loan	1,625	n.d.	1,125
Banco BPM	Endorsement loan	10,620	n.d.	2,549
Cassa centrale BCC Italiano	Long-term mortgag	4,305	1.83%	4,305
Credito Emiliano	Cash loan	27,000	0.02%	27,000
Credit Agricole Corporate	Long-term mortgag	15,000	0.67%	15,000
Credit Agricole Corporate	Long-term mortgag	15,000	0.67%	15,000
Credit Agricole Friuladria	Cash loan	3,000	n.d.	0
Intesa SanPaolo	Cash loan	56,000	0.05%	20,000
Intesa SanPaolo	Long-term mortgag	50,000	0.41%	50,000
Intesa SanPaolo	Endorsement loan	2,500	n.d.	0
Cassa Depositi e Prestiti	Endorsement loan	9,943	n.d.	9,943
Unicredit	Cash loan	29,602	0.03%	15,000
Unicredit	Endorsement loan	21,464	n.d.	12,064
Unione di Banche Italiane	Cash loan	30,000	n.d.	0
BNL	Endorsement loan	75	n.d.	75
Unicredit	Cash loan	500	n.d.	0
Unicredit	Endorsement loan	500	n.d.	0
UBI	Endorsement loan	107	n.d.	107
Unicredit	Cash loan	3,000	n.d.	0
Unicredit	Endorsement loan	3,000	n.d.	0
Banca Alto Vicentino	Endorsement loan	1,527	n.d.	1,527
Intesa SanPaolo	Cash loan	50	n.d.	0
Intesa SanPaolo	Endorsement loan	2,457	n.d.	2,457
Unicredit	Cash loan	5,000	n.d.	0
Unicredit	Endorsement loan	13,746	n.d.	200
Unicredit	Cash loan	500	n.d.	0
Unicredit	Endorsement loan	500	n.d.	0
		<b>468,201</b>		<b>311,292</b>

Note: the total use of credit lines is not equal to the total bank loan because this not include the use of endorsement loan.

## 23. Trade payables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Payables to suppliers	3,046	70,956
Payables to suppliers for invoices not yet received	49,036	60,229
<b>Trade payables</b>	<b>52,082</b>	<b>131,185</b>

Trade payables decrease from Euro 131,185 thousand in the previous year to Euro 52,082 thousand in the period in question, marking a decrease of Euro 79,127 thousand. The change is mainly explained by the deconsolidation of the gas and electricity sales companies, described in the paragraph “Significant events during FY 2019”, which resulted in a decrease in the item of Euro 97,971 thousand. These amounts were mainly related to the purchase and transportation of the raw materials gas and electricity. The extension of the scope of consolidation, on the other hand, led to the recognition of trade payables totalling Euro 2,979 thousand.

Net of the effects described, trade payables increased by Euro 15,865 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 as well as for consultancy services received during the period in question.

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

These are calculated by evaluating the amounts of certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit cost of certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 31<sup>st</sup> December 2019, and amounting to Euro 260 (Euro 260 on 31<sup>st</sup> December 2018).

## 24. Payables to tax authorities

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

(Thousands of Euro)	31.12.2019	31.12.2018
IRAP payables	82	169
IRES payables	4,646	38
<b>Tax payables</b>	<b>4,728</b>	<b>207</b>

Tax payables increase from Euro 207 thousand in the previous year to Euro 4,728 thousand in the period in question, marking an increase of Euro 4,521 thousand. The change is mainly explained by the recognition of payables accrued towards the tax authorities for IRES and IRAP, after deducting the advances paid, accrued during the year. In fact, in 2019 the national tax consolidation agreement in force as of 31<sup>st</sup> December 2018 with Asco Holding S.p.A. expired due to the lack of some necessary requirements. During the year, the Group companies joined the national tax agreement with the parent company Ascopiaeve S.p.A..

The deconsolidation of the sales companies determined a decrease in the item of Euro 143 thousand, whereas the extension of the scope of consolidation led to the recognition of payables for Euro 92 thousand.

## 25. Other current liabilities

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

(Thousands of Euro)	31.12.2019	31.12.2018
Advance payments from customers	221	505
Amounts due to parent companies for tax consolidation	1,668	551
Amounts due to social security institutions	1,120	1,805
Amounts due to employees	6,207	5,026
VAT payables	495	7,170
Payables to revenue office for withholding tax	966	1,222
Annual passive prepayments	661	452
Annual passive accruals	698	509
UTF and Provincial/Regional Additional Tax payables		572
liabilities for short-term purchase commitments		172
Other payables	13,514	9,555
<b>Other current liabilities</b>	<b>25,549</b>	<b>27,539</b>

Other current liabilities decreased from Euro 27,539 thousand in 2018 to Euro 25,549 thousand in the period in question, marking a decrease of Euro 1,989 thousand. The change is partly explained by the deconsolidation of the sales companies, due to the operation described in the paragraph “Significant events during FY 2019” herein, which determined a decrease in the item of Euro 12,245 thousand mainly involving VAT payables. This decrease was partially offset by the extension of the scope of consolidation which, on the other hand, led to the recognition of other current liabilities totalling Euro 3,833 thousand. Consequently, net of the changes described, the item showed a decrease of Euro 6,069 thousand attributable to other payables.

### Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of 31<sup>st</sup> December 2019.

### Tax consolidation payables

At the reporting date, the national tax consolidation agreement with Asco Holding S.p.A. ceased due to the lack of some necessary requirements: specifically, the Company has changed the financial year whose reporting date does not coincide with 31<sup>st</sup> December. The payables recorded refer to previous positions.

### Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employees and directors, accrued as of 31<sup>st</sup> December 2019 but not yet paid as of year-end.

### Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31<sup>st</sup> December 2019 but not paid out on that date and the relevant social security contributions. The item increased by Euro 1,182 thousand, from Euro 5,026 thousand in 2018 to Euro 6,207 thousand in the period in question. The change is mainly explained by the registration of the variable remuneration accrued for the completion of the partnership with the Hera Group for Euro 2,277 thousand. The change was partially offset by lower payables accrued at the end of the year.

### VAT payables

Payables to the tax authorities for VAT at the end of the period amount to Euro 495 thousand. The significant decrease recorded as against the previous year is explained by the deconsolidation of the sales companies which were involved in the partnership finalised on 19<sup>th</sup> December 2019.

#### 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 granted to local licensing bodies for the extension of the concession for the distribution of natural gas, awaiting the territorial calls for tenders.

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

At the end of the year, no values were entered in the item since the payables recorded as of 31<sup>st</sup> December 2018 were entirely related to sales companies which were deconsolidated due to the partnership finalised on 19<sup>th</sup> December 2019. Consequently, the balance of these items is zero.

#### Liabilities for forward sales

At the end of the year, no values were entered in the item because the payables recorded as of 31<sup>st</sup> December 2018 were entirely related to the sales companies which were deconsolidated due to the partnership finalised on 19<sup>th</sup> December 2019. Consequently, the balance of these items is zero.

#### Other payables

Considering the same consolidation scope, at the end of the year, the item showed a balance equal to Euro 10,297 thousand, recording an increase compared to the previous year of Euro 743 thousand. The increase is mainly related to higher payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport.

The item also includes payables for personnel charges accrued as of 31<sup>st</sup> December 2019.

### **26. Current financial liabilities**

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

(Thousands of Euro)	31.12.2019	31.12.2018
Financial payables within 12 months	16,889	115
Payables to leasing companies within 12 months	267	
<b>Current financial liabilities</b>	<b>17,156</b>	<b>115</b>

Current financial liabilities increase from Euro 115 thousand in 2018 to Euro 17,165 thousand in the period in question, marking an increase of Euro 17,041 thousand. The deconsolidation of the sales companies involved in the partnership finalised on 19<sup>th</sup> December 2019 determined an increase in the item of Euro 16,979 thousand. The intercompany current accounts with the divested companies, on which the Group's cash pooling was based, were in fact eliminated at the end of the previous year. These positions were closed during the first quarter of the current year.

As mentioned in the paragraph "Non-current financial liabilities" herein, on 1<sup>st</sup> January 2019, the financial payables related to operating leases were recognised for the first time upon the first application of IFRS 16. The first adoption of the standard led to the recognition of Euro 297 thousand of higher payables. At the end of the year, the item did not show significant changes as the principal repayments made during the period were offset by the reclassification of the portions that will be paid within the next twelve months from the reporting date.

## 27. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	31.12.2019	31.12.2018
Liabilities on derivatives on raw materials	0	1,216
Liabilities on derivatives on interest rates	98	
<b>Current liabilities from derivative financial instruments</b>	<b>98</b>	<b>1,216</b>

Liabilities on derivatives, at the end of the previous year, showed a balance entirely related to the gas and electricity sales companies. Subsequent to the partnership finalised on 19<sup>th</sup> December 2019, these balances are not consolidated. During the year, the parent company signed a derivative contract to hedge against interest rates. As regards the assets and liabilities related to assets on derivatives, please consult the section "Risk and uncertainty factors" of this report which highlights the effects related to them.

Assets on derivatives are represented by the fair value of the following derivatives existing as of 31<sup>st</sup> December 2019, whose financial manifestation will be distributed over the next 12 months:

#	Controparte	Tipologia strumento	Commodity Sottostante	Trade date	Effective date	Expiry date	Posizione	Nozionale contrattuale	MtM (€/000)
1	BNL	Interest Rate Swap	Euribor 6M	9-ago-19	9-feb-20	9-ago-24	Vanilla: Fixed - Float	27.000.000 €	70
2	Credit Agricole	Interest Rate Swap	Euribor 6M	27-set-19	1-ott-19	27-set-24	Vanilla: Fixed - Float	30.000.000 €	28
<b>Totali</b>									<b>57.000.000 €</b>

Financial instruments measured at fair value belong to the 2<sup>nd</sup> assessment hierarchical level.

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

### Revenues

#### 28. Revenues

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

(Thousands of Euro)	Full Year	
	2019	2018
Revenues from gas transportation	80,370	73,940
Revenues from connections	354	289
Revenues from heat supply	10	(0)
Revenues from distribution services	3,849	4,951
Revenues from services supplied to Group companies	8,469	7,491
Revenues from ARERA contributions	29,176	25,253
Other revenues	2,684	3,424
<b>Revenues</b>	<b>124,911</b>	<b>115,347</b>

At the end of the period considered, the Ascopiaeve Group's revenues amounted to Euro 124,911 thousand, an increase of Euro 9,564 thousand compared to the previous year (Euro 115,347 thousand). The increase is mainly explained by higher revenues from the transportation of natural gas on the Group's distribution network (Euro +6,430 thousand) and higher contributions recorded for the achievement of energy saving targets (Euro +3,923 thousand), partially offset by the lower revenues from services rendered as distributors (Euro -1,102 thousand), and lower other revenues (Euro -806 thousand).

Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* on the distribution network generated revenues for Euro 80,370 thousand marking an increase of Euro 6,430 thousand compared to the same period in the previous year. The change is mainly explained by the recognition of the Restriction on total revenues related to the facilities managed by Unigas Distribuzione Gas S.r.l. subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; such revenues were previously recorded in financial income and charges under the item "profit/loss of companies measured with the equity method".

The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by ARERA. The item "revenues from gas transport" includes a positive equalisation amount of Euro 711 thousand, a decrease as compared to the previous year of Euro 448 thousand. The equalisation amount varies according to the seasonality and the temperature trend as it results from the difference between the revenues charged to the sales companies for the natural gas transport service (contracts due to lower consumption) and the Restriction on Total Revenues recognised in the period in question.

The revenues derived from *services provided by distributors*, being equal to Euro 3,849 thousand, show a decrease as compared to the previous year of Euro 1,102 thousand. The decrease is partly explained by contributions amounting to Euro 778 thousand registered in 2018 and related to the construction of the distribution network in parcelling.

Revenues for services provided to Group companies show an increase of Euro 979 thousand compared to the previous year, and amount to Euro 8,469 thousand as of 31<sup>st</sup> December 2019.

The contributions made by the Regulatory Authority for Energy, Networks and the Environment, at the end of the period considered, amount to Euro 29,176 thousand, up Euro 3,923 thousand compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the distributors to which such obligations apply. The contributions recognised as of 31<sup>st</sup> December 2019 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the final contribution communicated by GSE for the 2019 target (regulatory period June 2018 - May 2019) for the

certificates delivered, and equal to the fair value of the forecast contribution for the contributions being accrued and, as of 31<sup>st</sup> December 2019, equal to Euro 250 (Euro 250 as of 31<sup>st</sup> December 2018; source STX). The item “*Other revenues*” decreased from Euro 3,424 thousand in 2018, to Euro 2,618 thousand in the period in question, a decrease of Euro 806 thousand.

### 30. Cost of other raw materials

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

(Thousands of Euro)	Full Year	
	2019	2018
Purchase of other raw material	1,358	1,271
<b>Purchase costs for other raw materials</b>	<b>1,358</b>	<b>1,271</b>

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 1,358 thousand, marking an increase of Euro 88 thousand compared to the previous year. The change is mainly explained by the recognition of the costs incurred upon conducting the activities in the facilities managed by Unigas Distribuzione Gas S.r.l. subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item “profit/loss of companies measured with the equity method”.

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

### 31. Costs for services

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

(Thousands of Euro)	Full Year	
	2019	2018
Costs for counting meters reading	776	775
Costs for mailing bills	2	(5)
Mailing and telegraph costs	107	74
Maintenance and repairs	2,533	2,537
Consulting services	3,323	3,628
Commercial services and advertisement	98	89
Sundry suppliers	1,858	1,508
Directors' and Statutory Auditors' fees	1,244	906
Insurances	727	565
Personnel costs	709	689
Other managing expenses	1,669	1,197
Costs for use of third-party assets	18,684	16,802
<b>Costs for services</b>	<b>31,732</b>	<b>28,766</b>

The costs for services incurred during the financial year increase by Euro 2,966 thousand compared to the previous year, from Euro 28,766 thousand in 2018 to Euro 31,732 thousand in the period in question, mainly explained by the

higher costs incurred for use of third-party assets and other operating costs.

The costs incurred for *metre reading*, amounting to Euro 776 thousand, are substantially in line with 2018 (Euro 775 thousand as of 31<sup>st</sup> December 2018).

The costs for *maintenance and repairs* decrease from Euro 2,537 thousand in 2018, to Euro 2,533 thousand in the period in question, a minor change. The item mainly includes costs related to software fees and expenses incurred for routine facility maintenance.

At the end of the year, the costs incurred for consultancy amounted to Euro 3,323 thousand, a decrease of Euro 305 thousand, mainly explained by a lower amount of IT consultancies required. Please note that the costs incurred for consultancy received for the finalisation of the partnership with the Hera Group, described in the paragraph “Significant events during FY 2019” of this annual financial report, are reclassified in the item “Result of discontinued operations” in compliance with the accounting standard IFRS 5.

The item “Remuneration of directors and auditors” increased by Euro 338 thousand compared to the previous year, totalling Euro 1,244 thousand.

*Other operating costs* increased by Euro 472 thousand, amounting to Euro 1,669 thousand. The increase is mainly explained by the higher bank charges incurred which led to an increase of Euro 352 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 2,039 thousand compared to the previous year. The change is mainly explained by the recognition of fees accrued as concerns the facilities managed by Unigas Distribuzione Gas S.r.l. subsequent to the merger through acquisition effective 1<sup>st</sup> July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item “profit/loss of companies measured with the equity method”.

The increase recorded was partly offset by the effects of the first application of IFRS 16. The methods for recognising operating leases led to the entry of lower costs for the use of third-party assets totalling Euro 142 thousand, such as lower fees recorded for rentals of branch offices, company vehicles and printers.

### 32. Costs for staff

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

(Thousands of Euro)	Full Year	
	2019	2018
Wages and salaries	15,618	17,399
Social security contributions	4,864	5,026
Severance indemnity	1,085	1,089
Other costs	65	42
<b>Total personnel costs</b>	<b>21,632</b>	<b>23,555</b>
Capitalized personnel costs	(7,132)	(7,430)
<b>Personnel costs</b>	<b>14,500</b>	<b>16,125</b>

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

Costs for staff decrease from Euro 23,555 thousand in 2018, to Euro 21,632 thousand in the period in question, showing a decrease of Euro 1,923 thousand. The change is mainly explained by the non-recurring items recorded in 2018 in relation to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year. The agreements signed with them led to the recognition of higher costs totalling Euro 2,411 thousand. Net of the effect described, personnel costs increased by Euro 488 thousand, mainly due to the extension of the consolidation scope subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. which took place on 1<sup>st</sup> July 2019. At the end of the year, costs for long-term incentive plans were recognised totalling Euro 472 thousand, up Euro 223 thousand compared to the previous year.

In accordance with IFRS 2, the cost of the long-term incentive plans had an offsetting item in the shareholders' equity reserves for Euro 60 thousand for the portion to be paid in shares and in the retirement funds for Euro 412 thousand for the cash portion. The amounts recorded for long-term incentive plans refer to the first year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

Capitalised personnel cost registered a decrease of Euro 299 thousand, from Euro 7,430 thousand in the previous period, to Euro 7,132 thousand in the period in question.

Personnel costs consequently decreased by Euro 1,625 thousand.

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

Description	31.12.2019	31.12.2018	Variation
Managers (average)	13	13	0
Office workers (average)	231	221	10
Manual workers (average)	122	121	1
<b>No. of persoal employed</b>	<b>366</b>	<b>355</b>	<b>11</b>

The table does not include the average data of the staff of AP Reti Gas Nord Est S.r.l. since the company was consolidated for the first time on 31<sup>st</sup> December 2019, the date on which the transfer of the distribution business unit currently managed by the company took effect. Consequently, the company does not present personnel costs during the year.

### 33. Other operating costs

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

(Thousands of Euro)	Full Year	
	2019	2018
Membership and ARERA fees	539	542
Capital losses	715	1,122
Extraordinary losses	32	1,393
Other taxes	732	688
Other costs	656	610
Costs of contracts	325	239
Energy efficency certificates	30,903	22,937
<b>Other management costs</b>	<b>33,902</b>	<b>27,548</b>

Other operating costs, increasing from Euro 27,548 in 2018 to Euro 33,902 thousand in the period in question, show an increase of Euro 6,354 thousand; this change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +7,966 thousand).

The costs recognised as of 31<sup>st</sup> December 2019 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2018 target (regulatory period June 2019 - May 2020). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 31<sup>st</sup> December 2019, and amounting to Euro 260 (Euro 260 on 31<sup>st</sup> December 2018).

The increase is partly explained by the extension of the scope of consolidation subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. effective 1<sup>st</sup> July 2019, which resulted in the recognition of costs related to the objectives applicable to such company.

The increase in the costs booked for efficiency and energy saving objectives was only partially offset by lower contingent liabilities recognised during the period under examination. In 2018, Euro 821 thousand were recorded due to the alignment of non-current deferred income with the amount of contributions deducted from the assets.

### 34. Other operating revenues

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

(Thousands of Euro)	Full Year	
	2019	2018
Other income	1,479	355
<b>Other income</b>	<b>1,479</b>	<b>355</b>

At the end of the period considered, the item “other operating income” shows an increase of Euro 1,125 thousand, from Euro 355 thousand as of 31<sup>st</sup> December 2018, to Euro 1,479 thousand in the period in question.

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

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

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

(Thousands of Euro)	Full Year	
	2019	2018
Intangible fixed assets	21,145	18,884
Tangible fixed assets	1,967	2,043
Right of use	275	
<b>Amortization and depreciation</b>	<b>23,325</b>	<b>20,927</b>

Amortisation and depreciation show an increase of Euro 2,399 thousand as compared to the previous year, from Euro 20,927 thousand as of 31<sup>st</sup> December 2018, to Euro 23,325 thousand in the period in question.

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

The recognition method of operating leases led to the entry of higher amortisation and depreciation costs totalling Euro 275 thousand for the rental of peripheral headquarters and company cars.

### Financial income and expense

#### 36. Financial income and expense

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

(Thousands of Euro)	Full Year	
	2019	2018
Interest income on bank and post office accounts	68	19
Other interest income	75	127
<b>Financial income</b>	<b>142</b>	<b>147</b>
Interest expense on banks	131	122
Interest expense on loans	944	897
Other financial expenses	184	141
<b>Financial charges</b>	<b>1,259</b>	<b>1,160</b>
Evaluation of subsidiary companies with net equity method	648	1,407
<b>Evaluation of subsidiary companies with the net equity method</b>	<b>648</b>	<b>1,407</b>
<b>Total net financial expenses</b>	<b>468</b>	<b>394</b>

At the end of 2018, the balance between financial income and expenses showed a loss of Euro 1,117 thousand, an

increase as compared to the previous year of Euro 104 thousand. The increase is mainly explained by the higher interest paid on bank loans, up Euro 47 thousand.

Subsequent to the first application of IFRS 16, the payment of operating lease fees determines the decrease in current financial liabilities for lease payables for the principal amount and the entry of financial charges. At the end of the year, this led to the recognition of Euro 16 thousand.

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

## Taxes

### 37. Taxes in the reference period

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

(Thousands of Euro)	Full Year	
	2019	2018
IRES current taxes	6,815	6,245
IRAP current taxes	1,150	1,318
(Advance)/Deferred taxes	(1,223)	(830)
Taxes previous years	(115)	
<b>Taxes for the year</b>	<b>6,626</b>	<b>6,733</b>

Taxes accrued decreased from Euro 6,733 thousand in the previous year to Euro 6,626 thousand in the period in question, recording a decrease of Euro 108 thousand mainly due to a decrease in result before tax.

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

(Thousands of Euro)	Full Year	
	2019	2018
Earnings before tax	21,105	21,460
Taxes for the period	6,626	6,733
<b>Percentage of income before taxes</b>	<b>31.4%</b>	<b>31.4%</b>

The tax-rate as of 31<sup>st</sup> December 2019 is 31.4%, in line with the previous year.

## 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)	Full Year	
	2019	2018
<b>Net Result of companies held for sale</b>	<b>478,737</b>	<b>31,773</b>

As of 31<sup>st</sup> December 2019, the net result of discontinued operations amounts to Euro 478,737 thousand, showing an

increase of Euro 446,965 thousand compared to the previous year. The change is mainly explained by the effects of the partnership with the Hera Group described in the paragraph “Significant events during FY 2019” of this report. Pursuant to IFRS 5, the net result of discontinued operations shown for comparative purposes includes the results achieved during 2018 by the gas and electricity sales companies involved in the partnership.

The table below shows the composition of the item in the years shown for comparative purposes:

(Thousands of Euro)	Full Year	
	2019	2018
Gains by sale of companies	457,547	0
Cost associated with carrying out the operation	(8,230)	0
Tax effect related to the economic effects of the transaction	(5,769)	0
Result achieved by the companies sold in 2019	35,189	31,773
<b>Net Result of companies held for sale</b>	<b>478,737</b>	<b>31,773</b>

In compliance with the international accounting standard IFRS 5, the economic results achieved by the companies involved in the partnership finalised with the Hera Group on 19<sup>th</sup> December 2019, and better described in the paragraph “Significant events during FY 2019” of this financial report, or related to its achievement, were reclassified in the item.

The item includes the gross capital gain generated by the sale of the investments in the companies involved in the partnership, and the costs incurred for the completion of the transaction, accompanied by the related tax effect. This effect was further influenced by the results achieved by the sales companies during the period in question, up to the date on which their control was transferred, and by the dividends that they distributed to the parent company Ascopiaeve S.p.A. in May 2019.

The aggregated income statement for 2019 of the discontinued companies is shown below, compared with the results achieved by the same companies in 2018:

(Thousands of Euro)	Full Year	
	2019	2018
<b>Revenues</b>	<b>582,838</b>	<b>572,776</b>
<b>Total operating costs</b>	<b>543,738</b>	<b>536,933</b>
Purchase costs for raw material (gas)	289,889	308,141
Purchase costs for raw material (other)	78,408	62,952
Costs for services	161,202	153,141
Costs for personnel	9,882	9,905
Other management costs	4,357	2,795
Other income	0	2
Amortization and depreciation	447	2,020
<b>Operating result</b>	<b>38,653</b>	<b>33,823</b>
Financial income	319	314
Financial charges	92	79
Evaluation of subsidiary companies with the net equity method	7,087	7,264
<b>Earnings before tax</b>	<b>46,060</b>	<b>41,323</b>
Taxes for the period	10,779	9,550
<b>Result for the period</b>	<b>35,189</b>	<b>31,773</b>
Net Result of companies held for sale	35,189	31,773

## **Non-recurrent components**

Pursuant to CONSOB communication no. 15519/2005, we announce that on 19<sup>th</sup> December 2019 Ascopiaeve and the Hera Group completed the commercial partnership described in the paragraph “Significant events during FY 2019” of this report. The completion of the partnership resulted in the deconsolidation of the sales companies and the recognition of the net gain realised on the sale in the item “Result of discontinued operations” of the income statement. Such net gain, net of the costs incurred for its realisation and of the related tax effects, was equal to Euro 443,548 thousand. The same item includes the results achieved by the companies discontinued during the year, which were positive for Euro 35,189 thousand.

The item “Cost for staff” in 2019 includes costs to the tune of Euro 2,411 thousand related to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year.

## **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 2019 no unusual and/or atypical operations occurred.

## BUSINESS COMBINATIONS

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

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

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

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

In exchange for the merged assets and liabilities of Unigas Distribuzione S.r.l., the former shareholder of the company (Anita S.r.l.) was assigned 7,149,505 Ascopiave S.p.A.'s treasury shares, for an equivalent value of Euro 26,975 thousand leading to, together with the fees previously paid for the acquisition of 48.86% of Unigas Distribuzione S.r.l. amounting to Euro 20,652, a total payment of Euro 47,627 thousand for the total acquisition of the gas distribution unit of Unigas Distribuzione S.r.l..

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

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

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

The stake acquired was assessed by an external independent party in order to determine the allocation of the higher value paid with respect to the carrying amounts of the shareholders' equity at 30<sup>th</sup> June 2019. The business combination was provisionally recognised as of 31<sup>st</sup> December 2019 in accordance with the international accounting standard IFRS 3.62.

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

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

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

**Purchase of Ap Reti Gas Nord Est S.r.l. in the context of the partnership finalised on 19<sup>th</sup> December 2019 with the Hera Group**

On 19<sup>th</sup> December 2020, the partnership with the Hera Group was finalised: Ascopiaeve acquired 100% of a scope of concessions including approximately 188,000 users in Veneto and Friuli-Venezia Giulia, which were transferred commencing 31<sup>st</sup> December 2019 into the newly established company called AP Reti Gas Nord-Est.

The purchase was financially settled on the execution date of the partnership for an amount of Euro 168,000 thousand.

The business combination was provisionally recognised as of 31<sup>st</sup> December 2019 in accordance with the provisions of the international accounting standard IFRS 3.62.

**Values recorded at 31 december 2019**

	Accounting value (Thousands of Euro)	IFRS Effects	Higher values allocated to the distribution network	Fair value at the acquisition date
Other intangible assets	129,135			33,636 162,771
Tangible assets	241			241
Partecipazioni	0			0
Altre attività non correnti	0			0
Advance tax receivables	5,293	1,210		6,503
<b>Non-current assets</b>	<b>134,669</b>	<b>1,210</b>		<b>33,636 169,515</b>
Rimanenze	0			0
Crediti commerciali	0			0
Other current assets	10			10
Crediti tributari	0			0
Disponibilità liquide e mezzi equivalenti	0			0
<b>Total current assets</b>	<b>10</b>	<b>0</b>		<b>0 10</b>
<b>Totale assets</b>	<b>134,679</b>	<b>1,210</b>		<b>33,636 169,525</b>
Fondi rischi ed oneri	0			0
Severance indemnity	1,285			1,285
Finanziamenti a medio e lungo termine	0			0
Other non-current liabilities	0	4,172		4,172
Deferred tax payables	0			9,485 9,485
<b>Total non-current liabilities</b>	<b>1,285</b>	<b>4,172</b>		<b>9,485 14,942</b>
Debiti verso banche e finanziamenti	0			0
Debiti commerciali	0			0
Debiti tributari	0			0
Other current liabilities	615	118		733
<b>Total current liabilities</b>	<b>615</b>	<b>118</b>		<b>0 733</b>
<b>Total liabilities</b>	<b>1,899</b>	<b>4,290</b>		<b>9,485 15,675</b>
 <b>Total Assets/liabilities of the acquired company</b>	 <b>132,780</b>	 <b>3,080</b>		 <b>24,151 153,850</b>
 Goodwill arising from the acquisition				 14,150
<b>Total cost of acquisition</b>				<b>168,000</b>
 Liquidità netta delle società				 0
 Payments				 168,000
<b>Cash flow absorbed by the acquisition</b>				<b>168,000</b>

## OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31<sup>ST</sup> DECEMBER 2019

### Commitments and risks

#### Guarantees given

As of 31<sup>st</sup> December 2019, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31.12.2019	31.12.2018
Patronage on credit lines	3,849	0
On execution of works (letter of comfort)	1,292	991
On UTF offices and regions for taxes on gas (letter of comfort)	150	150
On distribution concession (letter of comfort)	3,390	6,043
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	675	1,569
On participation in the tender	75	0
<b>Total</b>	<b>9,931</b>	<b>9,252</b>

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

(Thousands of Euro)	31.12.2019	31.12.2018
Patronage on credit lines	41,882	33,732
Patronage on derivative financial instruments	23,400	23,400
Guarantees on credit lines (letter of comfort)	102	115
On UTF offices and regions for taxes on gas (letter of comfort)	2,510	5,387
On UTF offices and regions for taxes on electricity (letter of comfort)	104	249
On agreements for transport of gas (letter of comfort)	2,852	2,894
On agreements for transport of electricity (letter of comfort)	14,700	16,727
On purchase of gas agreements (letter of comfort)	126	0
On purchase of electricity agreements (letter of comfort)	0	3,000
<b>Total</b>	<b>85,676</b>	<b>85,504</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 31<sup>st</sup> December 2019 to Euro 25,332 thousand, unchanged since 31<sup>st</sup> December 2018.

### Risk and uncertainty factors

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

Pursuant to art. 2427, first paragraph, point 22-ter, Italian Civil Code, introduced by Legislative Decree 173 on 23<sup>rd</sup> November 2008, we announce 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 exposes the Group to the risk connected with the fluctuation of interest tax rate, that successively determine possible variations on financial costs.

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

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

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

#### **Interest rate risks**

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 managed by the Group, with variable and fixed rates, have a residual debt as of 31<sup>st</sup> December 2019 of Euro 165,111 thousand and expiration dates between 1<sup>st</sup> January 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 31<sup>st</sup> December 2019 of Euro 81,500 thousand (Euro 26,250 thousand as of 31<sup>st</sup> December 2018), represented by:

- Loan with the European Investment Bank disbursed in August 2013 with a residual debt as of 31<sup>st</sup> December 2019 of Euro 21,500 thousand,
- Loan with BNL disbursed in August 2019 with a residual debt as of 31<sup>st</sup> December 2019 of Euro 30,000 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 31<sup>st</sup> December 2019 of Euro 30,000 thousand; the latter is hedged by a financial derivative instrument, and therefore its interest rate risk is neutralised.

As of 31<sup>st</sup> December 2019, 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. 27 "Current liabilities on derivative financial instruments" and whose mark to market amounts to Euro 98 thousand in total, 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 31<sup>st</sup> December 2019 of Euro 25,000 thousand,
- the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 31<sup>st</sup> December 2019 of Euro 8,611 thousand,
- the loan taken out with Intesa SanPaolo in November 2019, with a residual debt as of 31<sup>st</sup> December 2019 of Euro 50,000 thousand.

The loans above are subjected to covenants.

Please refer to Paragraph no. 18 "Medium and Long Term Loans" for additional details.

#### **Sensitivity analysis of the interest rate risk**

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

(Thousands of Euro)	March	June	September	December	Total
Net Financial Position 2019	(127,833)	(178,675)	(193,028)	(212,981)	
Borrowing rates of interest	0.12%	0.12%	0.06%	0.08%	
Lending rates of interest	0.52%	0.52%	0.53%	0.31%	
Borrowing rate of interest plus 200 basis points	2.12%	2.12%	2.06%	2.08%	
Lending rates of interest plus 200 basis points	2.52%	2.52%	2.53%	2.31%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.02%	0.02%	0.03%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(128,463)	(179,566)	(194,001)	(214,070)	
Net Financial Position recalculated with decrease of 50 basis points	(127,675)	(178,452)	(192,785)	(213,254)	
Effect on pre-tax result of the increase of 200 basis points	(630)	(891)	(973)	(1,079)	(3,574)
Effect on pre-tax result of the decrease of 50 basis points	158	223	243	269	892

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 3,574 thousand or positive for Euro 892 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 with counterparties. 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 Network 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 obliged to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

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

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

#### **Regulations**

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

## Public payments received

With reference to the changes introduced by Law no. 124 dated 4<sup>th</sup> August 2017 "Annual competition act", art. 1 par. 125-129, the following contributions were received from Public entities in 2019, mainly concerning works on user connections and the natural gas distribution network.

Grantor Entities			
Beneficiary institution	Name / Company name	Type of operation	Amount (Euro)
AP RETI GAS S.p.A.	ATER PROVINCIA DI VENEZIA	interventions on gas derivations	35
AP RETI GAS S.p.A.	COMUNE DI ARCADE	interventions on gas derivations	880
AP RETI GAS S.p.A.	COMUNE DI BREDA DI PIAVE	interventions on gas derivations	1,170
AP RETI GAS S.p.A.	COMUNE DI CAPPELLA MAGGIORE	interventions on gas derivations	6,408
AP RETI GAS S.p.A.	COMUNE DI CASIER	interventions on gas derivations	393
AP RETI GAS S.p.A.	COMUNE DI CONEGLIANO	interventions on gas derivations	889
AP RETI GAS S.p.A.	COMUNE DI FOSSALTA DI PIAVE	interventions on gas derivations	2,111
AP RETI GAS S.p.A.	COMUNE DI GALLIERA VENETA	interventions on gas derivations	695
AP RETI GAS S.p.A.	COMUNE DI GORGO AL MONTICANO	interventions on gas derivations	1,452
AP RETI GAS S.p.A.	COMUNE DI ISOLA VICENTINA	interventions on gas derivations	1,596
AP RETI GAS S.p.A.	COMUNE DI ISTRANA	interventions on gas derivations	1,552
AP RETI GAS S.p.A.	COMUNE DI LOREO	interventions on gas derivations	1,260
AP RETI GAS S.p.A.	COMUNE DI MASSANZAGO	interventions on gas derivations	344
AP RETI GAS S.p.A.	COMUNE DI PAESE	interventions on gas derivations	3,234
AP RETI GAS S.p.A.	COMUNE DI PEDEROBBA	interventions on gas derivations	1,628
AP RETI GAS S.p.A.	COMUNE DI PIANEZZE SAN LORENZO	interventions on gas derivations	676
AP RETI GAS S.p.A.	COMUNE DI PIEVE DI SOLIGO	interventions on gas derivations	1,929
AP RETI GAS S.p.A.	COMUNE DI PONTE DI PIAVE	interventions on gas derivations	786
AP RETI GAS S.p.A.	COMUNE DI QUINTO DI TREVISO	gas distribution network	1,588
AP RETI GAS S.p.A.	COMUNE DI RONCADE	gas distribution network	2,355
AP RETI GAS S.p.A.	COMUNE DI S. POLO DI PIAVE	interventions on gas derivations	1,296
AP RETI GAS S.p.A.	COMUNE DI SAN VENDEMIANO	interventions on gas derivations	2,598
AP RETI GAS S.p.A.	COMUNE DI SANDRIGO	interventions on gas derivations	684
AP RETI GAS S.p.A.	COMUNE DI TREVIGNANO	interventions on gas derivations	252
AP RETI GAS S.p.A.	COMUNE DI VALDOBBIADENE	interventions on gas derivations	3,273
AP RETI GAS S.p.A.	UNIONE DEI COMUNI "DELLA BRENTA"	interventions on gas derivations	650
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	COMUNE DI CALVATONE	interventions on gas derivations	136
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	CONDOMINIO LA COMUNITA'	interventions on gas derivations	2,125
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	PROVINCIA DI BERGAMO	gas distribution network	39,152
AP RETI GAS VICENZA S.p.A.	COMUNE DI SCHIO	interventions on gas derivations	5,183
AP RETI GAS VICENZA S.p.A.	COMUNE DI ZANE'	interventions on gas derivations	1,552

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

(Thousands of Euro)	31.12.2019	31.12.2018
Financial position in the short term	79,935	63,528
financial position in the medium-long term	133,046	53,989
<b>Financial gross debt</b>	<b>212,981</b>	<b>117,517</b>
Share capital	234,412	234,412
Own shares	(26,774)	(16,981)
Reserves	172,638	185,814
Undistributed net profit	493,216	44,625
<b>Total Net equity</b>	<b>873,492</b>	<b>447,869</b>
<b>Total capital and gross debt</b>	<b>1,086,474</b>	<b>565,386</b>
Debt/Net assets ratio	0.24	0.26

The debt/net equity ratio as of 31<sup>st</sup> December 2019 is 0.24, an improvement as compared to 31<sup>st</sup> December 2018, when it amounted to 0.26.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which worsened by Euro 95,093 thousand in 2019, and the Shareholders' equity, which significantly increased by Euro 425,623 thousand. These changes are explained, in addition to the normal flow of the year, also by the accounting effects resulting from the agreement signed with the Hera Group.

## Representation of financial assets and liabilities by categories

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

(Thousands of Euro)	A	B	C	D	Total	Fair value
	31.12.2019					
Other non-current assets			3,296		2,326	2,326
Trade receivables and Other current assets			84,928		84,928	84,928
Current financial assets			6,993		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	0		76,373		76,373	76,373
Current financial liabilities			17,094		17,094	17,094

(Thousands of Euro)	A	B	C	D	Total	Fair value
	31.12.2018					
Other non-current assets			11,202		11,202	11,202
Non current financial assets					0	0
Trade receivables and Other current assets	159		210,362		210,521	210,521
Current financial assets			981		981	981
Cash and cash equivalents			66,650		66,650	66,650
Current assets from derivative financial instruments	123				123	123
Medium- and long-term bank loans			55,111		55,111	55,111
Other non-current liabilities			11,350		11,350	11,350
Non-current financial liabilities			0		0	0
Payables due to banks and financing institutions			131,044		131,044	131,044
Trade payables and Other current liabilities	172		159,505		159,677	159,677
Current financial liabilities			115		115	115
Current liabilities from derivative financial instruments	1,216				1,216	1,216

### Legend

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

## Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers' Regulation, hereby a full overview of remuneration of the Auditing Company for 2019 is provided. Payment includes both the auditing service and additional services as well.

Type of services	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	122
	PricewaterhouseCoopers S.p.A.	Controlled companies	113
	PricewaterhouseCoopers S.p.A.	Discontinued operations	97
Audit and other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	7
	PricewaterhouseCoopers S.p.A.	Controlled companies	40
	PricewaterhouseCoopers S.p.A.	Discontinued operations	33
Other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	103
	PricewaterhouseCoopers S.p.A.	Controlled companies	0
	PricewaterhouseCoopers S.p.A.	Discontinued operations	5
<b>Total</b>			<b>520</b>

## Business segment reporting

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

Based on the information required by the IFRS 8 “Business Segment Reporting, Operative segments”, the company has identified as segments 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 have any business activity outside of the national territory.

The following tables show the information on revenues concerning the business segments of the Group for 2019.

Financial year 2019 (Thousand of Euro)	Gas distribution	Other	Elisions	Total
Net revenues of third-party customers	116,932	7,979		124,911
Intra-group revenues among the segments	2,308	4,804	(7,112)	(0)
<b>Segment revenues</b>	<b>119,239</b>	<b>12,783</b>	<b>(7,112)</b>	<b>124,911</b>
Operating result before amortization	48,311	(3,413)		44,898
Amortization	21,773	1,552		23,325
<b>Operating result</b>	<b>26,538</b>	<b>(4,965)</b>		<b>21,573</b>
<b>Result before taxes</b>	<b>26,211</b>	<b>(5,106)</b>		<b>21,105</b>
Assets	762,857	590,768	(55,341)	1,298,283
Liabilities	(133,965)	(346,167)	55,341	(424,791)

Financial year 2018 (Thousand of Euro)	Gas distribution	Other	Elisions	Total
Net revenues of third-party customers	111,768	3,579		115,347
Intra-group revenues among the segments	3,581	8,941	(12,522)	(0)
<b>Segment revenues</b>	<b>115,349</b>	<b>12,520</b>	<b>(12,522)</b>	<b>115,347</b>
Operating result before amortization	48,537	(6,544)		41,993
Amortization	19,292	1,634		20,927
<b>Operating result</b>	<b>29,245</b>	<b>(8,179)</b>		<b>21,066</b>
<b>Result before taxes</b>	<b>30,082</b>	<b>(8,622)</b>		<b>21,460</b>
Assets	459,918	478,253	(92,640)	845,530
Liabilities	(110,249)	(380,052)	92,640	(397,661)

## Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of the period less the share attributable to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company.

Diluted profit per share is equal to that 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.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method set out in IAS 33 are reported below:

(Thousands of Euro)	Amount at 31st December 2019	Amount at 31st December 2018
Net profit attributable to parent company shareholders	493,216	44,625
Weighted average number of ordinary share including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own share	11,076,867	11,727,609
Weighted average number of ordinary share excluding own share, for the purpose of net income per share	223,334,708	222,683,966
Earning per share (in Euro)	2.208	0.200

## Transactions with related parties

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

(Thousands of Euro)	Trade receivable s	Other receivable s	Trade payable s	Other payable s	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	10	646	0	0	0	0	0	0	54	0
<b>Total parent company</b>	<b>10</b>	<b>646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>0</b>
<i>Affiliated companies</i>										
Asco TLC S.p.A.	19	0	4	0	0	663	0	0	96	0
<b>Total affiliated companies</b>	<b>19</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>663</b>	<b>0</b>	<b>0</b>	<b>96</b>	<b>0</b>
<i>Transfer/disposal assets and subsidiary companies</i>										
Amgas Blu S.r.l.	337	1,296	67	0	0	0	2	0	426	7
Ascotrade S.p.A.	14,377	4,272	0	0	0	0	58	0	49,064	6
Blue Meta S.p.A.	4,247	0	113	7,195	0	52	30	0	8,908	0
Etra Energia S.r.l.	244	0	8	1,995	0	0	6	0	418	0
Ascopiave Energie S.p.A.	3,131	0	434	7,015	0	0	26	0	9,608	0
Estenergy S.p.A.	36	0	0	0	0	0	0	0	244	0
ASM Set S.r.l.	1,201	627	3	0	0	0	4	0	4,039	2
Sinergie Italiane S.r.l. in liquidazione	21	0	21	0	0	0	0	0	22	0
<b>Total Transfer/disposal assets and subsidiary companies</b>	<b>23,595</b>	<b>6,195</b>	<b>512</b>	<b>16,204</b>	<b>0</b>	<b>52</b>	<b>125</b>	<b>0</b>	<b>72,728</b>	<b>15</b>
<b>Total</b>	<b>23,624</b>	<b>6,841</b>	<b>516</b>	<b>16,204</b>	<b>0</b>	<b>715</b>	<b>125</b>	<b>0</b>	<b>72,878</b>	<b>15</b>

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

Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and Asco Energy S.p.A. had joined the consolidation of tax relations held by the Parent company Asco Holding S.p.A.. The tax consolidation ceased due to the change of the reporting date which does not coincide 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 Gasa 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 a rental fee for the servers. Revenues for the aforementioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

### As concerns discontinued operations:

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

- 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 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.;
  - The other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..
- ASM Set S.r.l. :
- Other receivables: are related 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 refer 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.;
  - The other revenues relate to interests accrued on the intragroup current account with Ascopiave S.p.A..

Revenues for services recognised towards Sinergie Italiane S.r.l. in liquidation relate to service contracts between the parties and re-invoicing of consultancy.

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 31<sup>st</sup> December 2019 to Euro 25,332 thousand (Euro 25,332 thousand as of 31<sup>st</sup> December 2018).

Furthermore:

- the economic relations between the companies of the Group and the subsidiary 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 normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

On 24<sup>th</sup> November 2010, the Board of Directors approved a procedure for operations with related parties (the "Procedure"). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12<sup>th</sup> March 2010 and subsequent modifications.

The Procedure was implemented on 1<sup>st</sup> January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11<sup>th</sup> September 2006 (and following modifications).

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)	31.12.2019	Of which related parties					31.12.2018	Of which related parties					
		A	B	C	D	Total		A	B	C	D	Total	%
<b>ASSETS</b>													
Non-current assets													
Goodwill	47,914						80,758						
Other intangible assets	567,194						351,878						
Tangible assets	34,694						32,724						
Shareholdings	449,945		395,943		395,943	88.0%	68,357		68,355		68,355	100.0%	
Other non-current assets	3,296						12,044		7,510		7,510	62.4%	
Non current financial assets	2,478						1,122						
Advance tax receivables	19,390						11,358						
<b>Non-current assets</b>	<b>1,124,910</b>		<b>395,943</b>		<b>395,943</b>	<b>35.2%</b>	<b>558,240</b>		<b>75,865</b>		<b>75,865</b>	<b>13.6%</b>	
Current assets													
Inventories	8,132						6,020						
Trade receivables	43,124	10	19	23,595		23,624	54.8%	166,947	42	63	2,027	2,131	1.3%
Other current assets	46,830	646				646	1.4%	45,062	3,034			3,034	6.7%
Current financial assets	6,993			6,195		6,195	88.6%	981			844	844	86.0%
Tax receivables	1,263							1,508					
Cash and cash equivalents	67,031							66,650					
	0						123						
<b>Current assets</b>	<b>173,373</b>	<b>656</b>	<b>19</b>	<b>29,790</b>		<b>30,465</b>	<b>17.6%</b>	<b>287,291</b>	<b>3,076</b>	<b>63</b>	<b>2,871</b>	<b>6,009</b>	<b>2.1%</b>
<b>ASSETS</b>	<b>1,298,283</b>	<b>656</b>	<b>19</b>	<b>425,733</b>		<b>426,408</b>	<b>32.8%</b>	<b>845,530</b>	<b>3,076</b>	<b>63</b>	<b>78,736</b>	<b>81,874</b>	<b>9.7%</b>
<b>Net equity and liabilities</b>													
<b>Total Net equity</b>													
Share capital	234,412						234,412						
Own shares	(26,774)						(16,981)						
Reserves	665,854						226,136						
<b>Net equity of the Group</b>	<b>873,492</b>						<b>443,567</b>						
<b>Net equity of Others</b>	<b>0</b>						<b>4,303</b>						
<b>Total Net equity</b>	<b>873,492</b>						<b>447,869</b>						
<b>Non-current liabilities</b>													
Provisions for risks and charges	1,344						3,901						
Severance indemnity	4,931						4,807						
Medium- and long-term bank loans	135,083						55,111						
Other non-current liabilities	24,553						28,003						
Non-current financial liabilities	441						0						
Deferred tax payables	22,021						14,534						
<b>Non-current liabilities</b>	<b>188,374</b>						<b>106,356</b>						
<b>Current liabilities</b>													
Payables due to banks and financing institutions	136,803						131,044						
Trade payables	52,082	4	512		516	1.0%	131,185		176	5,469		5,645	4.3%
Tax payables	4,728						207						
Other current liabilities	25,549						27,539	1,523				1,523	5.5%
Current financial liabilities	17,156			16,204		16,204	94.5%	115					
Current liabilities from derivative financial instruments	98							1,216					
<b>Current liabilities</b>	<b>236,417</b>	<b>4</b>	<b>16,716</b>		<b>16,720</b>	<b>7.1%</b>	<b>291,305</b>	<b>1,523</b>	<b>176</b>	<b>5,469</b>		<b>7,168</b>	<b>2.5%</b>
<b>Liabilities</b>	<b>424,791</b>	<b>4</b>	<b>16,716</b>		<b>16,720</b>	<b>3.9%</b>	<b>397,661</b>	<b>1,523</b>	<b>176</b>	<b>5,469</b>		<b>7,168</b>	<b>1.8%</b>
<b>Net equity and liabilities</b>	<b>1,298,283</b>	<b>4</b>	<b>16,716</b>		<b>16,720</b>	<b>1.3%</b>	<b>845,530</b>	<b>1,523</b>	<b>176</b>	<b>5,469</b>		<b>7,168</b>	<b>0.8%</b>

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

**A Parent companies**

**B Associates**

**C Affiliates and Jointly controlled companies**

**D Other related parties**

## Comprehensive consolidated income statement

(Thousands of Euro)	Full Year 2019	Of which related parties					Full Year 2018	Of which related parties						
		A	B	C	D	Total		A	B	C	D	Total	%	
Revenues	124,911	54	96	4,305		4,455	3.6%	115,347	101	480	8,297	8,879	7.7%	
Total operating costs	80,013		663		1,573	2,236	2.8%	73,354		717		3,890	4,607	6.3%
Purchase costs for raw material (gas)							0							
Purchase costs for other raw materials	1,358												1,271	
Costs for services	31,732		663		930	1,593	5.0%	28,766		717		579	1,295	4.5%
Costs for personnel	14,500				643	643	4.4%	16,125				3,312	3,312	20.5%
- of which non recurrent												2,411	2,411	100.0%
Other management costs	33,902											27,548		
Other income	1,479											355		
Amortization and depreciation	23,325											20,927		
<b>Operating result</b>	<b>21,573</b>	<b>54</b>	<b>(567)</b>	<b>4,305</b>	<b>(1,573)</b>	<b>2,219</b>	<b>10.3%</b>	<b>21,066</b>	<b>101</b>	<b>(237)</b>	<b>8,297</b>	<b>(3,890)</b>	<b>4,272</b>	<b>20.3%</b>
Financial income	142				2		1.5%	147			2		2	1.2%
Financial charges	1,259				4		0.3%	1,160			7		7	0.6%
Evaluation of subsidiary companies with the net equity method	648			648		648	100.0%	1,407			1,407		1,407	100.0%
<b>Earnings before tax</b>	<b>21,105</b>	<b>54</b>	<b>(567)</b>	<b>4,952</b>	<b>(1,573)</b>	<b>2,866</b>	<b>13.6%</b>	<b>21,460</b>	<b>101</b>	<b>(237)</b>	<b>9,700</b>	<b>(3,890)</b>	<b>5,674</b>	<b>26.4%</b>
Taxes for the period	6,626							6,733						
<b>Result for the period</b>	<b>14,479</b>							<b>14,727</b>						
Net result from transfer/disposal of assets	478,737							31,773						
<b>Net result for the period</b>	<b>493,216</b>							<b>46,499</b>						
Group's Net Result		493,216							44,625					
Third parties Net Result									1,874					
<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														
Income tax relating to														
components of comprehensive														
income														
2. Components that can not be reclassified to the income statement														
Actuarial (losses)/gains from														
remeasurement on defined-														
benefit obligations net of tax														
<b>Total comprehensive income</b>	<b>492,994</b>							<b>44,229</b>						
Group's overall net result		492,994							42,591					
Third parties' overall net result									1,639					
Base income per share		2,202							0.200					
Diluted net income per share		2,202							0.200					

### Legend for the Related parties column heading:

**A Parent companies**

**B Associates**

**C Affiliates and Jointly controlled companies**

**D Other related parties**

Please note that the above table does not show the income statement data held with the companies sold subsequent to the partnership finalised on 19<sup>th</sup> December 2019.

## Consolidated statement of cash flows

( Thousands of Euro )	2019	Of which related parties				2018	Of which related parties			
		A	B	C	D		A	B	C	D
<b>Net income of the Group</b>	<b>14,479</b>					<b>14,727</b>				
<b>Cash flows generated (used) by operating activities</b>										
Adjustments to reconcile net income to net cash										
Third-parties operating result	0					0	1,874			0
Companies held for sale operating result	478,737					0	29,898			0
Amortization	22,839					0	20,895			0
Bad debt provisions	0					0	15			0
Variations in severance indemnity	(120)					0	(213)			0
Net variation of other funds	(12)					0	(114)			0
Evaluation of subsidiaries with the net equity method	0					0	(1,407)			0
Gains on disposal of investments	(472,334)					0	5			
Gains on disposal of investments net income discontinued assets	(35,189)					0	0			0
Interests paid	(914)					0	(935)			0
Taxes paid	(7,901)					0	(9,054)			0
Interest expense for the year	1,188						1,033			0
<b>Taxes for the year</b>	<b>6,621</b>					<b>0</b>	<b>6,733</b>			<b>0</b>
Inventories	(4,179)					0	(896)			0
Accounts payable	(10,031)	32	44	(21,568)		(21,492)	5,794	41	63	1,934
Other current assets	(2,539)	2,388	0	0	0	2,388	9,857	(6,567)	0	0
Trade payables	15,854	0	(172)	(4,957)	0	(5,129)	(1,538)	0	(176)	(5,348)
Other current liabilities	8,516	(1,523)	0	0	0	(1,523)	(14,167)	2,016	0	0
Other non-current assets	1,006	0	0	7,510	0	7,510	992			0
Other non-current liabilities	2,300					0	5,349			0
Operating flows from discontinued assets / liabilities	0					0	(161)		(161)	(161)
<b>Total adjustments and variations</b>	<b>3,842</b>	<b>897</b>	<b>(128)</b>	<b>(19,015)</b>	<b>0</b>	<b>(18,245)</b>	<b>53,963</b>	<b>(4,510)</b>	<b>(113)</b>	<b>(3,575)</b>
<b>Cash flows generated (used) by operating activities</b>	<b>18,322</b>	<b>897</b>	<b>(128)</b>	<b>(19,015)</b>	<b>0</b>	<b>(18,245)</b>	<b>68,690</b>	<b>(4,510)</b>	<b>(113)</b>	<b>(3,575)</b>
Investments in intangible assets	(33,141)					0	(29,219)			0
Realisable value of intangible assets	867					0	1,210			0
Investments in tangible assets	(2,202)					0	(1,422)			0
Realisable value of tangible assets	35					0	29			0
Disposal/(acquisitions) in investments and avances	616,214					0	0			0
Investment flows for business aggregations	(629,489)					0	0			0
Investment flows from discontinued assets / liabilities	0					0	(2,683)		(2,683)	(2,683)
<b>Cash flows generated/(used) by investments</b>	<b>(47,716)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(32,084)</b>	<b>0</b>	<b>0</b>	<b>(2,683)</b>
Net changes in debts due to other financers	33					0	0			0
Net changes in short-term bank borrowings	(35,370)					0	(4,251)			0
Net variation in current financial assets and liabilities	(1,029)	0	0	(10,853)	0	(10,853)	(4,226)	0	0	844
Purchase of own shares	(9,793)					0	540			0
Ignitions loans and mortgages	429,000					0	218,000			0
Redemptions loans and mortgages	(309,000)					0	(162,166)			0
Dividends distributed to Ascopiate S.p.A. shareholders'	(75,163)					0	(40,016)			0
Dividends distributed to other shareholders	(0)					0	(2,054)			0
Dividends distributed from discontinued assets	28,786					0	0			0
Dividends distributed from subsidiary companies	2,311					0	684			0
Cash flows from discontinued assets / liabilities	0					0	3,304			0
<b>Cash flows generated (used) by financial activities</b>	<b>29,775</b>					<b>0</b>	<b>9,816</b>		<b>3,304</b>	<b>3,304</b>
Variations in cash	381	0	0	(10,853)	0	(10,853)	51,095	0	0	4,148
<b>Cash and cash equivalents at the beginning of the year</b>	<b>59,353</b>					<b>0</b>	<b>7,714</b>			<b>0</b>
<b>Cash and cash equivalents at the beginning of the year of the Companies held for sale</b>	<b>(7,297)</b>					<b>0</b>	<b>(4,673)</b>			<b>0</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>67,031</b>					<b>0</b>	<b>58,809</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)	31.12.2019	Of which related parties					31.12.2018	Of which related parties					
		A	B	C	D	Total		A	B	C	D	Total	%
A Cash and cash equivalents on hand	14						18						
B Bank and post office deposits	67,017						66,632						
C Securities held for trading													
D Liquid assets (A) + (B) + (C)	67,031						66,650						
E Current financial assets	6,993		6,195		6,195	88.6%	981		844		844	86.1%	
F Payables due to banks	(106,025)						(123,031)						
G Current portion of medium-long-term loans	(30,778)						(8,014)						
H Current financial liabilities	(17,156)		(16,204)		(16,204)	94.5%	(115)						
I Current financial indebtedness (F) + (G) + (H)	(153,959)		(16,204)		(16,204)	10.5%	(131,159)						
J Net current financial indebtedness (I) - (E) - (D)	(79,935)		(10,009)		(10,009)	12.5%	(63,528)		844		844	-1.3%	
K Medium- and long-term bank loans	(135,083)						(55,111)						
L Non current financial assets	2,478						1,122						
M Non-current financial liabilities	(441)						0						
N Non-current financial indebtedness (K) + (L) + (M)	(133,046)						(53,989)						
O Net financial indebtedness (J) + (N)	(212,981)		(10,009)		(10,009)	4.7%	(117,517)		844		844	-0.7%	

### 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 - Associates:

- Asco TLC S.p.A.

#### Group C - Affiliates and Jointly controlled companies:

- Ascotrade S.p.A.
- Amgas Blu S.r.l.
- Blue Meta S.p.A.
- Etra Energia S.r.l.
- Ascopiave Energie S.p.A.
- EstEnergy S.p.A.
- ASM Set S.r.l.
- Sinergie Italiane S.r.l. in liquidation

#### Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

## **Significant events subsequent to the end of 2019**

### **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.

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.

### **Guidelines of Ascopiave S.p.A.'s Board of Directors for the Shareholders on the future composition of the Board of Directors**

On 24<sup>th</sup> January 2020, Ascopiave S.p.A. announced that the document “Guidelines of Ascopiave S.p.A.’s Board of Directors for the Shareholders on the future composition of the Board of Directors” is available on the website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it) “Investor Relations” - “Shareholders’ Meetings”) and on the website of the authorised storage mechanism “eMarket Storage” ([www.emarketstorage.com](http://www.emarketstorage.com)) of Spafid Connect S.p.A..

### **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 Ascopiave S.p.A. had acquired a 2.5% stake in Hera 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 does 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.

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.

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

Ascopiave announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2019, in the period between 1<sup>st</sup> January 2020 and 13<sup>th</sup> March 2020 1,451,664 ordinary shares at the average unit price of Euro 4.268, for a total value of Euro 6,196,311.64.

As a result of the purchases made, Ascopiave holds 11,994,605 ordinary shares, equal to 5.1169% of the share capital.

### **Information on Covid 19**

During the first months of 2020, the world has been progressively struck by the international health emergency caused by the Covid 19 virus, the so-called Coronavirus. The emergency has affected several countries and, as the days go by, it is spreading and striking many others.

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 is operating in absolute compliance with the decrees issued by the bodies in charge, both at national and local level.

The Group's Management is assessing 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.

### **Goals and policies of the Group**

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership. As for the segment of gas sale, 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.

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

The operation was subject to the usual conditions envisaged for this type of transaction and to all communications and approvals from the competent authorities and bodies, as well as, as regards only the equity investments concerned, the non-exercise of the right of first refusal and the approval by the other shareholders, in the case of the equity investments held by Ascopiave S.p.A. in the joint ventures ASM Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation.

Pieve di Soligo, 13<sup>th</sup> March 2020

The Chairman of the Board of Directors  
Nicola Cecconato



**Ascopiaeve S.p.A.**

**ANNUAL FINANCIAL REPORT**

**as of 31<sup>st</sup> December 2019**

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## Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2<sup>nd</sup> February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Operations of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Operations, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Operations also contains all information relating to the financial statements of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

## Activities performed by the Company

The Company only conducts one type of business consisting in the management of investments and the provision of services to the investees.

## ASCOPIAVE S.p.A.

### Statement of assets and liabilities as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018

(Thousands of Euro)		31.12.2019	31.12.2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other intangible assets	(1)	12,709	3,960
Tangible assets	(2)	26,927,335	27,252,939
Shareholdings	(3)	1,014,648,271	501,855,734
Other non-current assets	(4)	1,257,361	2,794,254
Non current financial assets	(5)	2,477,651	1,122,013
Advance tax receivables	(6)	1,384,963	1,735,300
<b>Non-current assets</b>		<b>1,046,708,290</b>	<b>534,764,200</b>
<b>Current assets</b>			
Trade receivables	(7)	10,967,316	5,273,832
Other current assets	(8)	8,375,879	3,549,510
Current financial assets	(9)	37,471,359	26,030,784
Tax receivables	(10)	308,904	308,904
Cash and cash equivalents	(11)	65,743,849	58,395,983
<b>Current assets</b>		<b>122,867,307</b>	<b>93,559,012</b>
<b>ASSETS</b>		<b>1,169,575,598</b>	<b>628,323,212</b>
<b>Net equity and liabilities</b>			
<b>Total Net equity</b>			
Share capital		234,411,575	234,411,575
Own shares		(26,773,538)	(16,980,868)
Reserves		643,100,745	182,700,183
<b>Total Net equity</b>	(12)	<b>850,738,782</b>	<b>400,130,890</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(13)	674,599	322,822
Severance indemnity	(14)	289,267	270,619
Medium- and long-term bank loans	(15)	135,082,818	55,110,559
Other non-current liabilities	(16)	8,800	8,800
Non-current financial liabilities	(17)	64,081	
Deferred tax payables	(18)	6,094	20,414
<b>Non-current liabilities</b>		<b>136,125,659</b>	<b>55,733,213</b>
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(19)	136,027,741	131,013,648
Trade payables	(20)	4,819,397	2,033,633
Tax payables	(21)	4,575,429	
Other current liabilities	(22)	6,457,082	2,916,560
Current financial liabilities	(22)	30,733,334	36,495,268
Current liabilities from derivative financial instruments	(23)	98,173	
<b>Current liabilities</b>		<b>182,711,156</b>	<b>172,459,109</b>
<b>Liabilities</b>		<b>318,836,816</b>	<b>228,192,322</b>
<b>Net equity and liabilities</b>		<b>1,169,575,598</b>	<b>628,323,212</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 "Financial statement representation provided in accordance with CONSOB resolution 15519/2006" of this annual financial report.

## Comprehensive income statement for the years 2019 and 2018

( Euro)		FY 2019	FY 2018
<b>Revenues</b>	(27)	<b>35,424,927</b>	<b>33,697,541</b>
Other revenues		12,426,300	12,520,471
Distribution of dividends from controlled companies		22,998,627	21,177,070
<b>Total operating costs</b>		<b>15,954,468</b>	<b>19,586,111</b>
Costi acquisto materia prima gas			
Purchase costs for other raw materials	(28)	12,300	15,077
Costs for services	(29)	9,709,667	9,675,984
Costs for personnel	(30)	6,908,711	9,315,661
Other management costs	(31)	729,720	811,531
Other income	(32)	1,405,931	232,141
Amortization and depreciation	(33)	1,514,412	1,602,946
<b>Operating result</b>		<b>17,956,048</b>	<b>12,508,484</b>
Financial income	(34)	602,199	384,576
Financial charges	(34)	1,238,290	1,195,165
<b>Earnings before tax</b>		<b>17,319,956</b>	<b>11,697,894</b>
Taxes for the period	(35)	560,966	1,921,275
<b>Result for the period</b>		<b>17,880,922</b>	<b>13,619,170</b>
Net result from transfer/disposal of assets	36	503,384,776	28,360,121
<b>Net result for the period</b>		<b>521,265,698</b>	<b>41,979,291</b>
<b>Statement of comprehensive income</b>			
Components that can not be reclassified to the income statement			
Actuarial (losses) / gains from remeasurement on defined-benefit obligation		(98,173)	
Actuarial (losses) / gains from remeasurement on defined-benefit obligation	*	(10,955)	(296)
<b>Total comprehensive income</b>		<b>521,156,570</b>	<b>41,978,995</b>

The values of 2018 were restated subsequent to the application of IFRS 5.

In accordance with CONSOB resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the transactions with related parties and the effects of non-recurring income and charges are shown in the specific representation contained in the paragraph "Financial statement representation provided in accordance with CONSOB resolution 15519/2006" of this annual financial report.

**Statement of changes in shareholders' equity as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018**

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Net result for the year	Total net equity
<b>Balance as of 1st January 2019</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(16,980,868)</b>	<b>93,879,041</b>	<b>(40,464)</b>	<b>41,979,291</b>	<b>400,130,890</b>
Result for the year						521,265,698	521,265,698
Other operations				(98,173)			(98,173)
IAS 19 TFR actualization for the year					(10,955)		(10,955)
<b>Total result of overall income statement</b>				<b>(98,173)</b>	<b>(10,955)</b>	<b>521,265,698</b>	<b>521,156,570</b>
Allocation of 2018 result				41,979,291		(41,979,291)	(0)
Dividends paid to shareholders				(75,163,155)			(75,163,155)
Long-term incentive plans				15,194			15,194
Purchase of own shares			(22,375,799)				(22,375,799)
Company aggregations			12,583,129	14,391,954			26,975,082
<b>Balance as of 31st December 2019</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(26,773,538)</b>	<b>75,004,152</b>	<b>(51,419)</b>	<b>521,265,698</b>	<b>850,738,782</b>

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Net result for the year	Total net equity
<b>Balance as of 1st January 2018</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(17,521,332)</b>	<b>91,086,967</b>	<b>(40,168)</b>	<b>43,617,754</b>	<b>398,437,111</b>
Result for the year						41,979,291	41,979,291
Other operations							
IAS 19 TFR actualization for the year					(296)		(296)
<b>Total result of overall income statement</b>					<b>(296)</b>	<b>41,979,291</b>	<b>41,978,995</b>
Allocation of 2017 result				43,617,754		(43,617,754)	0
Dividends paid to shareholders				(40,015,926)			(40,015,926)
Long-term incentive plans			540,464	(809,754)			(269,290)
<b>Balance as of 31st December 2018</b>	<b>234,411,575</b>	<b>46,882,315</b>	<b>(16,980,868)</b>	<b>93,879,041</b>	<b>(40,464)</b>	<b>41,979,291</b>	<b>400,130,890</b>

## Statement of cash flows as of 31<sup>st</sup> December 2019 and as of 31<sup>st</sup> December 2018

<b>(Euro)</b>	<b>Full Year</b>	
	<b>2019</b>	<b>2018</b>
<b>Net income of the year</b>	<b>17,880,922</b>	<b>13,619,170</b>
<b>Cash flows generated (used) by operating activities</b>		
Adjustments to reconcile net income to net cash		
Companies held for sale operating result	503,384,776	28,360,121
Amortization	1,514,412	1,602,946
Variations in severance indemnity	7,692	13,049
Current assets / liabilities on financial instruments and forward purchasee and sales	98,173	0
Net variation of other funds	707,012	(955,349)
Gains on disposal of investments	(479,128,616)	0
Interests paid	(1,214,284)	(934,791)
Interest expense for the year	1,234,225	1,191,685
Taxes paid	1,110,182	3,292,399
Taxes for the year	(560,966)	(1,576,821)
<b>Variations in assets and liabilities</b>	<b>(4,398,191)</b>	<b>2,087,382</b>
Accounts payable	(5,693,484)	1,145,965
Other current assets	(4,785,402)	2,187,943
Trade payables	2,785,764	(740,454)
Other current liabilities	1,472,019	(2,140,446)
Other non-current assets	1,822,912	1,671,854
Other non-current liabilities	0	(37,479)
<b>Total adjustments and variations</b>	<b>22,754,414</b>	<b>33,080,622</b>
<b>Cash flows generated (used) by operating activities</b>	<b>40,635,336</b>	<b>46,699,792</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(9,404)	0
Investments in tangible assets	(1,188,153)	(547,539)
Disposal/(acquisitions) in investments and avances	616,213,569	0
Investment flows for business aggregations	(629,488,689)	(3,778,000)
<b>Cash flows generated (used) by investments</b>	<b>(14,472,676)</b>	<b>(4,325,539)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financers	(213,154)	0
Net changes in short-term bank borrowings	(35,013,648)	(4,250,793)
Net variation in current financial assets and liabilities	(12,796,213)	(6,081,614)
Net variation in current financial assets and liabilities vs subsidiary companies	(5,835,954)	665,851
Purchase of own shares	(9,792,669)	540,464
Ignitions loans and mortgages	429,000,000	218,000,000
Redemptions loans and mortgages	(309,000,000)	(162,166,407)
Dividends distributed to shareholders'	(75,163,155)	(40,015,926)
<b>Cash flows generated (used) by financial activities</b>	<b>(18,814,794)</b>	<b>6,691,574</b>
<b>Variations in cash</b>	<b>7,347,866</b>	<b>49,065,827</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>58,395,983</b>	<b>9,330,156</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>65,743,849</b>	<b>58,395,983</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 "Financial statement representation provided in accordance with CONSOB resolution 15519/2006" of this annual financial report.

## **IAS/IFRS ACCOUNTING STANDARDS ADOPTED IN THE PREPARATION OF THE FINANCIAL STATEMENTS AS OF 31<sup>st</sup> DECEMBER 2019**

### **Drafting criteria and compliance with IFRS**

The Ascopiave S.p.A. Financial Statements as of 31<sup>st</sup> December 2019 have been prepared in accordance with the IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission in accordance with the procedure set forth in EC Directive no. 1606/2002 issued by the European Parliament and Council on 19<sup>th</sup> July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The annual financial report was prepared based on the principle of going concern and historical cost, considering the adjustments as appropriate, except for the budget items that under IFRS must be recognised at fair value as described in the evaluation criteria.

The accounting principles used are consistent with the ones used for the Statement year ended 31<sup>st</sup> December 2018, except for the instances set forth in the Accounting Standards paragraph and amendments and interpretations applicable from 1<sup>st</sup> January 2019 onward. For comparative purposes, the data are presented with the income data of the Statement for the year ended 31<sup>st</sup> December 2018.

The Auditing company PricewaterhouseCoopers S.p.A. performed the legal auditing of the Statement as the company in charge of accounting review for the main Group companies.

This Statement is drafted in Euro, as the currency of the country where the company operates. It includes Balance Sheet, Comprehensive Income Statement, Statement of Changes in Equity and Cash Flow Statement and Explanatory Notes. All values stated in the tables and in explanatory notes are expressed as thousands of Euro, unless otherwise specified.

This Statement as of 31<sup>st</sup> December 2019 was approved by the Board of Directors of the Company on 13<sup>th</sup> March 2020.

### **Financial statements representation**

The items of the balance sheet are classified into “current” and “non-current”; those in the comprehensive income statement are classified by their nature according to the multi-step format.

The statement of changes in Shareholders’ equity presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

The Statement of cash flows has been defined according to the “indirect” method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the operating results, financial position and cash flows.

## **IAS/IFRS accounting standards and related IFRIC interpretations approved and applicable to the financial statements of the years starting after 1<sup>st</sup> January 2019**

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31<sup>st</sup> December 2019 and effective 1<sup>st</sup> January 2019. The standards, amendments and interpretations which by their nature cannot be adopted by the Company are excluded from the list.

### ***IFRIC 23 - Uncertainty over Income Tax Treatments***

On 7<sup>th</sup> June 2017, the IASB issued interpretation IFRIC 23 - Uncertainty over Income Tax Treatments, which provides indications as to how to recognise, as far as income taxes are concerned, uncertainties over the tax treatment of a given event. IFRIC 23 is applicable from 1<sup>st</sup> January 2019. Early adoption is allowed, but the Company decided not to exercise this option.

### ***IFRS 9 - Prepayment Features with Negative Compensation***

On 12<sup>th</sup> October 2017, the IASB published some amendments to IFRS 9 - Prepayment Features with Negative Compensation, aimed at allowing the measurement of amortised cost or fair value through other comprehensive income (OCI) of financial assets characterised by a prepayment option with the so-called "negative compensation". These changes will be effective from 1<sup>st</sup> January 2019. Early adoption is permitted (in conjunction with the date of first application of IFRS 9) but the Company decided not to exercise this option.

### ***IFRS 16 - Leases***

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

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

The following table shows the impacts of the first adoption of the standard on the Company's equity data:

(Thousands of Euro)	FTA total effects	changes in the exercise	IFRS Effects at 31th december 2019
<b>Non-current assets</b>	<b>205</b>	<b>65</b>	<b>140</b>
<b>Intangible assets</b>	<b>205</b>	<b>65</b>	<b>140</b>
- of which rights to use other assets	205	(65)	140
<b>Current ad non-current liabilities</b>	<b>205</b>	<b>70</b>	<b>135</b>
<b>Non-current liabilities</b>	<b>134</b>	<b>70</b>	<b>64</b>
-of which non-current financial liabilities	134	(70)	64
<b>Current a liabilities</b>	<b>70</b>		<b>70</b>
-of which current financial liabilities	70		70

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

#### *IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*

The amendment, issued by the IASB on 12<sup>th</sup> October 2017, concerns companies that finance associates and joint ventures with loans for which a short-term repayment is not expected. The amendment is applicable commencing 1<sup>st</sup> January 2019.

#### *Annual improvements to IFRSs 2015-2017 Cycle*

On 12<sup>th</sup> December 2017, the IASB issued the "Annual improvements to IFRSs 2015-2017 Cycle" as part of the annual programme for improving the principles; most of the changes are clarifications or corrections to existing IFRSs, or amendments resulting from changes previously made to the IFRSs. These improvements will be effective from 1<sup>st</sup> January 2019.

#### *IAS 19 - Plan Amendment, Curtailment or Settlement*

On 7<sup>th</sup> February 2018, the IASB published the amendments to IAS 19 - Plan Amendment, Curtailment or Settlement, specifying the methods according to which, in the event of changes to a defined benefit plan, the costs relating to pension benefits must be determined for the remaining relevant period. These changes will be effective from 1<sup>st</sup> January 2019.

#### *Conceptual Framework for Financial Reporting*

On 29<sup>th</sup> March 2018, the IASB published the revised version of the Conceptual Framework for Financial Reporting together with a document that updates the references to the previous Conceptual Framework contained in the IFRSs, providing:

- an updated definition of assets and liabilities;
- a new chapter on the topics of measurement, derecognition and disclosure;
- clarifications on some postulates for compiling the financial statements, such as the principle of prudence and the substance over form concept.

These changes will be effective from 1<sup>st</sup> January 2020.

#### *IFRS 3 - Business Combinations*

On 22<sup>nd</sup> October 2018, the IASB published the amendments to IFRS 3 - Business Combinations, with the aim of identifying the criteria according to which a successful acquisition regards a business or a Company of assets that, as such, do not meet the definition of business set out in IFRS 3. These changes will be effective for the business combinations that will occur commencing 1<sup>st</sup> January 2020.

## **IAS 1 and IAS 8**

On 31<sup>st</sup> October 2018, the IASB published the amendments to IAS 1 and IAS 8, clarifying the definition of “material information”, in order to establish whether to include a disclosure in the financial statements. These changes will be effective from 1<sup>st</sup> January 2020.

## **IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet mandatorily applicable and not adopted ahead of time as of 31<sup>st</sup> December 2019**

On 31<sup>st</sup> October 2018, the IASB published the document “Definition of Material (Amendments to IAS 1 and IAS 8)”. The document introduced a change in the definition of “relevant” contained in IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the aim of making the definition of “relevant” more specific and has introduced the concept of “obscured information” alongside the concepts of omitted or incorrect information already present in the two modified standards. The amendment clarifies that information is “obscured” if it has been described in such a manner as to produce a similar effect for the primary readers of the financial statements to that produced if such information had been omitted or was incorrect. The changes introduced were approved on 29<sup>th</sup> November 2019 and apply to all transactions subsequent to 1<sup>st</sup> January 2020.

On 29<sup>th</sup> March 2018, the IASB published an amendment to the “References to the Conceptual Framework in IFRS Standards”. The amendment is effective for periods starting on 1<sup>st</sup> January 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial reporting and guides the Board in the development of IFRS standards. The document helps ensure that the standards are conceptually consistent and that similar transactions are treated the same way, in order to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps the parties involved to understand and interpret the Standards.

The IASB, on 26<sup>th</sup> September 2019, published an amendment called “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”, modifying IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment modifies some of the requirements for the application of hedge accounting, envisaging temporary exceptions, in order to mitigate the impact deriving from the uncertainty of the IBOR reform (still in progress) on future cash flows in the period preceding its completion. The amendment also requires companies to provide additional information in the financial statements regarding their hedging relationships which are directly affected by the uncertainties generated by the reform and to which the aforementioned exceptions apply. The changes take effect from 1<sup>st</sup> January 2020, but companies can choose early application.

## **IFRS accounting standards, amendments and interpretations not yet approved by the European Union**

At the reporting date, the competent bodies of the European Union have not completed yet the approval process necessary for the adoption of the amendments and principles described below.

On 22<sup>nd</sup> October 2018, the IASB published the document “Definition of a Business (Amendments to IFRS 3)”. The document provides some clarifications regarding the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, the generation of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of business, an integrated set of activities/processes and assets must include, at a minimum, an input and a substantive process which together significantly contribute to the ability to create an output. To this end, the IASB has replaced the expression “ability to create outputs” with “ability to contribute to the creation of outputs” to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output. The amendment also introduces an optional “concentration test” which excludes the presence of a business if the price paid is substantially attributable to a single activity or set of activities. The changes apply to all business combinations and acquisitions of activities subsequent to 1<sup>st</sup> January 2020, but early application is permitted.

On 18<sup>th</sup> May 2017, the IASB published IFRS 17 - Insurance Contracts which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from the insurance contracts issued. The IASB has developed the standard to eliminate inconsistencies and weaknesses of existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also envisages presentation and disclosure requirements to improve comparability between entities belonging to this sector. The new standard measures an insurance contract based on a General Model or a simplified version thereof, called Premium Allocation Approach (“PAA”). The main features of the General Model are:

- the estimates and assumptions of future cash flows are always the current ones;
- the measurement reflects the time value of money;
- the estimates envisage extensive use of information observable on the market;
- there is a current and explicit risk measurement;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and
- the expected profit is recognised in the contractual coverage period taking into account the adjustments deriving from changes in the assumptions relating to the cash flows connected to each group of contracts.

The PAA approach involves measuring the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity envisages that this liability provides a reasonable approximation to the general model. Contracts with coverage period of one year or less are automatically eligible for the PAA approach. The simplifications deriving from the application of the PAA method do not apply to the assessment of

liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if the balance to be paid or collected is expected to take place within one year from the date on which the claim occurred. An entity shall apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also to investment contracts with discretionary participation features (DPF). The standard applies from 1<sup>st</sup> January 2021, but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

On 11<sup>th</sup> September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10. In accordance with the provisions of IAS 28, the profit or loss resulting from the sale or transfer of a non-monetary asset to a joint venture or associate in exchange for a share in the capital of the latter is limited to the share held in the joint venture or associate by other investors outside the transaction. On the contrary, IFRS 10 envisages the recognition of the entire profit or loss in the event of loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in the same, including in this case also the sale or transfer of a subsidiary company to a joint venture or associate. The changes introduced envisage that in a sale/transfer of an asset or subsidiary to a joint venture or associate, the extent of the profit or loss to be recognised in the financial statements of the seller/transferor depends on whether the sold/transferred assets or subsidiaries constitute a business or not, as defined by IFRS 3. In the event that the assets or the subsidiary sold/transferred represent a business, the entity must recognise the profit or loss on the entire stake previously held whereas, otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated. At the moment the IASB has suspended the application of this amendment.

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

### ***IFRS 2 - Classification and Measurement of Share-based Payment Transactions***

On 20<sup>th</sup> June 2016, the IASB published a number of amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions. With these changes, the document resolves some issue related to the accounting on share based payments. Specifically, the amendments improve considerably the measurement of cash-settled share-based payments, classification thereof and accounting for modification of a share-based payment from cash-settled to equity-settled.

### ***IFRIC 22 - Foreign Currency Transactions and Advance Consideration***

On 8<sup>th</sup> December 2016, the IASB published IFRIC 22 - Foreign Currency Transactions and Advance Consideration, defining the exchange rate to be used in foreign currencies transactions in case the payment is made or received in advance. The application of such interpretation had no impact on the Company's financial report as the Company does not transact in foreign currency. On the same date, the IASB issued the document "Annual improvements to IFRSs 2014-2016 Cycle" as part of the programme of annual improvements to the standards; most amendments are clarifications or corrections of existing IFRS, or amendments resulting from changes previously made to the IFRSs. The application of these amendments had no impact on the Company's financial reports.

#### **IAS 40 - Transfers of Investment Property**

On 8<sup>th</sup> December 2016, the IASB issued amendments to IAS 40 - Transfers of Investment to govern transfer to/from investment property to other asset groups. Specifically, it is settled if a property under construction or development accounted in inventories may be reclassified in property investments if there was a change in its usage.

#### **Use of estimates**

The preparation of the financial statements requires the directors to provide accounting estimates based on complex and/or subjective assumptions, on experience and assumptions that are considered reasonable and realistic and that are known at the time of the estimate. The use of these estimates affects the values of the assets and liabilities reported on the financial statements as well as the amounts of costs and revenues and the information relating to potential assets and liabilities in the period considered. 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.

Estimates are used to report:

- Impairment of non-financial assets: the Company assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of the use value of the cash-generating unit to which goodwill is allocated, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.
- Provisions for doubtful accounts, inventory obsolescence, useful lives of intangible fixed assets and their amortisation and depreciation.
- Benefit plans for employees and share-based payment plans (so-called phantom stock option).
- Taxes and provisions for risks and charges.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the accounting principles, the directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

#### **Measurement criteria**

The accounting standards adopted by Ascopiaeve S.p.A. are reported below:

**Other intangible fixed assets:** intangible assets mainly include assets pertaining to patent and software rights.

After the initial recognition, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortisation operations and net of any impairments, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Any profits or losses deriving from the sale of an intangible asset are determined as the difference between the disposal value and the book value of the asset, and are reported in the income statement at the time of the sale.

**Tangible fixed assets:** tangible assets are booked at purchase cost, including ancillary costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - are booked separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs which do not increase the value and/or extend the residual useful life of the assets are entered in the year in which they are incurred. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any impairments determined according to the basis described below. Depreciation is calculated in uniform instalments based on the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8,3% - 8,5%
Furniture	8,80%
Electronic equipment	16,20%
Basic hardware and software	20%
Motocars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any impairments, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and in the event the book value should exceed the presumed recoverable amount, the assets are depreciated until they reach their realisable value. The recoverable amount of the tangible fixed assets is the greater of the net selling price and the value-in-use.

Impairments are reported in the Income Statement in the costs for depreciations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the selling value and the book value) is entered in the Income Statement of the year of the above-mentioned elimination.

**Investments:** equity investments entered herein refer to lasting investments. The Company classifies shareholdings in the following categories:

- Shareholdings in subsidiaries
- Shareholdings in jointly controlled companies
- Shareholdings in associates;
- Other Shareholdings

**Shareholdings in subsidiaries, Shareholdings in jointly controlled companies and Shareholdings in associates:**

The comparison between the book value of the investments in subsidiaries, jointly controlled companies and associates and the share pertaining to the Company could give rise to situations in which the value recorded in the financial statements differs from the total shareholders' equity of the investee at the reporting date.

For the purposes of the annual verification of the possible impairment of the carrying amounts of investments in subsidiaries, jointly controlled companies and associates, the Directors determine the value-in-use for each of them.

The value-in-use is calculated by using the projection of the cash flows contained in the economic and financial plans of the individual subsidiaries that have been approved by the Board of Directors. After examining the results of the impairment test on the individual shareholdings, any value adjustments are recorded.

The main benchmarks adopted upon evaluating the value-in-use, both in terms of growth rates for the periods subsequent to those illustrated in the plans and in terms of the discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGUs in the consolidated financial statements, to which reference should be made for further details.

**Shareholdings in other companies:** equity investments in companies that are not subsidiaries, associates or joint ventures (normally with a share interest not exceeding 20%) are classified in non-current financial assets and entered at their fair value if it can be determined. Should the share interest be in companies not publicly traded, share interests are valued at the cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for impairments determined in the same manner previously described for the tangible assets.

**Other non-current Assets:** they are entered at nominal value. Said value may be amended in case of impairment, for an amount equal to the amortised cost.

**Financial Assets:** the Company classifies its financial assets into the following categories identified by IFRS 9:

- financial assets measured at amortised cost;
- assets at fair value with the contra-item "Other components of comprehensive income" (FVOCI);
- assets at fair value with the contra-item "Profit or loss for the year" (FVTPL).

**Financial assets measured at amortised cost:** this category includes the financial assets for which the following conditions are met: (i) the asset is held within a business model whose objective is the possession of the asset aimed at the collection of contractual financial flows; and (ii) the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. These mainly refer to receivables from customers and/or loans that contain a significant financial component. Trade receivables that do not contain a significant financial component are instead recognised at the price defined for the related transaction. Subsequent measurements of the assets belonging to this category are valued at amortised cost, using the effective interest rate. Any provisions for the write-down of such receivables are determined with the forward looking approach using a three-stage model: 1) recognition of expected losses in the first 12 months upon initial recognition of the receivable if the credit risk has not increased; 2) recognition of expected losses over the life of the receivable if the credit-related risk increases significantly as compared to the initial recognition; interest is recognised on a gross basis; 3) recognition of the additional losses expected over the life of the receivable as the losses occur; interest is recognised on a net basis.

**Assets at fair value with the contra-item “Other components of comprehensive income” (FVOCI):** financial assets with the following characteristics are classified in this category: (i) the asset is held within a business model whose objective is achieved both through the sale of the asset itself and through the collection of contractual cash flows; and (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. Any write-downs for permanent losses in value, interest income and gains or losses due to exchange differences are recognised in profit or loss for the year.

**Assets at fair value with the contra-item “Profit or loss for the year” (FVTPL):** this category includes all the financial assets that do not meet the conditions, in terms of business model or characteristics of the flows generated, for the purposes of measurement at amortised cost or at fair value with a contra-entry in the comprehensive income statement. The assets belonging to this category are classified under current or non-current assets according to their natural maturity and recorded at fair value upon initial recognition. During the subsequent measurement, the profits and losses deriving from changes in fair value are reported in the income statement in the period in which they are detected.

**Value adjustments:** financial assets are measured based on the credit loss assessment model in application of the incurred losses criterion. The Company has decided to assess the credit risk assuming a total write-down of receivables past due by over 365 days and a partial write-down of those overdue by more than 180 days already in the past. The predictive process is supported by the monthly use of the provision for doubtful accounts set aside based on the execution of cycles of reminders and recovery of outstanding receivables. The historical series relating to past years have shown that the write-down made in predictive terms is a reasonable overestimate of the actual losses that the Company incurs due to its end customers.

**Trade receivables and other current assets:** trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortised cost net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement. Additionally, the Company sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are with recourse.

**Cash and cash equivalents:** they include cash values, values available at sight and other short-term financial investments. They are accounted at nominal value.

**Derivative financial instruments:** the Company holds derivative instruments for the purposes of hedging its exposure to the risk of changes in interest rates with reference to two loans taken out during 2019 at a variable rate. The instruments used to manage the risk related to the volatility of goods prices basically consist in Interest Rate Swap agreements, aimed at avoiding impacts on the income statement deriving from changes in the interest rates to which the financial charges of the abovementioned loan agreements are indexed.

The transactions which, pursuant to risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as “hedging transactions” (and recognised as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the

international standards, are classified as “trading transactions”. In this event, the changes in fair value of derivatives are recognised in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

Derivatives embedded in financial assets/liabilities are separated and assessed at fair value, except for cases where the strike price of the derivative at the starting date is close to the value determined based on the amortised cost of the reference asset/liability. In this event, the valuation of the embedded derivative is absorbed in the valuation of the asset/financial liability.

The fair value measurement of the above-mentioned contracts is performed by using pricing models and based on market data as at 31<sup>st</sup> December 2019.

#### **Fair value hierarchy**

Financial assets and liabilities measured at fair value are classified in a three-level hierarchy based on the methods for determining the fair value itself, or based on the relevance of the information (input) used in determining their value:

- (i) **Level 1**, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- (ii) **Level 2**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- (iii) **Level 3**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Company, as of 31<sup>st</sup> December 2019 has only one type of financial instruments on interest rates falling within the scope of level 1.

**Own shares:** Re-acquired own shares are taken as a decrease in the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognised under the net equity.

**Benefits for employees:** benefits guaranteed to employees, paid when or after employment ceases, by means of programmes with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognised in the period when the right accrues. The liability related to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR) owed to the employees of the Company pursuant to Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27<sup>th</sup> December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1<sup>st</sup> January 2007, the Severance indemnity is classified as a defined contribution plan.

The Company's obligations are separately determined for each plan, by estimating the present value of future benefits that employees have accrued during the current year and in previous financial periods. This calculation is performed using the projected unit credit method.

The components of the defined benefits are recognised as follows:

- (i) the re-measurement components of liabilities, which include actuarial gains and losses, are recognised immediately in Other comprehensive income (loss);
- (ii) costs related to the provision of services are recognised in the income statement;
- (iii) net financial charges in the defined benefit liability are recognised in the income statement.

The re-measurement components recognised in Other comprehensive income (loss) are never reclassified in the profit and loss statement of the following years.

For the Severance indemnity accrued after 1<sup>st</sup> January 2007, the company is only required to pay contributions to the State (so-called Fondo INPS) or to a trust fund or a legally separate entity (so-called Fund) and is determined based on contributions due.

Moreover, the Company has signed compensation plans partly based on Ascopiave S.p.A. shares and settled through the delivery of shares (stock option plans, long-term incentive plans), recognised as liabilities and measured at fair value at the end of each accounting period and up to the time of payment (approval of 2020 financial statements). Any subsequent change in fair value is recognised in the income statement.

The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. In particular, the plans adopted by the Company include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the achievement of pre-set objectives, the financial settlement of which is based on the trend of the share title. This fair value is booked in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each reporting date, until the date of settlement, with all changes made to the fair value reported on the income statement.

In 2015, the compensation plans relating to the previous three-year period were settled; as a consequence, 99,078 shares were assigned. Pursuant to the rules governing the plan, there were no other allocations in the period, since the benefits will accrue at the end of the period. These compensation plans are recognised in compliance with the requirements set out in IFRS 2.

For more details on the compensations paid during the year 2015, please refer to "Section II" of the Remuneration Report, prepared pursuant to Art. 123-ter, Legislative Decree no. 58/1998 (TUF).

**Provisions for risks and charges:** The provisions for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) An outlay of resources is likely in order to meet the obligation;
- iii) A reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to make a reliable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probable, the relevant potential liability is not entered in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate

which reflects the market's current valuation in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

**Financial liabilities:** financial liabilities include the medium and long-term loans recorded initially at fair value, net of any transaction costs incurred and, subsequently, measured at amortised cost, calculated by applying the effective interest rate, net of principal repayments already made.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorisation for its publishing - not to require the payment because of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

**Trade payables and other liabilities:** trade payables, whose expiry is within normal commercial trading terms, refer to financial liabilities resulting from trade transactions and are recognised at amortised cost.

Payables in a currency other than the account currency are booked at the exchange rate of the day of the transaction and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported in the income statement.

**Revenues and costs:** revenues and costs are booked on an accrual basis.

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone selling price of each good or service; (v) recognition of the revenue when the relevant performance obligation is fulfilled, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (*over time*) or at a specific time (*at a point in time*).

Revenues are entered net of all discounts, rebates and premiums, as well as the taxes directly connected.

**Financial income and expenses:** income and costs are booked on an accrual basis according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

**Income taxes:** current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxes relating to elements reported directly under assets are reported directly as assets and under the other items of the comprehensive income statement.

As far as the Tax on Company Revenue (IRES) is concerned, the subsidiaries of Ascopiaeve S.p.A. exercised the option for the national tax consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR) for the 2019 -2021 three-year period. This option enables the calculation of IRES based on a taxable amount equal to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the

consolidation. Ascopiave S.p.A. acts as consolidating company and determines a single taxable amount for the Group of companies that are part of the national consolidation regime.

Each of the participating companies transfers its income tax (taxable income or tax loss) to the consolidating company recognising therefore in the income statement the item “tax consolidation charges” or “tax consolidation income” for an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Ascopiave S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, to the extent that the existence of suitable future tax income that enables the use of deductible temporary differences and tax assets and liabilities brought forward is probable, except for the following:

- (i) when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- (ii) regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

**Earnings per share:** 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 profit for the period. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profit per share is equal to that 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.

**Asset impairment:** the Company performs at least once a year an impairment test on tangible and intangible assets if their useful lives are indefinite or, more often, in the presence of events suggesting that their carrying amount may not be recoverable.

**Amortisation and depreciation:** amortisation and depreciation are calculated based on the estimated useful life of the asset or the remaining term of the concession; the useful life is determined by the directors, with the assistance of technical experts, when the asset is entered in the financial statements; the assessments about the duration of the useful lives are based on historical experience, market conditions and expectations of future events that could affect the useful life, including technological innovations. On a regular basis, the company evaluates technological and sector changes, dismantling and close-down charges and the recovery value in order to update the asset's remaining useful life. This periodic update may lead to a change in the depreciation/amortisation period and thus the depreciation/amortisation quota for future periods.

**Provisions for risks:** these provisions have been devised by adopting the same procedures as in the previous years and by referring to the updated reports prepared by the lawyers and consultants who are examining the disputes, as well as based on the procedural developments of the latter.

**Provision for doubtful accounts:** the provision for doubtful accounts reflects the estimated losses connected with the receivables of the company. Provisions have been established to cover specific cases of insolvency, as well as in relation to expected bad debts estimated based on experience with respect to receivables with a similar risk profile.

## INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

Ascopiave S.p.A. is not subject to management and coordination activities by Asco Holding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Asco Holding S.p.A. avails itself of some services offered by Ascopiave S.p.A. and other subsidiary companies of the latter, on an arm's length basis, for organisation and economic reasons.

## EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES

### Non-current assets

#### 1. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2019			31.12.2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	3,269	(3,267)	2	3,269	(3,267)	2
Concessions, licences, trademarks and similar rights	52	(50)	1	52	(50)	2
Other intangible assets	12	(12)	0	12	(12)	0
Tangible assets in progress under IFRIC 12 concession	9	0	9	0	0	0
<b>Other intangible assets</b>	<b>3,342</b>	<b>(3,329)</b>	<b>13</b>	<b>3,333</b>	<b>(3,329)</b>	<b>4</b>

The following table highlights the changes in other intangible fixed assets during the period:

(Thousands of Euro)	31.12.2018		Amortizations during the period			30.09.2019
	Net value	Change for the period	Decrease	Depreciations	Net value	
Industrial patent and intellectual property rights	2			0		2
Concessions, licences, trademarks and similar rights	2			1		1
Tangible assets in progress under IFRIC 12 concession	0	9		0		9
<b>Other intangible assets</b>	<b>4</b>	<b>9</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>13</b>

#### Industrial patents and intellectual property rights

During the year, the item “Industrial patents and intellectual property rights” did not highlight significant changes.

#### Concessions, licenses, trademarks and similar rights

The item did not change during the year except for amortisation.

#### 2. Tangible fixed assets

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

(Thousands of Euro)	30.09.2019			31.12.2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	37,622	(13,047)	24,575	37,622	(11,921)	25,702
Plant and machinery	1,758	(1,228)	530	1,758	(1,171)	587
Industrial and commercial equipment	171	(158)	13	171	(151)	20
Other tangible assets	10,263	(8,957)	1,306	9,643	(8,699)	944
Tangible assets in progress and advance paym	364	0	364	0	0	0
Rights of use	205	(65)	140	0	0	0
<b>Other tangible assets</b>	<b>50,383</b>	<b>(23,456)</b>	<b>26,927</b>	<b>49,195</b>	<b>(21,942)</b>	<b>27,253</b>

The following table highlights the changes in the tangible fixed assets item during the year under consideration:

	31.12.2018			31.12.2019		
(Thousands of Euro)	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	25,702	0		1,126		24,576
Plant and machinery	587	0		57		530
Industrial and commercial equipment	20	0		7		13
Other tangible assets	944	620		258		1,306
Tangible assets in progress and advance payments	0	364		0		364
Rights of use	0	205		65		140
<b>Other tangible assets</b>	<b>27,253</b>	<b>1,188</b>	<b>0</b>	<b>1,514</b>	<b>0</b>	<b>26,927</b>

#### Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and secondary warehouses. At the end of the year, the item did not register investments and the variation is explained by depreciation.

#### Plants and machinery

The item Plants and machinery decreased from Euro 587 thousand in the previous year, to Euro 530 thousand in the year considered. This change is due to the depreciation of the period for Euro 57 thousand.

#### Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered did not register investments and the change is due to the depreciation of the period.

#### Other assets

In the period considered, the item “other assets” registered investments for Euro 620 thousand, mainly related to costs for hardware and telephone equipment.

#### Tangible assets in progress and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the year, the item changed by Euro 364 thousand.

#### Rights of use

The item includes the rights of use related to the first application of IFRS 16 on 1<sup>st</sup> January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets such as rental of vehicles and trucks for Euro 205 thousand. During the year, the change recorded by the item, net of the first recognition at cost of the commitments, amounts to Euro 65 thousand, equal to the depreciation for the period.

### 3. Equity investments

The following table summarises the investments held by Ascopiave S.p.A. as of 31<sup>st</sup> December 2019:

Name	Location	Paid-up capital	total net equity	Result for the year	%	Book value
<b>Controlled companies</b>						
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	314,708,801	15,987,876	100%	298,740,636
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	129,699,345		100%	168,000,000
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	16,839,000	1,240,068	100%	14,964,474
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	17,278,074	(273,754)	100%	16,300,000
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3,000,000	55,737,950	2,658,900	100%	66,090,648
Asco Energy S.p.A.	Pieve di Soligo (TV)	1,000,000	1,122,537	(60,099)	100%	609,220
<b>Total Controlled companies</b>						<b>564,704,978</b>
<b>Joint companies</b>						
Estenergy S.p.A.	Trieste (TS)	266,061,261	654,147,269	9,148,126	48%	395,942,766
<b>Total joint companies</b>						<b>395,942,766</b>
<b>Other companies</b>						
Banca Prealpi SanBiagio Credito Cooperativo - Soc. C	Tarzo (TV)					528
Hera Comm S.p.A.	Imola (BO)		53,595,899		3%	54,000,000
<b>Total Other companies</b>						<b>54,000,528</b>

During the year, the item "Equity investments" recorded significant changes due to the corporate transactions developed during the year. In chronological order, the expansion of the scope of consolidation occurred with the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A. on 1<sup>st</sup> July 2019, and the completion of the partnership with the Hera Group on 19<sup>th</sup> December 2019.

The first determined the acquisition of control of the entire company by Ascopiave S.p.A. commencing 1<sup>st</sup> July 2019. The second involved the transfer to the new EstEnergy S.p.A. of 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.), the stake in Sinergie Italiane S.r.l., and those of the Hera Group (Hera Comm Nord-Est S.r.l.). 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).

As regards the reorganisation of the gas distribution activities, Ascopiave S.p.A. acquired a scope of concessions from the Hera Group, including users in Veneto and in Friuli-Venezia Giulia, which were transferred commencing 31<sup>st</sup> December 2019 to the newly established company called AP Reti Gas Nord Est S.r.l., of which it holds 100% of the share capital.

Finally, as required by the agreement signed at the end of July, 3% of the capital of Hera Comm was acquired by Ascopiave S.p.A., ad at a price of Euro 54 thousand. In the context of the overall reorganisation of the energy sales activities, Hera Comm S.p.A. directly acquired 100% of the capital of Amgas Blu S.r.l..

Please note that the contractual agreements envisaged options whose value at 31<sup>st</sup> December 2019 is null.

The shareholders' equity and operating result of the subsidiaries or affiliates shown in the tables above relate to the draft financial statements for the year ended 31<sup>st</sup> December 2019 and approved by the Boards of Directors of the investee companies.

The comparison between the book value of the investments in subsidiaries and associates and the share pertaining to the Company gives rise to situations in which the value recorded in the financial statements is higher than the total shareholders' equity of the investee at the reporting date.

For the purposes of the annual verification of the possible impairment of the carrying amounts of investments in gas distribution subsidiaries, the Directors determine the value-in-use for each of them.

The value-in-use is calculated by using the projection of the cash flows contained in the 2020-2022 economic and financial plans of the individual subsidiaries that have been approved by the Board of Directors. After examining the results of the impairment test on the individual shareholdings, no value write-downs were recorded.

The main benchmarks adopted upon evaluating the value-in-use, both in terms of growth rates for the periods subsequent to those illustrated in the plans and in terms of the discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGUs in the consolidated financial statements, to which reference should be made for further details.

As regards the book value of the investments in EstEnergy S.p.A. and in Hera Comm S.p.A., as they were acquired towards the end of the year, the price paid represents the fair value.

#### 4. 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)	31.12.2019	31.12.2018
Security deposits	509	509
Other receivables	748	2,285
<b>Other non-current assets</b>	<b>1,257</b>	<b>2,794</b>

Other non-current assets decreased from Euro 2,794 thousand in 2018, to Euro 1,257 thousand in 2019, recording a decrease of Euro 1,537 thousand.

The item "Other receivables" is composed of:

- Receivables from the Municipality of Santoro, for 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 Santoro 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 31<sup>st</sup> December 2019, there is an on-going litigation with the municipality mentioned above in order to define the value of compensation of the delivered distribution systems. The evolution of these disputes can be found in the paragraph "Litigations" of these financial statements.

The change is explained by the reclassification in non-current and current financial assets of the receivable from the municipality of Costabissara, with which a settlement agreement was signed, as better commented in the paragraph "non-current financial assets" herein.

## 5. Non-current financial assets

Non-current financial assets amount to Euro 2,478 thousand, as shown in the following table:

(Thousands of Euro)	31.12.2019	31.12.2018
Other financial receivables after 12 months	2,478	1,122
<b>Non current financial assets</b>	<b>2,478</b>	<b>1,122</b>

The item refers to the receivables from the municipalities of Creazzo and Costabissara.

As regards the municipality of Creazzo the infrastructure was delivered subsequent to the natural expiry of the concession on 31<sup>st</sup> December 2004. The value of the receivables corresponds to the amount that the municipality of Creazzo 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.

In order to reach an amicable settlement of the dispute, on 1<sup>st</sup> March 2017 the technicians in charge of estimating the plants proposed a comprehensive value of Euro 1,678 thousand (to be paid in instalments over 12 years). 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.

The Municipality, with City Council Resolution no. 18 dated 22<sup>nd</sup> March 2018, definitively approved the settlement deed above, executed on 2<sup>nd</sup> August 2018.

As regards the receivable from the municipality of Costabissara, it will be collected beyond 12 months from the reporting date. A settlement agreement was signed with the Municipality on 3<sup>rd</sup> June 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 paid on 5<sup>th</sup> July 2019, while the remainder will be paid in 12 annual instalments having the same amount. The value entered in 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.

Further information can be found in the "Litigations" section herein.

## 6. Deferred tax assets

Deferred tax assets decrease from Euro 1,735 thousand, to Euro 1,385 thousand, recording a decrease of Euro 350 thousand as highlighted in the table below:

(Thousands of Euro)	31.12.2019	31.12.2018
Advance tax receivables	1,385	1,735
<b>Advance tax receivables</b>	<b>1,385</b>	<b>1,735</b>

The Company has performed a full accounting of advance taxes concerning temporary differences between taxable values and book values, as the Company supposes that future tax bases could take up all temporary differences that generated them. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the IRAP in force when the temporary differences are expected to be carried forward. In particular, a 24% IRES tax rate and a 4.2% IRAP rate were applied.

The total value of the temporary differences and the amounts on which the deferred tax assets were calculated are as follows:

Description	31 December 2019			31 December 2018		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	464	24.0%	111	464	24.0%	111
Amortizations Exceeding IRES	4,520	24.0%	1,085	6,280	24.0%	1,507
Exceeding amortizations Es. 2007 within 2013	0	28.2%	0	51	28.2%	14
Other	0	24.0%	0	61	24.0%	15
PILT - Phatom stock option - risks fund	787	24.0%	189	366	24.0%	88
<b>Total advance taxes</b>			<b>1,385</b>			<b>1,735</b>

## Current assets

### 7. Trade receivables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Receivables from customers	7,301	2,158
Receivables for invoices to be issued	3,666	3,116
<b>Trade receivables</b>	<b>10,967</b>	<b>5,274</b>

Trade receivables are entered net of the advance payments and mainly relate to invoicing of various administration, financial, legal and IT services that Ascopiave S.p.A. maintains with other companies of the Ascopiave Group.

The item increases from Euro 5,274 thousand in the previous year, to Euro 10,967 thousand in the year considered, with an increase of Euro 5,693 thousand, mainly related to intercompany invoices issued in December and the invoice issued to the Municipality of Costabissara as better described in the paragraph "Non-current financial assets" of this annual financial report.

All receivables from clients are entirely made up of Italian debtors.

At the end of the year, no doubtful accounts that would require further provisions have been identified.

Trade receivables will be collectable within the following year and currently there are no significant outstanding expired receivables.

(Thousands of Euro)	31.12.2019	31.12.2018
Gross trade receivables for invoices issued	7,301	2,158
(allowance for doubtful accounts)	0	0
<b>Net trade receivables for invoices issued</b>	<b>7,301</b>	<b>2,158</b>
<b>Aging of trade receivables for invoices issued:</b>		
- to expire	7,291	2,144
- expired within 6 months	-	1
- overdue by 6 to 12 months	-	-
- expired more than 12 months	10	13

## 8. Other current assets

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

(Thousands of Euro)	31.12.2019	31.12.2018
Tax consolidation receivables	646	1,756
Annual pre-paid expenses	220	221
Advance payments to suppliers	241	207
annual accrued income	66	
VAT Receivables	1,597	1,075
UTF and Provincial/Regional Additional Tax receivables	74	82
Other receivables	5,532	209
<b>Other current assets</b>	<b>8,376</b>	<b>3,550</b>

Other current assets showed an increase of Euro 4,826 thousand, from Euro 3,550 thousand in 2018, to Euro 8,376 thousand in 2019. The increase is mainly explained by the increase in VAT receivables and higher other receivables for Euro 5,323, partially offset by the lower tax consolidation receivables for Euro 1,110.

Other receivables are mainly explained by the receivable from Edigas Esercizio Distribuzione Gas S.p.A. relating to the differential between the transferred accounting items and the value attributed for the purposes of the transfer equal to Euro 4,986 thousand; receivables from other Group companies were recognised in relation to the long-term incentive plans assigned to their employees and represent the share portion of the compensation. The value refers to the portion accrued at the end of the financial year for the 2018-2020 three-year period.

## 9. Current financial assets

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

(Thousands of Euro)	31.12.2019	31.12.2018
Associated companies	36,771	25,894
Other financial current assets	701	136
<b>Current financial assets</b>	<b>37,471</b>	<b>26,031</b>

Current financial assets are in the tune of Euro 37,471 thousand, marking an increase of Euro 11,440 thousand

compared to the previous year. The item mainly includes the credit balances of the cash pooling current accounts through which the company manages the Group Treasury, granting the necessary funding to its subsidiaries and affiliates, in order to meet their financial requirements.

The composition of financial assets from subsidiary and affiliate companies for the two years is shown below:

(Thousands of Euro)	31.12.2019	31.12.2018
<b>Controlled companies</b>		
Intercompany current account AP Reti Gas Rovigo S.r.l.	708	
Intercompany current account Edigas Esercizio Distribuzione	10,430	
Intercompany current account AP Reti Gas Vicenza S.p.A.	16,685	14,697
Intercompany current account Asco Energy S.p.A.	2,753	5,062
<b>Current financial assets from controlled companies</b>	<b>30,576</b>	<b>19,759</b>
<b>Joint companies</b>		
Intercompany current account Ascotrade S.p.A.	4,272	3,567
Intercompany current account Amgas Blu S.r.l.	1,296	1,725
Intercompany current account ASM Set S.r.l.	627	844
<b>Current financial assets from joint companies</b>	<b>6,195</b>	<b>6,136</b>

The change, equal to Euro 10,876 thousand, is explained by the increase in loans granted to subsidiaries and affiliates due to higher financial requirements compared to the previous year for almost all companies.

The residual amount concerns the short-term portion of the receivables from the municipality of Creazzo and the short-term portion of the receivables from the municipality of Costabissara, with which the settlement agreement better described in the paragraph "Non-current financial assets" herein was reached.

## 10. Tax receivables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Receivables related to IRAP	283	283
Other tax receivables	26	26
<b>Tax receivables</b>	<b>309</b>	<b>309</b>

Tax receivables amount to Euro 309 thousand, unchanged since 2018.

## 11. Cash and cash equivalents

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

(Thousands of Euro)	31.12.2019	31.12.2018
Bank and post office deposits	65,741	58,390
Cash and cash equivalents on hand	3	6
<b>Cash and cash equivalents</b>	<b>65,744</b>	<b>58,396</b>

The item includes bank accounts and the cash equivalents in the company funds. Cash equivalents at the end of the fiscal year amount to Euro 65,744 thousand, with an increase from the previous year of Euro 7,348 thousand. For a better understanding of changes in the cash flows occurred during the year, please refer to the statement of cash flows.

## Equity

### 12. Equity

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

(Thousands of Euro)	31.12.2019	31.12.2018
Share capital and reserves	329,473	358,152
Risultato del periodo di Gruppo	521,266	41,979
<b>Patrimonio netto Totale</b>	<b>850,739</b>	<b>400,131</b>

The composition of the net shareholders' equity is reported below:

(Thousands of Euro)	31.12.2019	31.12.2018
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(26,774)	(16,981)
Reserves	75,004	93,879
Reserve for severance pay discount ias 19	(51)	(40)
Group's Net Result	521,266	41,979
<b>Total Net equity</b>	<b>850,739</b>	<b>400,131</b>

Shareholders' equity as of 31<sup>st</sup> December 2019 amounted to Euro 850,739 thousand, an increase of Euro 450,608 thousand compared to 31<sup>st</sup> December 2018. Please refer to the changes in equity for further details.

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

At the end of the year the company held treasury shares for a total value of Euro 26,774 thousand, up Euro 9,793 thousand compared to 31<sup>st</sup> December 2018. In fact, during the year, specifically since 1<sup>st</sup> April, Ascopiave S.p.A., has purchased treasury shares on the electronic share market for a value of Euro 22,376 thousand.

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

As of 31<sup>st</sup> December 2019, Ascopiave S.p.A. held, subsequent to the purchases made during the period and the transfer of treasury shares to Anita S.r.l., 10,456,025 shares, equal to 4.4605% of the share capital, for the value indicated above.

The hedge accounting reserve recorded at the end of the year represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations. Such reserve, as at 31<sup>st</sup> December 2019, shows a negative balance of Euro 98 thousand. At the reporting date, no effects were recorded in the income statement.

With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph "Hedging policies" herein which highlights their effects.

The changes in the shareholders' equity in FY 2019 are reported in the following tables:

<b>Shares in circulation as of 31 December 2019 and 31 December 2018</b>		
<b>(Number of shares)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	(10,456)	(11,728)
<b>Total number of shares in circulation</b>	<b>223,956</b>	<b>222,684</b>

<b>Value of the shares in circulation</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Ordinary shares	234,412	234,412
Own shares in portfolio	(26,774)	(16,981)
<b>Total value of shares in circulation</b>	<b>207,638</b>	<b>217,431</b>

#### *Revenues (losses) entered directly in the Shareholders' Equity*

As of 31<sup>st</sup> December 2019, losses for Euro 51 thousand were entered directly in the Shareholders' Equity.

This reserve gathers actuarial gains and losses deriving from the assessment of current defined-benefit plans that will never be reclassified under profit and loss account.

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distribution of net equity items are reported below:

Description	Amount	Possibility of use	Portion available	Usage in the previous three financial period	
				For coverage of losses	For other reasons
Share capital	234,411,575	-			
CAPITAL RESERVES					
Riserva bonus share		A	-		
Share premium fund	171,613	A, B, C	171,613		
Own shares	(26,773,538)	-			
EARNINGS RESERVES					
Legal reserve	46,882,315	B			
Extraordinary reserve					
Free reserve					
Other reserve		A, B, C			
Acconti sui dividendi		A, B, C			
Azioni proprie		A, B, C			
Profit/(loss) carried forward	31,554,069	A, B, C	31,554,069		
Other reserve	43,227,051	A, B, C	43,227,051		
<b>Total</b>	<b>95,061,509</b>		<b>74,952,732</b>		
<b>Portion non available</b>					
<b>Residual value of available portion</b>			<b>74,952,732</b>		

Note: "A" = capital increase "B" = coverage of losses, "C" = distribution to shareholders

The share premium fund is available considering that the legal reserve reached a value equal to one fifth of the share capital, in accordance with civil law provisions.

## Non-current liabilities

### 13. Reserves for risks and charges

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

(Thousands of Euro)	31.12.2019		31.12.2018	
Previsions for pension for gas sector employees		675		323
<b>Provisions for risks and charges</b>		<b>675</b>		<b>323</b>

The increase in the provision for risks and charges amounting to Euro 352 thousand is mainly explained by the recognition of costs accrued in the period in question for long-term incentive plans. These amounts refer to the portion accrued in the year and relate to the 2018-2020 three-year period, as set out in the plans for the accrual of the bonus.

#### **14. Severance indemnity**

The changes in severance indemnity in the year considered are shown in the following table:

(Thousands of Euro)	
Severance indemnity as of 1st January 2019	271
Retirement allowance	(300)
Payments for current services and work	330
Previous actuarial losses/(profits) recorded	(0)
Actuarial loss/(profits) recorded	(11)
<b>Severance indemnity as of 31st December 2019</b>	<b>289</b>

The liability of the severance indemnity is calculated with the actuarial method. Its value is therefore subjected to variation between the various assumptions. The main assumptions used for the measurement of the severance indemnity is the discount rate, the average yearly employee turnover and maximum retiring age of employees.

The discount rate used to measure the liability deriving from severance indemnity is determined from market trend of high quality bonds (AA rating or better) with due dates and amounts corresponding to due dates and amounts of expected future payments. For this plan, the average discount rate reflecting the due dates and amounts of future payments for 2019 amounts to 0.79%.

The main additional assumptions of the model are:

- Mortality rate: IPS55 survival table
- Inability rates: INPS tables year 2000
- Personnel rotation rate: 3.00%
- Annual probability rate of TFR down payment: 2.00%
- Increase in remuneration rate: 1.50 %
- Inflation rate: 0.80%

The sensitivity analysis on the actuarial evaluation of the provision did not highlight substantial discrepancies compared to the value entered in the financial statements.

The current cost related to work performance is included as personnel costs, while the interest cost is recorded under financial income and expense.

## 15. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2019	31.12.2018
Loans from Prealpi	7,833	8,611
Loans from European Investment Bank	16,750	21,500
Loans from INTESA SAN PAOLO SPA	40,000	
Loans from BNL	46,500	25,000
Loans from CREDIT AGRICOLE FRIULADRIA	24,000	
<b>Medium- and long-term bank loans</b>	<b>135,083</b>	<b>55,111</b>
Current portion of medium-long-term loans	30,028	8,014
<b>Medium- and long-term bank loans</b>	<b>165,111</b>	<b>63,124</b>

Medium and long term loans, mainly represented as of 31<sup>st</sup> December 2019 by the payables to BNL for Euro 55,000 thousand, Intesa SanPaolo for Euro 50,000 thousand, Crédit Agricole Friuladria for Euro 30,000 and the European Investment Bank for Euro 21,500 thousand, increase from Euro 63,124 thousand to Euro 165,861 thousand, with an increase of Euro 102,737 thousand, explained by the payment of the instalments in the first half of the year and a new loan taken out in August 2019 with BNL and Crédit Agricole - Friuladria in October 2019 of Euro 30,000 thousand each and with Intesa SanPaolo in November 2019 of Euro 50,000 thousand. Considering only the portion due beyond the year, the total value increases from Euro 55,111 thousand to Euro 135,083 thousand considering the same consolidation scope.

Specifically:

- For the loan with BNL, taken out in 2019 for an amount equal to Euro 30,000 thousand, equal to the residual debt of as of 31<sup>st</sup> December 2019, Euro 6,000 thousand were recorded under due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS.
- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt of Euro 25,000 thousand as of 31<sup>st</sup> December 2019, and Euro 6,000 thousand were recorded under due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which were renegotiated with the bank as they had been defined on the basis of the previous structure of the Ascopiate Group.
- the loan taken out with Intesa SanPaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, equal to the residual debt as of 31<sup>st</sup> December 2019, 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, which were met at 31<sup>st</sup> December 2019.
- the loan taken out with Crédit Agricole Friuladria, disbursed in October 2019 for an amount of Euro 30,000 thousand, equal to the residual debt as of 31<sup>st</sup> December 2019, with the recognition of Euro 6,000 thousand in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified each year and every six months on the Group's consolidated data prepared in accordance with the IFRS.

- the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 31<sup>st</sup> December 2019 is Euro 21,500 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group's consolidated data prepared in compliance with 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 of Euro 8,611 thousand as of 31<sup>st</sup> December 2019, with the recognition of Euro 778 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:

(migliaia di Euro)	31.12.2019
Year 2020	30,028
Year 2021	30,042
Year 2022	30,057
Year 2023	30,072
After Year 2023	44,912
<b>Medium- and long-term bank loans</b>	<b>165,111</b>

## 16. Other non-current liabilities

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

(Thousands of Euro)	31.12.2019	31.12.2018
Security deposits	9	9
<b>Other non-current liabilities</b>	<b>9</b>	<b>9</b>

Other liabilities did not change during the year.

## 17. Non-current financial liabilities

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

(Thousands of Euro)	31.12.2019	31.12.2018
Other's non-current financial liabilities	64	
<b>Non-current financial liabilities</b>	<b>64</b>	

On 1<sup>st</sup> January 2019, the Group applied IFRS 16 for the first time. The first adoption of the standard, with the "modified retrospective approach" method, led to the recognition of non-current financial liabilities.

## 18. Deferred tax payables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Deferred tax payables	6	20
<b>Deferred tax payables</b>	<b>6</b>	<b>20</b>

Deferred taxes amount to Euro 6 thousand, a decrease of Euro 14 thousand compared to the previous year.

The Company has recognised in full deferred taxes on temporary differences between taxable values and book values.

In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the IRAP in force when the temporary differences are expected to be carried forward. In particular, a 24% IRES tax rate, and a 4.2% IRAP tax rate were applied.

The total value of the temporary differences and the related amounts on which the liabilities for deferred taxes gave been detected are detailed below:

Description	31 December 2019			31 December 2018		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations IRES	5	24.0%	1	60	24.0%	14
Severance indemnity	21	24.0%	5	25	24.0%	6
<b>Total deferred tax payables</b>			<b>6</b>			<b>20</b>

## Current liabilities

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

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2019	31.12.2018
Payables due to banks	106,000	123,000
Current portion of medium-long-term loans	30,028	8,014
<b>Payables due to banks and financing institutions</b>	<b>136,028</b>	<b>131,014</b>

At the end of FY 2019, short-term bank payables are composed of short-term bank loans and negative bank account balances for Euro 106,000 thousand and short-term loan instalments for Euro 30,028 thousand. The total increase, amounting to Euro 5,014 thousand, is mainly explained by greater use of the credit available.

The following table shows the detail of Ascopiave S.p.A. credit lines used and available and the respective rates applied as of 31<sup>st</sup> December 2019:

BANK	Type of line of credit	Credit line at 31/12/2019	Rate at 31/12/2019	Use of credit line
				at 31/12/2019
Banca di Credito Cooperativo delle Prealpi	Mutui	4,305	1.83%	4,305
Banca Europea per gli Investimenti	Mutui	7,500	0.34%	7,500
Banca Europea per gli Investimenti	Mutui	14,000	0.58%	14,000
Banca Monte dei Paschi di Siena	Crediti di firr	11,000	n.d.	9,700
Banca Nazionale del Lavoro	Crediti per cæ	24,000	0.07%	24,000
Banca Nazionale del Lavoro	Mutui	25,000	1.92%	25,000
Banca Nazionale del Lavoro	Mutui	30,000	0.59%	30,000
Banca Nazionale del Lavoro	Crediti di firr	10,077	n.d.	435
Banca Popolare dell'Emilia Romagna	Crediti per cæ	10,000	n.d.	
Banca Sella	Crediti per cæ	5,000	n.d.	
Banco BPM	Crediti per cæ	20,000	0.10%	20,000
Banco BPM	Crediti per cæ	1,625	n.d.	1,125
Banco BPM	Crediti di firr	10,000	n.d.	2,279
Cassa centrale BCC Italiano	Mutui	4,305	1.83%	4,305
Credito Emiliano	Crediti per cæ	27,000	0.02%	27,000
Credit Agricole Corporate	Mutui	15,000	0.67%	15,000
Credit Agricole Corporate	Mutui	15,000	0.67%	15,000
Credit Agricole Friuladria	Crediti per cæ	3,000	n.d.	
Intesa SanPaolo	Crediti per cæ	56,000	0.05%	20,000
Intesa SanPaolo	Mutuo	50,000	0.41%	50,000
Intesa SanPaolo	Crediti di firr	2,500	n.d.	
Cassa Depositi e Prestiti	Crediti di firr	9,943	n.d.	9,943
Unicredit	Crediti per cæ	29,602	0.03%	15,000
Unicredit	Crediti di firr	21,464	n.d.	12,064
Unione di Banche Italiane	Crediti per cæ	30,000	n.d.	
		<b>436,321</b>		<b>306,656</b>

Note: the total use of credits line is not equal to the total bank loan because this not include the use of endorsement loan.

The higher uses existing as of 31<sup>st</sup> December 2019 compared to the previous year depend mainly on the medium/long-term loans taken out with Banca Nazionale del Lavoro, Crédit Agricole - Friuladria and Intesa SanPaolo and the particularly advantageous rates applied to short-term loans.

## 20. Trade payables

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

(Thousands of Euro)	31.12.2019	31.12.2018
Payables to suppliers	957	1,010
Payables to suppliers for invoices not yet received	3,863	1,023
<b>Trade payables</b>	<b>4,819</b>	<b>2,034</b>

Trade payables increase from Euro 2,034 thousand in the previous year to Euro 4,819 thousand in the year considered, marking an increase of Euro 2,785 thousand. The increase is mainly explained by the higher balances for invoices to be received for Euro 2,840 thousand.

Trade payables are payable within the following fiscal year.

## 21. Payables to tax authorities

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

(Thousands of Euro)	31.12.2019	31.12.2018
IRES payables	4,575	
Tax payables	4,575	

Tax payables amount to Euro 4,575 thousand in the period in question and are mainly explained by the recognition of payables accrued towards the tax authorities for IRES and IRAP, after deducting the advances paid, accrued during the year. In fact, in 2019 the national tax consolidation agreement in force as of 31<sup>st</sup> December 2018 with Asco Holding S.p.A. expired due to the lack of some necessary requirements. During the year, the Group companies joined the national tax agreement with the parent company Ascopiaeve S.p.A..

## 22. Other current liabilities

The following table shows how the item “Other current liabilities” is broken down for each period considered:

(Thousands of Euro)	31.12.2019	31.12.2018
Amounts due to parent companies for tax consolidation	1,200	
Amounts due to social security institutions	242	320
Amounts due to employees	3,671	1,363
Payables to revenue office for withholding tax	364	404
Annual passive accruals	615	466
Other payables	365	364
<b>Other current liabilities</b>	<b>6,457</b>	<b>2,917</b>

At the end of the fiscal year, other current liabilities amount to Euro 6,457 thousand, marking an increase of Euro 3,540 thousand as compared to 2018.

“Payables to welfare institutions” refers to payables of welfare contributions for the months of November and December that were paid during the first months of 2019. The “amounts due to employees” include holidays not taken, deferred remuneration and bonuses earned as of 31<sup>st</sup> December 2019 but not paid out on that date. The change compared to the previous year is mainly explained by the bonuses granted at the closing of the partnership with the Hera Group.

## 23. Current financial liabilities

The following table shows the breakdown of the item “Current financial liabilities” at the end of each period considered:

(Thousands of Euro)	31.12.2019	31.12.2018
Financial payables within 12 months	30,663	36,495
Payables to leasing companies within 12 months	70	
<b>Current financial liabilities</b>	<b>30,733</b>	<b>36,495</b>

Current financial liabilities amount to Euro 30,733 thousand, down Euro 5,762 thousand compared to the previous year, mainly due to the balances recorded in cash pooling current accounts with subsidiaries and affiliates, through

which the company manages the Group Treasury.

The item is composed of financial payables to AP Reti Gas S.p.A. for Euro 13,775 thousand, Blue Meta S.p.A. for Euro 7,195 thousand, Etra Energia S.r.l. for Euro 1,995 thousand and Ascopiaeve Energie S.p.A. for Euro 7,015 thousand.

As mentioned in the paragraph “Non-current financial liabilities” herein, on 1<sup>st</sup> January 2019, the financial payables related to operating leases were recognised for the first time upon the first application of IFRS 16. The first adoption of the standard led to the recognition of Euro 70 thousand of higher payables.

#### **24. Current liabilities from derivative financial instruments**

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

(Thousands of Euro)	31.12.2019	31.12.2018
Liabilities on derivatives on raw material	98	
<b>Current liabilities from derivative financial instruments</b>	<b>98</b>	

Current liabilities on derivative financial instruments at the end of the year amounted to Euro 98 thousand.

During the year, the Company signed a derivative contract to hedge against interest rates. As regards the assets and liabilities related to assets on derivatives, please consult the section “Hedging policies” of this report which highlights the effects related to them.

Liabilities on derivatives are represented by the fair value of the derivatives existing as of 31<sup>st</sup> December 2019, whose financial manifestation will be distributed over the next 12 months.

#### **Net financial position**

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

(Thousands of Euro)	31.12.2019	31.12.2018
Cash and cash equivalents	65,744	58,396
Current financial assets	37,471	26,031
Current financial liabilities	(30,733)	(36,495)
Payables due to banks and financing institutions	(136,028)	(131,014)
<b>Net short-term financial position</b>	<b>(63,546)</b>	<b>(83,082)</b>
Medium- and long-term bank loans	(135,083)	(55,111)
Non-current financial liabilities	(64)	
<b>Net medium and long-term financial position</b>	<b>(135,147)</b>	<b>(55,111)</b>
<b>Net financial position</b>	<b>(198,693)</b>	<b>(138,193)</b>

Ascopiate S.p.A. Net Financial Position saw an increase of Euro 60,500 thousand compared to the previous year, for a total amount of Euro 198,693 thousand.

No covenants or negative pledges are set out in the short-term bank loans, while the loans granted by the European Investment Bank, Banca Nazionale del Lavoro, Crédit Agricole Friuladria and Intesa SanPaolo envisage covenants - to be verified based on the results of the consolidated financial statements - described in the paragraph "Medium-long term loans" herein.

Pursuant to Consob resolution no. 15519 dated 27<sup>th</sup> July 2006, the effects of the relations with related parties are illustrated in the specific scheme shown in paragraph "Financial statements representation pursuant to Consob resolution 15519/2006" herein.

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)	31.12.2019	31.12.2018
Net financial position	(198,693)	(138,193)
Non-current financial assets	2,478	1,122
<b>Net financial position ESMA</b>	<b>(196,215)</b>	<b>(137,071)</b>

## COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

### Revenues

#### 25. Revenues

The following table shows the revenues in the periods considered:

(Thousands of Euro)	FY 2019	FY 2018
Revenues from services supplied to Group companies	12,091	11,855
Other revenues	335	665
Distribution of dividends from controlled companies	22,999	21,177
<b>Revenues</b>	<b>35,425</b>	<b>33,698</b>

At the end of the period, the item amounted to Euro 35,425 thousand, with an increase of Euro 1,727 thousand compared to the previous year.

Revenue from general services to Group companies increased by Euro 236 thousand, from Euro 11,855 thousand in the previous year, to Euro 12,091 thousand in the year considered.

Revenues from distribution of dividends of subsidiaries (Edigas Esercizio Distribuzione Gas S.p.A, AP Reti Gas Rovigo S.r.l., AP Reti Gas S.p.A. and Unigas Distribuzione S.r.l. now merged into Edigas), increased by Euro 1,822 thousand, from Euro 21,177 thousand in the previous year, to Euro 22,999 thousand in the year considered.

The item “other revenues” decreased from Euro 665 thousand in 2018 to Euro 335 thousand in the year considered, with a decrease of Euro 330 thousand.

### Operating costs

#### 26. Cost of raw materials

The following table reports the costs relating to the purchase of raw materials during the financial periods considered:

(Thousands of Euro)	FY 2019	FY 2018
Purchase of other raw material	12	15
<b>Purchase costs for other raw materials</b>	<b>12</b>	<b>15</b>

The costs for the purchase of other raw materials decreased from Euro 15 thousand in 2018 to Euro 12 thousand in 2019, down Euro 3 thousand.

## 27. Costs for services

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

(Thousands of Euro)	FY 2019	FY 2018
Mailing and telegraph costs	100	90
Maintenance and repairs	1,859	1,991
Consulting services	3,125	3,764
Commercial services and advertisement	95	79
Sundry suppliers	439	391
Directors' and Statutory Auditors' fees	937	656
Insurances	542	598
Personnel costs	647	560
Other managing expenses	1,253	1,002
Costs for use of third-party assets	712	545
<b>Costs for services</b>	<b>9,710</b>	<b>9,676</b>

The costs for services amounted to Euro 9,710 thousand, at the end of the period considered, recording an increase compared to the previous year of Euro 34 thousand. This is mainly due to the increase in costs for commercial services and advertising, expenses for various utilities, fees for directors and auditors, staff expenses, costs for other operating expenses and costs for use of third-party assets, partially offset by the decrease in expenses for maintenance and repairs, consultancy services and insurance cost.

Personnel costs include travel and mission expenses, costs for the canteen service and for training and education and record an increase of Euro 87 thousand compared to the previous year.

The item "Costs for the use of third-party assets" includes costs for software rights and licences as well as the rental costs for company offices. At the end of the reference period, the item increased by Euro 167 thousand.

## 28. Personnel cost

Personnel costs for the relevant periods are analysed in the following table:

(thousands of Euro)	FY 2019	FY 2018
Wages and salaries	5,069	7,223
Social security contributions	1,474	1,712
Severance indemnity	330	354
Other costs	56	29
<b>Total personnel costs</b>	<b>6,929</b>	<b>9,318</b>
Capitalized personnel costs	0	(4)
<b>Personnel costs</b>	<b>6,929</b>	<b>9,314</b>

Personnel costs are reported net of capitalised costs in relation to increases in intangible assets for works carried out partially on a time and material basis, which are directly attributed to the construction and extraordinary maintenance of company offices.

The item decreased from Euro 9,316 thousand in the previous year, to Euro 6,909 thousand in 2019 marking a decrease of Euro 2,407 thousand. The change is mainly explained by the non-recurring items recorded in 2018 in

relation to the fees paid to the Group's General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year. The agreements signed with them led to the recognition of higher costs totalling Euro 2,411 thousand. At the end of the year, costs for long-term incentive plans were recognised totalling Euro 350 thousand, up Euro 241 thousand compared to the previous year.

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

Capitalised personnel cost registered a decrease of Euro 4 thousand, amounting to 0 in the reference year.

The table below shows the average number of employees, divided by category, at the end of 2019 and at the end of 2018:

type	31.12.2019	31.12.2018	Variation
Managers	10	9	1
office workers	80	78	2
manual workers	4	4	0
<b>No. of personal employed</b>	<b>94</b>	<b>92</b>	<b>2</b>

Some employees of the company hold a multi-annual incentive scheme.

## 29. Other operating costs

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

(Thousands of Euro)	FY 2019	FY 2018
Membership and ARERA fees	222	234
Capital losses		146
Extraordinary losses	17	37
Other taxes	186	139
Other costs	305	254
Costs of contracts	1	
<b>Other management costs</b>	<b>730</b>	<b>812</b>

The item "Other operating costs" marks a decrease of Euro 82 thousand compared to the previous year, mainly due to the decrease in capital losses whose value is zero compared to the previous year, partially offset by the increase in other taxes for Euro 47 thousand and other costs for Euro 51 thousand.

### 30. Other operating revenues

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

(Thousands of Euro)	FY 2019	FY 2018
Other income	1,406	232
<b>Other income</b>	<b>1,406</b>	<b>232</b>

At the end of the period considered, the item amounts to Euro 1,406 thousand, an increase of Euro 1,174 thousand compared to the previous year. The change is mainly explained by the recognition of the surplus value connected with the settlement agreement signed with the municipality of Costabissara, described in the paragraph “Non-current financial assets” herein, and concerning the value of the sale of the distribution facilities on 1<sup>st</sup> October 2011.

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

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

(Thousands of Euro)	FY 2019	FY 2018
Intangible fixed assets	1	119
Tangible fixed assets	1,449	1,484
Impairment losses and reversals assets	65	
<b>Amortization and depreciation</b>	<b>1,514</b>	<b>1,603</b>

Amortisation and depreciation at the end of the period considered amount to Euro 1,514 thousand, a decrease compared to the previous year of Euro 89 thousand.

The recognition method of operating leases led to the entry of higher amortisation and depreciation costs totalling Euro 65 thousand for the rental of company cars.

### 32. Net financial income and expenses

Financial income and expenses in the years considered are analysed in the following table:

(Thousands of Euro)	FY 2019	FY 2018
Interest income on bank and post office accounts	67	7
Other interest income	535	377
<b>Financial income</b>	<b>602</b>	<b>385</b>
Interest expense on banks	119	84
Interest expense on loans	940	897
Other financial expenses	180	214
<b>Financial charges</b>	<b>1,238</b>	<b>1,195</b>
<b>Total net financial expenses/(revenues)</b>	<b>636</b>	<b>811</b>

The item “Financial income and expenses” is negative and amounts to Euro 636 thousand, a decrease as compared to the previous year of Euro 175 thousand. The change is mainly explained by the higher interest income on loans to subsidiaries, partially offset by higher bank interest expense and interest paid on loans.

Subsequent to the first application of IFRS 16, financial charges amounting to Euro 3 thousand were recorded.

### 33. Taxation for the period

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

(Thousands of Euro)	FY 2019	FY 2018
IRES current taxes	786	2,224
(Advance)/Deferred taxes	(336)	(303)
Taxes previous years	111	
<b>Taxes for the period</b>	<b>561</b>	<b>1,921</b>

Taxes for the period decrease from Euro 1,921 thousand in the previous year, to Euro 561 thousand in the year considered, marking a decrease of Euro 1,360 thousand.

The table below shows the incidence of income tax:

(Thousands of Euro)	FY 2019	FY 2018
Earnings before tax	17,320	11,698
Taxes for the period	561	1,921
<b>Percentage of income before taxes</b>	<b>3.2%</b>	<b>16.4%</b>

The actual tax rate decreased from 16.4% in 2018 to 3.2% in the year considered, marking a decrease of 13.2%.

(Thousands of Euro)	Full year		Full year	
	2019	2018		
Applicable ordinary rate	24.0%	24.0%		
<b>Earnings before tax</b>	<b>17,320</b>	<b>11,698</b>		
Theoretical tax burden	4,157	24.0%	2,807	24.0%
Dividend taxation	(11,807)	-68.2%	(11,373)	-97.2%
Non-taxable costs / (income) (vehicles, telephones)	8,547	49.3%	10,789	92.2%
Advance / deferred taxes	(336)	-1.9%	(303)	-2.6%
IRES effective tax charge	561	3.2%	1,921	16.4%
IRAP (current and deferred)	(0)	0.0%	(0)	0.0%
Total effective tax burden	561	3.2%	1,921	16.4%
Actual rate	3.2%		16.4%	

### 34. Net result of discontinued/divested operations

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

(Thousands of Euro)	FY 2019	FY 2018
Net result from transfer/disposal of assets	503,385	28,360
<b>Net result from transfer/disposal of assets</b>	<b>503,385</b>	<b>28,360</b>

In compliance with the international accounting standard IFRS 5, the economic results achieved by the companies involved in the partnership finalised with the Hera Group on 19<sup>th</sup> December 2019, and better described in the paragraph “Significant events during FY 2019” of this financial report, or related to its achievement, were reclassified in the item.

The item includes the gross capital gain generated by the sale of the investments in the companies involved in the partnership, and the costs incurred for the completion of the transaction, accompanied by the related tax effect and by the dividends that they distributed to the parent company Ascopiaeve S.p.A. in May 2019.

<b>(Thousands of Euro)</b>	
Gains by sale of companies	488,943
Cost associated with carrying out the operation	(8,230)
Tax effect related to the economic effects of the transaction	(6,114)
Result achieved by the companies sold in 2019	28,786
<b>Net Result of companies sold</b>	<b>503,385</b>

## OTHER COMMENTS

### Non-recurring components

In accordance with CONSOB communication no. 15519/200, we report that the item “Cost for staff” of FY 2018 includes costs to the tune of Euro 2,411 thousand related to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the year.

The item “Net result of discontinued operations” in 2019 includes revenues and costs related to the closing of the partnership between Ascopiave S.p.A. and the Hera Group, as described in the paragraph “Net result of discontinued/divested operations” herein.

### Information on related parties

The Company is controlled by Asco Holding S.p.A. which holds 52.043% of the shares.

All transactions with the companies of the Group are part of the ordinary management of the enterprise and are performed on an arm's length basis. In 2019, no other transactions were carried out with companies or entities belonging to Shareholders or directors of the Company, of the parent companies and of the subsidiary companies.

(Thousands of Euro)	Trade receivable	Other receivable	Trade payables	Other payables	Cost Goods	Cost Services	Cost Other	Revenues Goods	Revenues Services	Revenues Other
<i>Parent company</i>										
Asco Holding S.p.A.	9	646							53	
<b>Total parent company</b>	<b>9</b>	<b>646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>0</b>
<i>Controlled and joint controlled companies</i>										
AP Reti Gas S.p.A.	2,569			14,716		4	55		3,238	
Edigas Distribuzione S.p.A.	499	15,867	25			29	3		551	57
AP Reti Gas Vicenza S.p.A.	606	16,685	20	45		96			611	261
AP Reti Gas Rovigo S.r.l.	247	708	24	21		24	3		295	1
Asco Energy S.p.A.	120	2,753	27	193					110	158
<b>Total Controlled and joint controlled companies</b>	<b>4,041</b>	<b>36,013</b>	<b>96</b>	<b>14,975</b>	<b>0</b>	<b>153</b>	<b>61</b>	<b>0</b>	<b>4,805</b>	<b>477</b>
<i>Affiliated companies</i>										
Bim Piave Nuove Energie S.r.l.	71		33			5			267	
Asco TLC S.p.A.	18		4							89
<b>Total affiliated companies</b>	<b>89</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>356</b>	<b>0</b>
<b>Total</b>	<b>4,139</b>	<b>36,659</b>	<b>133</b>	<b>14,975</b>	<b>0</b>	<b>158</b>	<b>61</b>	<b>0</b>	<b>5,214</b>	<b>477</b>

Until 19<sup>th</sup> December 2019, the companies listed in the table below were subsidiaries; then, since the closing of the partnership between Ascopiave S.p.A. and the Hera Group, they are affiliates whose data are reported for the sake of completeness.

(Thousands of Euro)	Trade receivable	Other receivable	Trade payables	Other payables	Cost Goods	Cost Services	Cost Other	Revenues Goods	Revenues Services	Revenues Other
<i>Affiliated companies</i>										
Ascotrade S.p.A.	3,272	4,272					58	3,812		6
Blue Meta S.p.A.	713	11	116	7,195		52	30		894	
Etra Energia S.r.l.	205		8	1,995			6		238	
Ascopiave Energie S.p.A.	979		422	7,015			26		1,241	
Sinergie Italiane S.r.l. in liquidazione	21		21						22	
Amgas Blu S.r.l.	412	1,296					2		426	7
ASM Set S.r.l.	161	627	2				4		236	2
Total affiliated companies	5,763	6,206	569	16,205	0	52	126	0	6,869	15
<b>Total</b>	<b>5,763</b>	<b>6,206</b>	<b>569</b>	<b>16,205</b>	<b>0</b>	<b>52</b>	<b>126</b>	<b>0</b>	<b>6,869</b>	<b>15</b>

Ascopiave S.p.A. has the following transactions with related parties with the other Group companies:

- ✓ purchase of natural gas and electricity from Ascotrade S.p.A.;
- ✓ purchase of call centre services from Ascotrade S.p.A. made at the market price by using as parameter the number of calls;
- ✓ debit of some insurance costs by the parent company Asco Holding S.p.A.;
- ✓ purchase of some administrative services, call centres, credit management;
- ✓ sales of counter services, personnel management, IT service, real estate service management, optical storage, staff services such as quality, privacy and safety of workers;
- ✓ sales of accounting and management of regulatory compliance;
- ✓ sales of administration and finance services;
- ✓ debit to Group companies of accounting and information technology services, and of any external expenses incurred;
- ✓ Agreement for the regulation of treasury relations designed to offset cash surpluses and deficiencies among the group companies;
- ✓ Agreement for the participation in the group consolidation with the subsidiaries.

On 24<sup>th</sup> November 2010, the Board of Directors approved a procedure for transactions with related parties (the "Procedure"). Said Procedure regulates the transactions with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12<sup>th</sup> March 2010 and subsequent amendments.

The Procedure took effect on 1<sup>st</sup> January 2011 and replaced the previous regulation regarding transactions with related parties, approved by the Board of Directors of the Company on 11<sup>th</sup> September 2006 (and subsequent amendments).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, all the so-called Related Parties are mapped, 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 aforementioned 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 and the effects of non-recurring income and expenses shown pursuant to Consob resolution no. 15519 dated 27<sup>th</sup> July 2006.

### Assets and liabilities statement

(Thousands of Euro)	FY 2019	Of which related parties					FY 2018	Of which related parties					
		A	B	C	D	Total		A	B	C	D	Total	
<b>ASSETS</b>													
Non-current assets													
Goodwill	(1)												
Other intangible assets	(2)	13											
Tangible assets	(3)	26,927											
Shareholdings	(4)	1,014,648	564,705	395,943	54,000	1,014,648	100.0%	501,856	435,556	64,133	499,689	99.6%	
Other non-current assets	(5)	1,257											
Non current financial assets	(6)	2,478											
Advance tax receivables	(7)	1,385											
<b>Non-current assets</b>	<b>1,046,708</b>	<b>564,705</b>	<b>395,943</b>	<b>54,000</b>	<b>1,014,648</b>	<b>96.9%</b>	<b>534,764</b>	<b>435,556</b>	<b>64,133</b>	<b>499,689</b>	<b>93.4%</b>		
<b>Current assets</b>													
Inventories	(8)												
Trade receivables	(9)	10,967	9	4,041	5,763	89	9,902	90.3%	5,274	42	3,143	3,185 60.4%	
Other current assets	(10)	8,376	646	5,437	42		6,125	73.1%	3,550	1,756		1,756 49.5%	
Current financial assets	(11)	37,471		30,576	6,195		36,771	98.1%	26,031		25,894	25,894 99.5%	
Tax receivables	(12)	309											
Cash and cash equivalents	(13)	65,744											
<b>Current assets</b>	<b>122,867</b>	<b>655</b>	<b>40,054</b>	<b>12,000</b>	<b>89</b>	<b>52,798</b>	<b>43.0%</b>	<b>93,559</b>	<b>1,798</b>	<b>29,037</b>	<b>30,835</b>	<b>33.0%</b>	
<b>ASSETS</b>	<b>1,169,576</b>	<b>655</b>	<b>604,759</b>	<b>407,943</b>	<b>54,089</b>	<b>1,067,446</b>	<b>91.3%</b>	<b>628,323</b>	<b>1,798</b>	<b>464,593</b>	<b>64,133</b>	<b>530,524</b>	<b>84.4%</b>
<b>Net equity and liabilities</b>													
Total Net equity													
Share capital		234,412											
Own shares		(26,774)											
Reserves		643,101											
<b>Total Net equity</b>	<b>(14)</b>	<b>850,739</b>											
<b>Non-current liabilities</b>													
Provisions for risks and charges	(15)	675											
Severance indemnity	(16)	289											
Medium- and long-term bank loans	(17)	135,083											
Other non-current liabilities	(18)	9											
Non-current financial liabilities	(19)	64											
Deferred tax payables	(20)	6											
<b>Non-current liabilities</b>	<b>136,126</b>												
<b>Current liabilities</b>													
Payables due to banks and financing institutio	(21)	136,028											
Trade payables	(22)	4,819	96	569	37	702	14.6%	2,034		352		352 17.3%	
Tax payables	(23)	4,575											
Other current liabilities	(24)	6,457		1,200			1,200	18.6%	2,917				
Current financial liabilities	(25)	30,733		13,775	16,204		29,979	97.5%	36,495		36,495	36,495 100.0%	
Current liabilities from derivative financial inst	(26)	98											
<b>Current liabilities</b>	<b>182,711</b>	<b>15,071</b>	<b>16,773</b>	<b>37</b>	<b>31,881</b>	<b>17.4%</b>	<b>172,459</b>	<b>36,847</b>		<b>36,847</b>	<b>21.4%</b>		
<b>Liabilities</b>	<b>318,837</b>	<b>15,071</b>	<b>16,773</b>	<b>37</b>	<b>31,881</b>	<b>10.0%</b>	<b>228,192</b>	<b>36,847</b>		<b>36,847</b>	<b>16.1%</b>		
<b>Net equity and liabilities</b>	<b>1,169,576</b>	<b>15,071</b>	<b>16,773</b>	<b>37</b>	<b>31,881</b>	<b>2.7%</b>	<b>628,323</b>	<b>36,847</b>		<b>36,847</b>	<b>5.9%</b>		

### Legend for the Related parties column heading:

**A Parent companies**

**B Subsidiaries**

**C Affiliates and Jointly controlled companies**

**D Associates and 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 - Subsidiaries:

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- AP Reti Gas Nord Est S.r.l.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.

Group C - Affiliates and Jointly controlled companies:

- Amgas Blu S.r.l.
- Ascotrade S.p.A.
- ASM Set S.r.l.
- Blue Meta S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.
- Ascopiaeve Energie S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Hera Comm Nord Est S.r.l.

Group D - Other related parties:

- Asco TLC S.p.A.
  - Bim Piave Nuove Energie S.r.l.
  - Hera Comm S.p.A.
- Board of Directors
  - Auditors
  - Strategic managers

## Income statement

(Thousands of Euro)	Note	FY 2019	Of which related parties						FY 2018	Of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	(26)	35,425	53	11,415	258	356	12,082	34.1%	33,698	101	11,792			11,893	35.3%
Total operating costs		15,954		129		1,574	1,703	10.7%	19,586		1,637	2,672		4,309	22.0%
Purchase costs for raw material (gas)	(27)														
Purchase costs for other raw materials	(28)	12													
Costs for services	(29)	9,710		129		931	1,060	10.9%	9,676		1,637	261		1,898	19.6%
Costs for personnel	(30)	6,909				643	643	9.3%	9,316				2,411	2,411	25.9%
Other management costs	(31)	730													
Other income	(32)	1,406													
Amortization and depreciation	(33)	1,514													
<b>Operating result</b>		<b>17,956</b>	<b>53</b>	<b>11,287</b>	<b>258</b>	<b>(1,218)</b>	<b>10,379</b>	<b>57.8%</b>	<b>12,508</b>	<b>101</b>	<b>10,155</b>	<b>2,672</b>		<b>7,584</b>	<b>60.6%</b>
Financial income	(34)	602		490	2		492	81.6%	385		269			269	69.9%
Financial charges	(34)	1,238		182	4		186	15.0%	1,195		203	6		209	17.5%
Evaluation of subsidiary companies with the net equity method	(34)														
<b>Earnings before tax</b>		<b>17,320</b>	<b>53</b>	<b>11,594</b>	<b>257</b>	<b>(1,218)</b>	<b>10,685</b>	<b>61.7%</b>	<b>11,698</b>	<b>101</b>	<b>10,221</b>	<b>2,678</b>		<b>7,645</b>	<b>65.4%</b>
Taxes for the period	(35)	561													
<b>Result for the period</b>		<b>17,881</b>	<b>53</b>	<b>11,594</b>	<b>257</b>	<b>(1,218)</b>	<b>10,685</b>	<b>59.8%</b>	<b>13,619</b>	<b>101</b>	<b>10,221</b>	<b>2,678</b>		<b>7,645</b>	<b>56.1%</b>
Net result from transfer/disposal of assets	(36)	503,385		22,708	6,078		28,786	5.7%	28,360						
<b>Net result for the period</b>		<b>521,266</b>	<b>53</b>	<b>34,302</b>	<b>6,335</b>	<b>(1,218)</b>	<b>39,471</b>	<b>7.6%</b>	<b>41,979</b>	<b>101</b>	<b>10,221</b>	<b>2,678</b>		<b>7,645</b>	<b>18.2%</b>

The 2018 values were restated subsequent to the application of IFRS 5.

### Legend for the Related parties column heading:

**A Parent companies**

**B Subsidiaries**

**C Affiliates and Jointly controlled companies**

**D Associates and 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 - Subsidiaries:

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- AP Reti Gas Nord Est S.r.l.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.
- Amgas Blu S.r.l.
- Ascotrade S.p.A.
- Blue Meta S.p.A.
- Etra Energia S.r.l.
- Ascopia Energie S.p.A.

#### Group C - Affiliates and Jointly controlled companies:

- ASM Set S.r.l.
- Estenergy S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Hera Comm Nord Est S.r.l.

**Group D - Other related parties:**

- Asco TLC S.p.A.
- Bim Piave Nuove Energie S.r.l.
- Hera Comm S.p.A.
- Board of Directors
- Auditors
- Strategic managers

**Net financial indebtedness**

(Thousands of Euro)	31.12.2019	Of which related parties					31.12.2018	Of which related parties					
		A	B	C	D	Total		A	B	C	D	Total	%
A Cash and cash equivalents on hand	3						6						
B Bank and post office deposits	65,741						58,390						
C Negotiable shares													
<b>D Liquid assets (A) + (B) + (C)</b>	<b>65,744</b>						<b>58,396</b>						
E Current financial assets	37,471	30,576	6,195	36,771	98.1%		26,031	25,894	25,894	99.5%			
F Payables due to banks	(106,000)						(123,000)						
G Current portion of medium-long-term loans	(30,028)						(8,014)						
H Current financial liabilities	(30,733)	(13,775)	(16,204)	(29,979)	97.5%		(36,495)	(36,495)	(36,495)	(36,495)	100.0%		
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(166,761)</b>	<b>(13,775)</b>	<b>(16,204)</b>	<b>(29,979)</b>	<b>18.0%</b>		<b>(167,509)</b>	<b>(36,495)</b>	<b>(36,495)</b>	<b>(36,495)</b>	<b>21.8%</b>		
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(63,546)</b>	<b>16,801</b>	<b>(10,009)</b>	<b>6,792</b>	<b>-10.7%</b>		<b>(83,082)</b>	<b>(10,601)</b>	<b>(10,601)</b>	<b>(10,601)</b>	<b>12.8%</b>		
K Medium and long-term bank loans	(135,083)						(55,111)						
L Non current financial assets	2,478						1,122						
M Non-current financial liabilities	(64)												
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(132,669)</b>						<b>(53,989)</b>						
<b>O Net financial indebtedness (J) + (N)</b>	<b>(196,215)</b>	<b>16,801</b>	<b>(10,009)</b>	<b>6,792</b>	<b>-3.5%</b>		<b>(137,071)</b>	<b>(10,601)</b>	<b>(10,601)</b>	<b>(10,601)</b>	<b>7.7%</b>		

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

**A Parent companies**

**B Subsidiaries**

**C Affiliates and Jointly controlled companies**

**D Associates and 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 - Subsidiaries:**

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
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- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.

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**Group D - Other related parties:**

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- Hera Comm S.p.A.
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- Auditors
- Strategic managers

## Statement of cash flows

(Thousands of Euro)	FY 2019				Total	FY 2018				Total
	A	B	C	D		A	B	C	D	
<b>Net income of the year</b>	<b>17,881</b>					<b>13,619</b>				
<b>Cash flows generated (used) by operating activities</b>										
Adjustments to reconcile net income to net cash										
Companies held for sale operating result	503,385				0	28,360				0
Amortization	1,514				0	1,603				0
Variations in severance indemnity	8				0	13				0
Current assets / liabilities on financial instruments and forward	98				0					0
Net variation of other funds	707				0	(955)				0
Gains on disposal of investments	(479,129)				0					0
Interests paid	(1,214)				0	(935)				0
Interest expense for the year	1,234				0	1,192				0
Taxes paid	1,110				0	3,292				0
Taxes for the year	(561)				0	(1,577)				0
<b>Variations in assets and liabilities</b>	<b>(4,398)</b>					<b>2,087</b>				
Accounts payable	(5,693)	33	(898)	(5,763)	(89)	(6,628)	1,146	(41)	1,257	51
Other current assets	(4,785)	1,110	(5,437)	(42)	0	(4,369)	2,188	1,408	70	0
Trade payables	2,786	0	96	569	37	702	(740)	0	(90)	(70)
Other current liabilities	1,472	0	1,200	0	0	1,200	(2,140)	0	0	0
Other non-current assets	1,823	0	0	0	0	0	1,672	0	0	0
Other non-current liabilities	0	0	0	0	0	0	(37)	0	0	0
<b>Total adjustments and variations</b>	<b>22,754</b>	<b>1,143</b>	<b>(5,039)</b>	<b>(5,235)</b>	<b>(52)</b>	<b>(8,733)</b>	<b>33,081</b>	<b>1,367</b>	<b>1,237</b>	<b>(19)</b>
<b>Cash flows generated (used) by operating activities</b>	<b>40,635</b>	<b>1,143</b>	<b>(5,039)</b>	<b>(5,235)</b>	<b>(52)</b>	<b>(8,733)</b>	<b>46,700</b>	<b>1,367</b>	<b>1,237</b>	<b>(19)</b>
<b>Cash flows generated (used) by investments</b>										
Investments in intangible assets	(9)					0				0
Investments in tangible assets	(1,188)					0	(548)			0
Disposal/(acquisitions) investments and avances	616,214		616,214			616,214				0
Investment flows for business aggregations	(629,489)		(179,546)	(395,943)	(54,000)	(629,489)	(3,778)	0	(3,778)	0
<b>Cash flows generated (used) by investments</b>	<b>(14,473)</b>	<b>0</b>	<b>(179,546)</b>	<b>220,271</b>	<b>(54,000)</b>	<b>(13,275)</b>	<b>(4,326)</b>	<b>0</b>	<b>(3,778)</b>	<b>0</b>
<b>Cash flows generated (used) by financial activities</b>										
Net changes in debts due to other financers	(213)	0	0	0	0	0	0	0	0	0
Net changes in short-term bank borrowings	(35,014)					0	(4,251)			0
Net variation in current financial assets and liabilities	(12,796)	0	(9,521)	4,213	0	(5,309)	(6,082)	0	(4,157)	0
Net variation in current financial assets and liabilities vs subsidiary	(5,836)	0	(3,325)	(3,191)	0	(6,516)	666	0	0	0
Purchase of own shares	(9,793)				0	540	0	506	0	506
Ignitions loans and mortgages	429,000				0	218,000				0
Redemptions loans and mortgages	(309,000)				0	(162,166)				0
Dividends distributed to shareholders'	(75,163)				0	(40,016)				0
<b>Cash flows generated (used) by financial activities</b>	<b>(18,815)</b>	<b>0</b>	<b>(12,847)</b>	<b>1,021</b>	<b>0</b>	<b>(11,825)</b>	<b>6,692</b>	<b>0</b>	<b>(3,651)</b>	<b>0</b>
<b>Variations in cash</b>	<b>7,348</b>					<b>0</b>	<b>49,066</b>			<b>0</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>58,396</b>					<b>0</b>	<b>9,330</b>			<b>0</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>65,744</b>					<b>0</b>	<b>58,396</b>			<b>0</b>

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

**A Parent companies**

**B Subsidiaries**

**C Affiliates and Jointly controlled companies**

**D Associates and 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 - Subsidiaries:**

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
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- Blue Meta S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.
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**Group D - Other related parties:**

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- Bim Piave Nuove Energie S.r.l.
- Hera Comm S.p.A.
- Board of Directors
- Auditors
- Strategic managers

## Report of financial assets and liabilities by category

The Report of financial assets and liabilities by category and their related fair value (IFRS 13) at 31<sup>st</sup> December 2019 and 31<sup>st</sup> December 2018 is detailed as follows:

(Thousands of Euro)	A	B	C	D	31.12.2019	
					Total	Fair value
Other non-current assets			1,257		1,257	1,257
Non-current financial assets			2,478		2,478	2,478
Trade receivables and Other current assets			18,817		18,817	18,817
Current financial assets			37,471		37,471	37,471
Cash and cash equivalents			65,744		65,744	65,744
Medium- and long-term bank loans			135,083		135,083	135,083
Other non-current liabilities			9		9	9
Non-current financial liabilities			64		64	64
Payables due to banks and financing institutions			136,028		136,028	136,028
Trade payables and Other current liabilities			11,276		11,276	11,276
Current financial liabilities			30,733		30,733	30,733
Current liabilities from derivative financial instruments			98		98	98

(Thousands of Euro)	A	B	C	D	31.12.2018	
					Total	Fair value
Other non-current assets			2,794		2,794	2,794
Attività non correnti su strumenti finanziari derivati					0	0
Non-current financial assets			1,122		1,122	1,122
Trade receivables and Other current assets			8,396		8,396	8,396
Current financial assets			26,031		26,031	26,031
Cash and cash equivalents			58,396		58,396	58,396
Medium- and long-term bank loans			55,111		55,111	55,111
Other non-current liabilities			9		9	9
Non-current financial liabilities			0		0	0
Payables due to banks and financing institutions			131,014		131,014	131,014
Trade payables and Other current liabilities	611		4,950		4,339	4,339
Current financial liabilities			36,495		36,495	36,495

### 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

## Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares.

Diluted profit per share is equal to that 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.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method set out in IAS 33 are reported below:

(Thousands of Euro)	Values as at 31	Values as at 31
	December 2019	December 2018
Net profit attributable to parent company shareholders	521,266	41,979
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	10,456,025	11,727,609
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	223,955,550	222,683,966
<b>Earnings per share (in Euro)</b>	<b>2.3275</b>	<b>0.1885</b>

## Fees to the Auditing Company

Pursuant to Article 149-*duodecies* of the Consob Issuer's Regulations, this item includes the fees paid in 2019 for auditing services and for services other than auditing provided by the Auditing firm. No services were provided by entities belonging to its network.

Type of services	Service provider	Beneficiary	Fees (Thousands of Euro)
Auditing	PricewaterhouseCoopers S.p.A.	Ascopiate S.p.A.	107
Statutory audit of separate accounts	PricewaterhouseCoopers S.p.A.	Ascopiate S.p.A.	7
other services	PricewaterhouseCoopers S.p.A.	Ascopiate S.p.A.	103
<b>Total</b>			<b>217</b>

## Commitments and risks

### Guarantees given

As of 31<sup>st</sup> December 2019, the company provided the following potential bank guarantees:

(Thousands of Euro)	31.12.2019	31.12.2018
On credit lines	38,132	54,582
Patronage on derivative financial instruments	23,400	0
On purchase of electricity agreements (letter of comfort)	6,849	0
Patronage on purchase of electricity agreements (letter of comfort)	0	3,000
Guarantees on credit lines (letter of comfort)	0	115
On execution of works (letter of comfort)	912	829
On UTF offices and regions for taxes on gas (letter of comfort)	2,660	3,977
On UTF offices and regions for taxes on electricity (letter of comfort)	0	119
On participation in the tender	75	0
On distribution concession (letter of comfort)	1,863	2,040
On agreements for transport of gas (letter of comfort)	3,445	4,463
On agreements for transport of electricity (letter of comfort)	14,700	14,700
On purchase of company shares (letter of comfort)	500	500
On credit lines	102	0
On electricity accisa	104	0
On purchase of gas agreements (letter of comfort)	126	0
<b>Total</b>	<b>92,867</b>	<b>84,325</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 31<sup>st</sup> December 2019 to Euro 25,332 thousand, unchanged since 31<sup>st</sup> December 2018.

### Hedging policies

#### Information pertaining to agreements not stated 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, we announce that the company has not entered into agreements not disclosed in the balance sheet.

#### Management of financial risk: objectives and criteria

The main financial liabilities of Ascopiave S.p.A. include bank loans, lease contracts with the possibility of purchase and short-term debit bank balances. The main objective of these financial liabilities is to finance the company's operating activities. Ascopiave S.p.A. holds several financial assets such as trade receivables and short-term deposits and reserves that derive directly from the company's operating activity.

The main risks generated by the financial instruments of Ascopiave S.p.A. are the interest rate risk and the liquidity risk. The Board of Directors re-examines and identifies the policies for risk management, described hereinafter.

### **Interest rate risk**

Ascopiate S.p.A. 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 31<sup>st</sup> December 2019 of Euro 165,111 thousand and expiration dates between 1<sup>st</sup> January 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 31<sup>st</sup> December 2019 of Euro 81,500 thousand (Euro 26,250 thousand as of 31<sup>st</sup> December 2018), represented by:

- Loan with the European Investment Bank disbursed in August 2013 with a residual debt as of 31<sup>st</sup> December 2019 of Euro 21,500 thousand,
- Loan with BNL disbursed in August 2019 with a residual debt as of 31<sup>st</sup> December 2019 of Euro 30,000 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 31<sup>st</sup> December 2019 of Euro 30,000 thousand; the latter is hedged by a financial derivative instrument, and therefore its interest rate risk is neutralised.

As of 31<sup>st</sup> December 2019, 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. 20 "Current liabilities on derivative financial instruments" and whose mark to market amounts to Euro 98 thousand in total, 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 31<sup>st</sup> December 2019 of Euro 25,000 thousand,
- the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 31<sup>st</sup> December 2019 of Euro 8,611 thousand,
- the loan taken out with Intesa SanPaolo in November 2019, with a residual debt as of 31<sup>st</sup> December 2019 of Euro 50,000 thousand.

The loans above are subjected to covenants calculated on the consolidated data of the Ascopiate Group.

Please refer to Paragraph no. 16 "Medium and Long Term Loans" for additional details.

### Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Company's Pre-tax result of the possible variations in interest rates in a reasonably possible interval, keeping all the other variables constant.

(Thousands of Euro)	March	June	September	December	
Net Financial Position 2019	(141,972)	(175,576)	(179,521)	(196,215)	
Borrowing rates of interest	0.53%	0.47%	0.89%	0.53%	
Lending rates of interest	0.40%	0.38%	0.37%	0.32%	
Borrowing rate of interest plus 200 basis points	2.53%	2.47%	2.89%	2.53%	
Lending rates of interest plus 200 basis points	2.40%	2.38%	2.37%	2.32%	
Borrowing rate of interest reduced of 50 basis points	0.03%	0.00%	0.39%	0.03%	
Lending rates of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(142,190)	(176,452)	(180,426)	(197,204)	
Net Financial Position recalculated with decrease of 50 basis points	(141,318)	(175,358)	(179,295)	(195,968)	Total
Effect on pre-tax result of the increase of 200 basis points	(698)	(875)	(905)	(989)	(3,467)
Effect on pre-tax result of the decrease of 50 basis points	174	219	226	247	866

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Company equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 3,467 thousand (2018: Euro 2,757 thousand) or positive for Euro 867 thousand (2018: Euro 689 thousand).

### Receivable risk policy

Credit risk represents the Company's exposure to potential losses arising from the counterparties' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Considered the type of business of Ascopiave S.p.A., said risk is of little concern to the Company.

### Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by operations or investments, on the other hand, and the expiry and debt renewal characteristics.

Under note 16, medium/long-term financial payables are detailed according to their date of expiry, as of 31<sup>st</sup> December 2019.

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Directors believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will enable the fulfilment of the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

## Management of Capital

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

Ascopiaeve S.p.A. checks its capital by means of a debt/capital ratio, i.e. dividing the net debt by the total capital plus the net debt. Ascopiaeve S.p.A. includes financial charges, trade and other payables in its net debt, net of liquid funds and equivalents.

(Thousands of Euro)	31.12.2019	31.12.2018
Financial position in the short term	135,083	55,111
financial position in the medium-long term	70,284	72,618
<b>Financial gross debit</b>	<b>205,367</b>	<b>127,728</b>
Share capital	234,412	234,412
Reserves	95,062	123,740
Undistributed net profit	521,266	41,979
<b>Total Net equity</b>	<b>850,739</b>	<b>400,131</b>
<b>Total capital and gross debit</b>	<b>1,056,105</b>	<b>527,860</b>
Debit/Net assets ratio	0.24	0.32

## Hedging policies for risks deriving from fluctuations of interest rates

The Company is exposed to risks deriving from fluctuations of interest rates mainly in relation with short-term payables and the portion of floating-rate medium/long-term loans to banks.

## Significant events subsequent to the end of 2019

### Disclosure on the purchase of treasury shares

Ascopiaeve S.p.A. announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 23<sup>rd</sup> April 2019, in the period between 1<sup>st</sup> January 2020 and 13<sup>th</sup> March 2020, 1,451,664 ordinary shares at the average unit price of Euro 4.268, for a total value of Euro 6,196,311.64.

As a result of the purchases made, Ascopiaeve S.p.A. holds 11,994,605 ordinary shares, equal to 5.1169% of the share capital.

### **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..

### **Guidelines of Ascopiave S.p.A.’s Board of Directors for the Shareholders on the future composition of the Board of Directors**

On 24<sup>th</sup> January 2020, Ascopiave S.p.A. announced that the document “Guidelines of Ascopiave S.p.A.’s Board of Directors for the Shareholders on the future composition of the Board of Directors” is available on the website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it) “Investor Relations” - “Shareholders’ Meetings”) and on the website of the authorised storage mechanism “eMarket Storage” ([www.emarketstorage.com](http://www.emarketstorage.com)) of Spafid Connect S.p.A..

### **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 Ascopiave S.p.A. had acquired a 2.5% stake in Hera 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 does 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.

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 world has been progressively struck by the international health emergency caused by the Covid 19 virus, the so-called Coronavirus. The emergency has affected several countries and, as the days go by, it is spreading and striking many others.

The Company 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 is operating in absolute compliance with the decrees issued by the bodies in charge, both at national and local level.

The Group's Management is assessing 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.

## **Litigations**

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

As of 31<sup>st</sup> December 2019 the following are pending:

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

An appeal is pending before the Court of Appeal of Venice, filed by the Municipality of Santorso (appeal of the final 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, offset between the parties, amounted to approximately Euro 221 thousand.

Upon the hearing before the Court of Appeal of Venice which was held on 9<sup>th</sup> January 2019, the Court set the hearing for the clarification of the conclusions on 27<sup>th</sup> May 2021.

A settlement agreement is being negotiated.

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

As of 31<sup>st</sup> December 2019 no litigations are pending.

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

As of 31<sup>st</sup> December 2019 the following are pending:

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

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

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (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.p.A.'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 will consequently file the request for scheduling a hearing, within the deadlines set.

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

2i Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10<sup>th</sup> October 2016), demanding annulation, subject to protective orders, of the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The Administrative Court of Veneto (hearing dated 9<sup>th</sup> November 2016) overruled the protective order by 2i Rete Gas. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence.

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

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

With Judgement no. 925/2019, published on 14<sup>th</sup> August 2019, the Regional Administrative Court rejected the appeal. The terms for the possible appeal of 2i Rete Gas are currently pending.

## CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31<sup>st</sup> December 2019 the following are pending:

### ASCOPIAVE - UNIT B:

A civil judgment before the Court of Treviso (RG 6941/2013), following the pre-trial technical investigation, in order to obtain compensation for damages to the entrance floor of the “Unit B”, was started by Ascopiave S.p.A. against: Bandiera Architetti S.r.l. (Designers), 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 for full restoration) and Euro 208 thousand (estimate of a Third-party firm for full makeover).

All the Parties regularly appeared before the Court.

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

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

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

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

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

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

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

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

### FORCED ENTRY - DEFAULT SERVICE

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

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

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

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

Other distribution companies of the Group have opted for the same solution.

Currently, for Ascopiave / AP Reti:

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

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

As of 31<sup>st</sup> December 2019, the total legal fees (including taxes), for Ascopiave S.p.A. / AP Reti Gas S.p.A.'s procedures forwarded to the Legal Office, amount to approximately Euro 212 thousand.

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

### **ROBIN TAX**

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

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

Since 2008, these Ascopiave Group companies are subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008.

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

Edigas Due S.p.A. have been discussed, while for the company Amgas Blu S.r.l. the merit hearings are still to be scheduled.

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 S.p.A., Blue Meta S.p.A.). 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.

On 29<sup>th</sup> October 2019 the Report on Findings containing remarks on the direct and indirect taxes related to the years 2013 and 2014 was issued, against which the company presented its briefs.

On 31<sup>st</sup> December 2019, Agenzia delle Entrate issued the tax demand relating to the disputed matters, following which the Company, on 27<sup>th</sup> February 2020, filed an appeal with the Provincial Tax Commission of Venice, deeming that valid arguments exist to believe that the conduct of the Company is entirely legitimate. The company, aided by the tax advisor, considers the risk as “possible” or “remote” and therefore has not made any provision.

#### Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors of Ascopiave S.p.A., considering the results of the period and solidity of the capital, will propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.2133 per share, for a total of Euro 47.8 million; this amount is calculated on the basis of outstanding shares at the end of 2019.

Ascopiave S.p.A. announces that, if approved on first call, the dividend will be paid on 13<sup>th</sup> May 2020 with ex-dividend date on 11<sup>th</sup> May 2020 (record date on 12<sup>th</sup> May 2020) and, if approved on second call, the dividend will be paid on 10<sup>th</sup> June 2020 with ex-dividend date on 8<sup>th</sup> June 2020 (record date on 9<sup>th</sup> June 2020).

The Board of Directors will not propose to any amount to legal reserve, as it is already equal to one fifth of the share capital.

Pieve di Soligo, 13<sup>th</sup> March 2020

The Chairman of the Board of Directors  
Nicola Cecconato

## DECLARATION

regarding the Consolidated Financial Statements for the accounting period 2019, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14<sup>th</sup> May 1999, subsequent amendments and additions.

1) The undersigned dr. Nicola Cecconato in his capacity as Chairman of the Board of Directors, and dr. Riccardo Paggiaro, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 3 and 4, Legislative Decree n. 58, dated 24<sup>th</sup> February 1998:

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1<sup>st</sup> January 2019 –31<sup>st</sup> December 2019

2) We also declare that:

2.1 the financial statements

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 13<sup>th</sup> March 2020

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
dr. Nicola Cecconato <i>signature</i>	dr. Riccardo Paggiaro <i>signature</i>

## DECLARATION

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1) The undersigned dr. Nicola Cecconato in his capacity as Chairman of the Board of Directors, and dr. Riccardo Paggiaro, Officer Responsible for preparing the Corporate Financial Reports of Ascopiaeve S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 3 and 4, Legislative Decree n. 58, dated 24<sup>th</sup> February 1998:

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Financial Statements for the period 1<sup>st</sup> January 2019 –31<sup>st</sup> December 2019

2) We also declare that:

2.1 the financial statements

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer.

2.3 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 13<sup>th</sup> March 2020

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
dr. Nicola Cecconato <i>signature</i>	dr. Riccardo Paggiaro <i>signature</i>

## **REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE**

In accordance with Art.123 bis Consolidated Financial Law

Issuer: Ascopiave S.p.A.

Website: [www.gruppoascopiave.it](http://www.gruppoascopiave.it)

Financial Year of Reference: 2019

Date of approval of the Report: 13<sup>th</sup> March 2020

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## GLOSSARY

**Code/Self-discipline code:** The Self-Discipline Code of listed companies approved in July 2014 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Civ. code/ c.c.:** the civil code.

**Board:** The Issuer's Board of Directors.

**Issuer:** The Issuer of listed shares to which the Report refers.

**Year:** The Corporate year to which Report refers.

**Market Abuse Regulation or MAR:** Regulation (UE) no. 596/2014 of the European Parliament and of the European Union Council dated 16<sup>th</sup> April 2014 and relating regulations of implementation.

**Consob Issuer Regulations:** The Regulations issued by Consob under the resolution no. 11971 of 1999 (as subsequently amended) relating to issuers.

**Consob Market Regulations.** The Regulations issued by Consob under the resolution no. 16191 of 2007 (as subsequently amended) relating to issuers.

**Consob Related Parties Regulations:** The Regulations issued by Consob under the resolution no. 17221 dated 12<sup>th</sup> March 2010 (as subsequently amended) relating to operations with related parties.

**Stock Exchange Regulations:** The Regulations of the markets organized and managed by Borsa Italiana S.p.A. under the resolution of the Italian Stock Exchange Board of 20<sup>th</sup> July 2016 and approved by Consob under resolution no. 19704 dated 3<sup>rd</sup> August 2016.

**Stock Exchange Regulations Instructions:** Instructions to the Regulations with regards to markets organized and managed by Borsa Italiana S.p.A.

**Report:** Report on the corporate governance and structures that the companies must draw up pursuant to Art. 123-bis Consolidated Financial Law.

**Consolidated Financial Law:** Legislative Decree dated 24<sup>th</sup> February 1998, no. 58.

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## **ISSUER PROFILE**

Ascopiave Group is one of the main national players in the field of natural gas distribution. The Group holds concessions and direct assignments for the management of the activity in 268 Municipalities, providing the service to approximately 775,000 users through a network of over 12,000 kilometres.

From 12/19/2019 Ascopiave S.p.A. is partner of the Hera Group in selling gas and electricity, holding 48% stake in Estenergy, leading operator in the sector with a portfolio of over 1 million sales contracts to final consumers, mainly in Veneto, Friuli Venezia Giulia and Lombardia. Until 19th December 2019, the Ascopiave Group also worked in the gas and electricity sales sector through subsidiaries and affiliates.

On 12th November 2019, the company AP Reti Gas Nord Est S.r.l. was set up in the natural gas distribution sector.

Since 12th December 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organised according to the traditional management and control model, pursuant to Articles 2380-bis and following of the civil code, with the Shareholders' Meeting, the Board of Directors and the Board of Auditors as well as a separate Auditing Company (external firm).

At the date of approval of this report, Ascopiave S.p.A. is not included in the list of issuers of listed shares "SME" (as of 30th September 2019) published on CONSOB website (<http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi>).

As communicated in the previous report, from the closing date of the financial year on 31st December 2018, the Issuer has exceeded both the capitalization and turnover parameters for three consecutive years (2018, 2017 and 2016) (consolidated financial statements) provided by art. 1, paragraph 1, letter w-quater.1), of the Consolidated Financial Law. Therefore, on the date of approval of the financial statements draft as of 31st December 2019, Ascopiave S.p.A. cannot be defined as SME, identified by the aforementioned art. 1, paragraph 1, letter w-quater.1), of the Consolidated Financial Law and regulated by the implementing provisions referred to in art. 2-ter of the Issuers Regulation.

The Report on Corporate Governance and company structure, which is also published in a separate folder, and the Company Articles of Association, can all be viewed on the Company's website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it)).

### **1. INFORMATION on the OWNERSHIP STRUCTURES (Art. 123 bis, first paragraph Consolidated Financial Law) as of 31/12/ 2019**

#### **a) Structure of Share Capital**

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Amount in Euros of the subscribed and paid in Share Capital (S.C): 234.411.575,00

Types of shares making up the Share Capital:

	Nº Shares	% against S. C.	Listed/Not Listed	Rights and Obligations
<b>Ordinary Shares</b>	234.411.575	100%	STAR	Each share represents one vote. The shareholders' rights and obligations are provided by articles 2346 and following of the Civil Code and by the Company Articles of Association .

The shares are indivisible and give the holders equal rights, with the exception of the owned shares that do not have this right.

On the date of approval of this Report, no rights were assigned to subscribe new issued shares.

Although it is not an incentive plan with increases, including bonus share capital, it should be noted that the Shareholders' Meeting on 26<sup>th</sup> April 2018 approved a long-term incentive share-based plan for the 2018-2020 three-year period, reserved to the executive directors and to some managers of Ascopiave SpA and of its subsidiaries. Regarding this incentive plan, please refer to the remuneration report drawn up pursuant to Article 123-ter of the Consolidated Financial Law.

### b) Restrictions concerning the transfer of equities

There are no restrictions concerning the transfer of equities.

### c) Significant share-holdings

At the date of approval of this report, that is 13<sup>th</sup> March 2020 , the significant shares in the Issuer's capital, according to that resulting from the communications made in accordance with Article 120 Consolidated Financial Law and resulting from the shareholders 'register, are as follows:

Declarant	Direct Shareholder	% ordinary capital	% on voting capital
<i>Asco Holding S.p.A.</i>	<b><i>Asco Holding S.p.A.</i></b>	52,043%	52,043%

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<i>Ascopiave S.p.A.</i>	Ascopiave S.p.A.	5,117%(1)	5,117%%(1)
<i>Municipality of Rovigo</i>	<i>ASM Rovigo S.p.A.</i>	4,398%	4,398%
Anita S.r.l.	Anita S.r.l.	3,050%	3,050%
A2A S.p.A.	A2A S.p.A.	4,163%	4,163%
<i>Asco Holding S.p.A.</i>	<b><i>Asco Holding S.p.A.</i></b>	52,043%	52,043%

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On 31<sup>st</sup> January 2020 Ascopiave S.p.A. received a communication from Amber Capital UK LLP pursuant to art. 120 of the Consolidated Financial Law, about the return below the significant participation threshold of 5%; in particular, the shareholder communicated to Ascopiave S.p.A. and Consob a 3.63% stake.

At the date of this report, in line with the significant shareholdings published in the institutional website of Consob, the significant participation resulting from the last communication sent from Amber Capital UK LLP to Ascopiave S.p.A. is not reported, because Amber Capital UK LLP has requested to be exempt, pursuant to art. 119-bis paragraph 7 of the Issuers Regulation.

At the approval date of this report, or on 13<sup>th</sup> March 2020, the treasury shares in the Issuer's portfolio amounted to 11,994,605.<sup>1</sup>.

#### d) Equities granting special rights

No securities granting special control rights have been issued.

The Shareholders' Meeting of Ascopiave S.p.A. held on 23rd April 2019, as extraordinary session, approved the modification of art. 6 of Ascopiave's Articles of Association in order to implement the procedure for increasing the voting right, pursuant to art. 127-quinquies of the Consolidated Financial Law.

In particular, the increase mechanism shall allow the allocation of 2 voting rights to each Ascopiave share owned by the same shareholder for at least 24 months starting from the registration in a special list, set by the Company at its registered office. A person in charge for managing the Special List was also appointed.

On 5th July 2019, the Board of Directors of Ascopiave S.p.A., pursuant to the provisions of paragraph 6.10 of the Articles of Association, : (i) adopted the "Rules for increased voting" ([http://www.gruppoascopiave.it/wp-content/uploads/2019/09/AscopiaveRegolazioneVotoMaggiorato\\_05072019.pdf](http://www.gruppoascopiave.it/wp-content/uploads/2019/09/AscopiaveRegolazioneVotoMaggiorato_05072019.pdf)) with the aim of

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setting the procedures for registering, keeping and updating the Special List in compliance with the applicable regulations, the Articles of Association and the business practices, so as to ensure the timely exchange of information between the shareholders, the Company and the Intermediaries; and (ii) appointed a person in charge for managing the Special List.

The Regulations for the increased vote and the related form for enrolling to the special list for the increased vote are available on Ascopiave website [www.gruppoascopiave.it](http://www.gruppoascopiave.it), "Corporate Governance" Section - "Increased Vote".

**e) Employees share participation: mechanism for exercising the voting rights**

There is no system of employee shareholding.

**f) Restrictions to the voting right**

There are no restrictions concerning voting rights.

**g) Agreements between Shareholders**

As of the date of this report, i.e. on 13<sup>th</sup> March 220, there are not agreements between the Shareholders known to the Issuer pursuant to art. 122 of the Consolidated Financial Law.

**h) Change of control clauses and statutory provisions regarding takeover bid**

The Issuer and its subsidiaries have not drawn up any significant agreements that become effective, are changed or cancelled in the event of a change of control of the contracting company.

With regards to takeover bid, the Issuer has not provided in the Articles of Association for any derogation to the provisions of the Consolidated Financial Law. The Issuer's Articles of Association does not furthermore provide for the application of the neutralization rules pursuant to Art. 104-bis, subparagraph 2 and 3 of the Consolidated Financial Law.

**i) Power to increase the Share Capital and to purchase the treasury stock**

The Board of Directors has obtained no powers from the Shareholders' Meeting to increase the Share Capital.

On 23<sup>rd</sup> April 2019, the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2019 Plan") to replace the authorization to purchase and manage own shares granted by the Shareholders Meeting on 26<sup>th</sup> April 2018, which therefore is to be considered as revoked, as far as the not implemented part is concerned.

The 2019 Plan has authorised the Board of Directors to purchase and transact, in one or more times, on a rotating base, a maximum of 46,882.315 ordinary shares, i.e. the different number that will represent a portion not higher than the maximum limit of 20% of the share capital, also considering the shares already owned by the Company and those that will be owned each time by the controlled

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companies and, in any case, respecting the limits set by law. The shares could be acquired for a length of 18 months from the date of the resolution of the Assembly dated 23<sup>rd</sup> April 2018.

In accordance with Article 2357, paragraph 1 of the Italian Civil Code, the purchase of own shares is subject to the limits of the distributable earnings and of the available reserves resulting in the financial statement as of 31<sup>st</sup> December 2018, equal to € 89,535,553.

The purchase operations are executed within the time established by the Board of Directors or by the director appointed for this purpose by the Board after the authorization by the Shareholders' Meeting. The purchase operations shall take place, in one or more times and on a rotating basis, in accordance with the methods established by the Regulations of the Organised Markets and managed by Borsa Italiana S.p.A., which do not allow the direct matching of the purchase negotiation proposals with pre-determined sale offers, in compliance with the provisions of art. 132 of the Consolidated Financial Law, with art. 144-bis of the Issuers Regulation.

In particular, the purchase transactions may be carried out in one of the following way: (i) purchases made on regulated markets, according to procedures established by the Regulations of the Organized Markets and managed by Borsa Italiana S.p.A. and in compliance with the related Stock Exchange Instructions and with the Issuers Regulation; (ii) purchase and sale of spin-offs traded on regulated markets which provide for the physical delivery of the underlying shares at the conditions set by the Regulations of Organized Markets and Managed by Borsa Italiana S.p.A. and in compliance with the related Stock Exchange Instructions and with the Issuers Regulation; as well as (iii) proportional allocation to the shareholders of sales options at conditions in line with those set by the Ascopiave Shareholders' Meeting; (iv) purchases made in accordance with the procedures set by the market procedures authorised by Consob pursuant to art. 13 of MAR Regulation; as well as (v) purchases made under the conditions indicated in Article 5 of MAR Regulation (

The operations may take place, in one or more times, by adopting any method considered as suitable to the purposes pursued, including: (i) the sale on the market also for trading activities or blocks; (ii) the transfer in favour of the Company's directors, employees, and/or collaborators and/or of companies controlled by it and/or of the parent company as implementation of incentive plans; (iii) any other deed of disposal, related to transactions for which it is appropriate to exchange or sell equity packages, also by exchange or conferment or, finally, in case of capital transactions involving the assignment or disposal of treasury shares (such as mergers, demergers, issuance of convertible bonds or warrants served by treasury shares).

Finally, it should be noted that, pursuant to the exemption referred to in Article 132, paragraph 3, of the Consolidated Financial Law, the above operating methods do not apply to the purchase of treasury shares by employees of the Company, subsidiaries or parent companies that have been assigned to them or subscribed in accordance with articles 2349 and 2441 of the Civil Code, or deriving from compensation plans already approved, or which will be approved by the Shareholders' Meeting pursuant to Article 114-bis of the Consolidated Financial Law.

The number of the treasury shares in the portfolio as of 31<sup>st</sup> December 2019 amounts to 10,456,025<sup>2</sup>, equal to 4.4605% of the share capital, for a counter value equal to Euro 26,773,538.18.

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<sup>2</sup> Including no. 1.975 bonus shares, with a value of Euro 1,00

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On 13th March 2020, date of approval of this report, the treasury shares in the portfolio amounted to 11,994,605 shares (equal to 5.117% of the share capital).

## I) Management and co-ordination activity

Despite some economic relationships with the parent company Asco Holding S.p.A., the Issuer believes not being subject to any management and coordination activity pursuant to Articles 2497 et seq. of the Civil Code, as Asco Holding S.p.A. does not issue directives to its subsidiary and there is no connection between the two organizational-functional companies. Consequently, Ascopiaeve S.p.A. considers it has always operated in conditions of corporate and business autonomy regarding its parent company Asco Holding S.p.A.

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We specify that:

- The information requested by art. 123 bis, first par., lett. i) ("the agreements between the company and the directors... that provide for compensations in case of resignations or dismissal without a just cause or if their business relationship ends after a public offer of purchase") are illustrated in the section of the Report dedicated to the Compensation of the Directors (Section 9);
- The information requested by Article 123-bis, first paragraph, letter l) ("the regulations applicable to the appointment and substitution of Directors...and changes to the Articles of Association, if different from those legislative and of the regulations applicable in supplementary way") are illustrated in the section of the Report dedicated to the Board of Directors (Sec. 4.1).

## 3. COMPLIANCE

The Issuer has complied with the Code of Self-Conduct, adopting the principles and the application criteria it envisages, any failure to comply will be motivated in this Report.

The Self-conduct Code is publicly available on the website of the Italian Stock Exchange ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Issuer is not subject to non-Italian provisions of law that influence the Issuer's own corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1. APPOINTMENT AND SUBSTITUTION

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The Issuer's Articles of Association that regulate the composition and nomination of the Board (Articles 14 and 15) are qualified to guarantee the respect of the dispositions introduced by Law 262/2005 (Article 147-ter of the Consolidated Financial Law ) and by Legislative Decree no. 303 dated 29th December 2006, and Law dated 11th July 2011 no. 120.

With reference to the structure and appointment of the board of directors, the Company Articles of Association was amended by the Shareholders' Meeting in extraordinary session on 28th April 2017. The amendments approved by the Shareholders' Meeting concern a change in articles 14 (with reference to the composition of the board of directors) and 15 of the Company Articles of Association (with reference to the appointment of the board of directors) in order to introduce an increase in the number of directors from 5 (five) to 6 (six), a reformulation of art. 18 (with reference to the validity of the resolutions of the Board of Directors) in order to introduce the principle of the so-called casting vote of the Chairman in case of equal votes, as well as a renumbering of paragraphs of art. 15.

According to Article 15 of the Company Articles of Association, the members of the Board of Directors are appointed through the so-called list vote based on the lists presented by the shareholders that, alone or with other shareholders, own shares for at least 2.5% of the share capital, or the maximum participation in the share capital required for submitting the lists by the applicable legislative and regulatory provisions ("shareholding"). The shareholding shall be reported in the summons notice of the Assembly, which shall take a decision on the appointment of the board of Directors.

Article 15 of the Company Articles of Association also states that the lists presented by the shareholders be deposited at the Company Headquarters within the deadline envisaged, every time, by the current and relevant regulations.

Together with each list, within the afore-stated deadlines, the declarations, with which the single candidates accept the candidature and certify under their responsibility, the non-existence of ineligibility and incompatibility causes, and the possession of the requested data envisaged by the Normative applicable each time must be published. The first candidate of each list must own the requirements of independence envisaged by Article 148, subpar 3 of Legislative Decree dated 24th February 1998, no. 58 (and subsequent amendments) and by the codes of behaviour drawn up by management companies of the market that the Company accepted.

The lists having at least 3 candidates cannot be exclusively composed of candidates of the same gender (male or female). The candidates of the least represented gender cannot be less than one third (rounded up) of all the candidates in the list, pursuant to art. 15 of the Company Articles of Association.

After the vote of the assembly, if two or more lists are submitted:

- (i) all candidates, up to a maximum of five, will be elected from the list that obtains the highest number of votes and they will be elected as directors, in the progressive order in which they are indicated in this list, except as provided below, to ensure the balance between genders in compliance with the applicable provisions of law and regulation;
- (ii) the first candidate will be elected from the second list by number of votes obtained and that is not connected in any way, not even indirectly, with the shareholders who presented or voted the list resulting first by number of votes, and he will be elected as director of the list itself;

- 
- (iii) in the event of equality of votes between two or more lists, the candidates of the list that has been presented by the shareholders who own the largest holding or, alternatively, by the largest number of shareholders, will be elected, except as provided below, to ensure the balance between genders in compliance with the applicable provisions of law and regulation;

For the first mandate after the general election of the Board of Directors performer by the shareholders on 28<sup>th</sup> April 2011, notwithstanding the provisions of Art. 15, the share for the less represented category was equal to one-fifth (rounding up to the higher figure). The share of one-fifth was fulfilled both for the submission of lists with at least three candidates and for the final composition of the Board of Directors, resulting from the election by the Assembly, pursuant to art. 30 of the Articles of Association.

Instead, at the Shareholders' Meeting of 28th April 2017, for the appointment of the second term of the Board of Directors following the entry into force of the law, the share reserved to the less represented gender was equal to one third (rounding up to the higher figure). The appointment mechanism through the so-called list vote guarantees transparency, as well as rapid and adequate information on the personal and professional characteristics of the candidates.

The Board of Directors did not set an internal committee for the proposals of appointment as member of the Board of Directors, not deeming it necessary, keeping these functions inside the Board of Directors, in line with the Application Criterion 4.C.2 of the Self-Conduct Code. This choice was dictated by the fact that the applicable regulatory provisions and the provisions of the articles of association - such as, in particular, the appointment through "list vote" – give adequate transparency to the recruitment and indication of candidates, also in consideration of the size of the Issuer and of the limited number of members of the administrative and control bodies.

If during the financial year, for whatsoever reason, one or more directors taken from the list that obtained the highest number of votes ("Majority Directors") is out, and despite this the majority still holds, the Board will substitute the missing Majority Directors through co-optation, in accordance with Article 2386 C.C., it being understood that if one or more missing majority Directors are Independent directors, other independent directors must be co-opted, respecting applicable regulations governing gender balance. The directors thus remain in charge until the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system previously indicated.

If during the year, for whatsoever reason, one or more directors taken from the first list that obtained the second highest number of votes ("Minority Director") is out and, despite this the majority still holds, the Board will substitute the missing Minority Directors with the first non-elected candidates part of the same list, only if they are still eligible and willing to accept the post, or, if defecting, to the first list following for number of votes between those that achieved a number of votes equal to at least the minimum threshold envisaged in paragraph 15.10 of the Articles of Association , without prejudice, in both cases, to the applicable regulations governing gender balance. The terms of the substitutes elapse along with the directors in charge at the moment of their joining the Board, as an exception to the provisions set forth in Article 2386.1, Civil Code; in the event one or more missing Minority Directors are independent directors, they have to be substituted with other independent directors; if it is not possible to proceed with the afore-stated terms, for insufficient choice on the lists or for the non-availability of the candidates, the Board shall proceed with co-optation, in accordance with Article

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2386 of C.C., of a director chosen by the Board, pursuant to law, in order to respect the legal and regulatory prescriptions related to the presence of the minimum number of independent directors, respecting applicable regulations governing gender balance and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system.

The Company's Board of Directors shall propose to the Shareholders' Meeting called to approve the 2019 financial statements, the approval of amendments to the Articles of Association aimed at ensuring that the directors are elected according to a criterion ensuring gender balance, based on the *requirements of new art. 147-ter, paragraph 1-ter, of the Consolidated Financial Law that provides that "the directors are elected according to a criterion ensuring gender balance. The least represented gender shall have at least two fifths of the elected directors. This allotment criterion shall be applied for six consecutive terms."*

### **Succession plans**

In view of the governance structure, of the decision-making system and of the powers, as well as the organizational structure adopted by the Issuer and Ascopiave Group, (where the operating sectors of the companies are divided into activities of raw material distribution and sales to the final customers), aimed at ensuring an adequate separation between the direction, management and control functions and to promote the effective implementation of power balance between the top management, the Board of Directors has decided not to adopt a plan for the succession of executive directors, according to the guidelines 5.C.2 of the Self-Conduct Code.

Furthermore, please refer to the replacement procedure of the Directors already envisaged by the existing Articles of Association. In particular, the three-year term of the duration in office of all Directors, pursuant to Art. 15 of the Company Articles of Association require periodic appointments as provided by the relevant Articles of Association. In addition, the replacement of the Directors who left office before the expiry is governed by the provisions of the above-mentioned Art. 15 of the Articles of Association.

## **4.2. STRUCTURE**

In accordance with Article 14 of the Company's Articles of Association, the Board of Directors includes five (5) members, not necessarily Shareholders, appointed by the Meeting.

The Shareholders' Meeting of 28th April 2017, in an extraordinary session, examined and approved the following amendments to articles 14, 15 and 18 of the Articles of Association:

- increase in the number of members of the Board of Directors from 5 (five) to 6 (six); increase from 4 (four) to 5 (five) of the number of directors drawn from the list with the highest number of votes;
- forecast of the "casting vote" of the Chairman in the event of a tie vote;
- renumbering of paragraphs of art. 15.

The members of the Board of Directors remain in charge for three financial years, and their term expires at the date of the Meeting called to approve the Financial Statement relating to the last year of

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their office; no different expires are established for the members of the Board. The members of the Board of Directors may be re-elected.

Below is reported the information relating to the appointment of the current Board of Directors in the fiscal year 2017.

The Ascopiaive Board of Directors, appointed during the Meeting of 28<sup>th</sup> April 2017, is currently composed by 6 (six) members who will remain in charge until the date of the Meeting summoned to approve the Financial Statement relating to the year ended 31st December 2019.

In this Meeting 2 lists with no correlation have been submitted, among which there are no connections. The Directors, except Giorgio Martorelli, have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Director Giorgio Martorelli who resigned on 3<sup>rd</sup> February 2020, has been taken from the minority list no. 2 presented by AMBER CAPITAL ITALIA SGR S.P.A. (holder of an interest equal to 1.04% of the share capital), AMBER CAPITAL UK LLP (holder of an interest equal to 2.93% of the share capital) and ASM Rovigo S.p.A. (owner of a 4.399% stake of the share capital).

A summary of the lists submitted and of the voting results is reported below:

SUBMITTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO THE VOTING CAPITAL
<b>List n. 1</b> Asco Holding S.p.A.	1. Dimitri Coin 2. Nicola Cecconato 3. Enrico Quarello 4. Greta Pietrobon 5. Antonella Lillo	1. Dimitri Coin 2. Nicola Cecconato 3. Enrico Quarello 4. Greta Pietrobon 5. Antonella Lillo	81,24%
<b>List n. 2</b> Jointly submitted by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A.	1. Giorgio Martorelli 2. Claudio Paron	1. Giorgio Martorlli	18,75%

For the detailed composition of the Board of Auditors for the fiscal year 2019, refer to Table 2 attached to the Report.

In accordance with the Application Guideline 1.C.1 lett i). of the Code, the main professional skills of the executive director in charge and the seniority from the first appointment are presented:

- Mr. Nicola Cecconato, **Chairman and CEO**, beginning of term 04<sup>th</sup> May 2017, at his first mandate (**independent non-executive director**).  
Born in Treviso on 16 June 1965. He graduated in economics and business from Cà Foscari University of Venice in 1991. Expert in economic matters, enrolled in the Register of Accountants, in the Register of Statutory Auditors, in the Register of Consultants and Office Technicians at the Court of Treviso and at the College of Economists of Barcelona (Spain). He has been working as Professional Accountant since 1994. He has a long experience as a Director of public and private companies, member of Boards of Statutory Auditors, Statutory Auditor, Bankruptcy Trustee, Judicial Commissioner and tax and corporate consultant in various public and private companies. Of particular importance is the experience acquired in M&A transactions and in extraordinary transactions for the reorganization of corporate groups. He also deals with international tax and corporate consultancy and company valuation. He was Councillor for budget, finance and tax in a local public body from 2004 to 2014.
- Mr. Dimitri Coin, independent Director, already in office since 28<sup>th</sup> April 2011, at his third mandate (**independent non-executive director**)..

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Born in Treviso on June 1<sup>st</sup> 1970. He has been an entrepreneur in the agro-nursery sector since 1990 and in the real estate-commercial sector since 1998.

- Mr. Enrico Quarello, already in office since 14<sup>th</sup> February 2012, at his third mandate (**independent non-executive director**).  
Born in Castelfranco Veneto (TV) on November 10<sup>th</sup> 1974. He carries out management activities in companies of organized distribution, he has been director of national companies.
- Law. Greta Pietrobon, in office since 24<sup>th</sup> April 2014, at her second mandate (**independent non-executive director**).  
Born in Paese (TV) on October 18<sup>th</sup> 1983. She graduated in law in 2009. Since February 2014, she has been a freelancer in the fields of private law and criminal law in her law firm in Paese (TV).
- Law. Antonella Lillo, at her first term, in office since May 4th 2017 (**non-executive director**).  
Born in Treviso on August 19<sup>th</sup> 1961. She is registered in the Association of Lawyers, admitted to legal aid before the higher courts.  
She pleaded thousands of proceedings and advised dozens banks, asset management companies, mutual funds, trade associations, industrial and communication companies.  
She was appointed by the Court of Treviso with the legal assistance to bankruptcy trustees and managed compositions for business crises and debt restructuring of many Venetian groups, including some of the largest in the region.  
Winner of the Loy Award as Lawyer for Litigation - Banking and Finance (Lawyer of the Year) 2017.  
Referee of the National Arbitration Court for the National Union of Civil Chambers.  
Full Member of STEP Italia - Society of Trust and Estate Practitioners.  
Speaker at numerous conferences on banking, bankruptcy, asset management and protection; has published articles on banking and financial law.  
Teacher at Sole 24ore Master about "Protection and management of family assets".
- Mr. Giorgio Martorelli, in office since May 4th 2017, at his first mandate (**non-executive independent director**).  
Born in Macerata on April 3<sup>rd</sup> 1976. He gained experience as Analyst on the Italian equity market and in the Equity derivatives area, he followed the Amber fund for investments in Oil & Gas, infrastructures and Food & Beverage. He has been a member of the Board of Directors since 2014 and Managing Director of Amber Capital SGR S.p.A. from 2017.

The Directors' professional curricula are filed at the company's headquarters and available on the Issuer's institutional website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) under the Investor Relations section.

Following Giorgio Martorelli's resignation on 3rd February 2020, appointed from the minority list (List no.2 jointly submitted by AMBER CAPITAL ITALIA SGR SPA, AMBER CAPITAL UK LLP and ASM Rovigo SpA), the Board of Directors of Ascopiave SpA, which met on 7th February 2020, having acknowledged that Claudio Paron, second person from the minority list no. 2, was not available to take up the office of director, ascertained that there are no further candidates on the list where Giorgio Martorelli and Claudio Paron were present and there are no further minority lists. Therefore it decided not to perform the co-option of the resigned director, because of the time needed to identify a new director and the imminence of the Shareholders' Meeting (23/04/2020) held to renew the corporate

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bodies, among other things, and because the number of independent directors is 3 and therefore s adequate; so, there was no urgency to integrate the Board of Directors

### Diversity policies and criteria

With regard to diversity policies with reference to the composition of the Board of Directors, pursuant to the current Articles of Association, the composition of the Board of Directors must guarantee the balance between genders required by law.

During the fiscal year 2017,, as a result of the assessments on its structure and functioning carried out on 7th March 2017, in light of the Company development, the Board of Directors deemed appropriate to propose an increase in the number of Directors from 5 (five) to 6 (six), providing the necessary statutory changes, in order to introduce within the Board itself greater individual skills as well as to enrich the dialogue within the administration body. This proposed amendment was formulated by the Board of Directors at its meeting on 14th March 2017 and was approved by the Shareholders' Meeting of 28th April 2017, held in extraordinary session.

The current Board of Directors was appointed in 2017 and will remain in office until the date of the Shareholders' Meeting called to resolve on the financial statements for the financial year 2019.

Refer to the professional curricula of the Directors filed at the registered office and available on the Issuer's corporate website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the Investor Relations section, to have more information about their training, professional paths, and skills.

With particular reference to the gender balance, the Company's Board of Directors shall propose to the Shareholders' Meeting called to approve the 2019 financial statements, the approval of amendments to the Articles of Association aimed at ensuring that the directors are elected according to a criterion ensuring gender balance, based on the requirements of new art. 147-ter, paragraph 1-ter, of the Consolidated Financial Law that provides that *"The least represented gender shall have at least two fifths of the elected directors."*

On 24th January 2020, in compliance with the recommendations of the Application Criterion 1.C.1. h) of the Corporate Governance Code for listed companies and considering that the current mandate shall expire with the approval of the financial statements 2019, the outgoing Board of Directors, taking into account the results of the self-assessment ("board review") referred in the 2019 financial year, in view of the renewal of the administration body, communicated to the shareholders the guidelines for managers and professionals whose presence in the new Board of Directors is deemed appropriate. First of all, the Board suggests that the shareholders ensure, in compliance with the constraints and rules of corporate governance, adequate continuity in the composition of the administration body to enhance the know-how of Ascopiave S.p.A. acquired by the Directors, needed to continue and support the current development stage of the Group.

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In addition, the Company's Board of Directors believes that an optimal composition of the Issuer's administration body can be guaranteed by complying with some requirements identified for the position of Chairman and Chief Executive Officer, as well as for the position of member of the Board of Directors.

An adequate diversity of gender, age, seniority, professional and managerial experiences should also be present in the Board of Directors, also taking into account the characteristics and relevance of the previous positions of its members.

For a complete description of the aforementioned requirements for the Chairman and CEO and for the members of the Board of Directors, please refer to the document "Guidelines of the Board of Directors of Ascopiave S.p.A. to Shareholders about the future structure of the Board of Directors" published on 24th January 2020 on the Company's website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it)) Investor relator "-" Shareholders' Meetings "section) and at the authorized storage mechanism "eMarket Storage" ([www.emarketstorage.com](http://www.emarketstorage.com)) of Spafid Connect SpA.

### **Maximum accumulation of the offices held in other companies**

The Board has not deemed it necessary to define any general guideline regarding the maximum number of administrative and control functions held in other companies that can be deemed compatible with an efficient implementation of the role of director of the Issuer, keeping into account the member's participation in the Committees constituted inside the Board, without prejudice to the requirement of each Director to evaluate the compatibility of the position of director and auditor held in other companies listed in regulatory markets, financial companies, banks, insurance brokers, or companies of significant size, with the diligent fulfilment of the tasks accepted as Advisor of the Issuer.

Table 4 attached to this report contains a list of the main companies where each director holds management or control tasks, in particular in companies listed on regulated markets, including foreign ones, in financial companies, banks, insurance or large companies, with evidence if the company where the task is performed belongs to the group controlling or including the Issuer.

The Board, following the verification of the positions held by its Directors in other companies, considered that the number and quality of the positions held does not interfere and is, therefore, compatible with the effective performance of the office of director at the Issuer.

### **Induction Programme**

During the fiscal year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgence of information during meetings and in the pre-board report.

## **4.3. ROLE OF THE BOARD OF DIRECTORS**

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During the financial year 2019/20 (twenty) Board meetings were held on the following dates: 28th January 2019, 11th February 2019, 20th February 2019, 25th February 2019, 4th March 2019, 11th March 2019, 18th March 2019, 8th April 2019, 13th May 2019, 17th June 2019, 5th July 2019, 30th July 2019, 5th August 2019, 23rd September 2019, 11th October 2019, 11th November 2019, 22nd November 2019, 10th December 2019, 18th December 2019 and 27th December 2019.

The duration of the board meetings was on average about 2 (two) hours.

At the date of this report, i.e. on 13th March 2020, since the beginning of 2020, n. 4 (four) meetings were held on 24th January 2020, 7th February 2020, 28th February 2020 and 9th March 2020.

The 2020 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 11<sup>th</sup> May 2020 – approval of the Quarterly Report as of 31st March 2020;
- 3<sup>rd</sup> August 2020 – approval of the Half Year Report as of 30th June 2020;
- 9<sup>th</sup> November 2020 – approval of the Quarterly Report as of 30<sup>th</sup> September 2020;

During the financial year 2019, in line with the Application Guideline 1.C.5. of the Financial Law, the Chairman of the Board of Directors and CEO has, with the support of the Corporate Affairs Department, compatibly with the organisation needs and the content of the discussed topics, and in order to guarantee thorough and timely pre-meeting information, transmitted the support documents for the meeting of the Board at least two working days before the scheduled date the Directors and Auditors, failing any further need or urgent situation. In this regard, it should be noted that the timing for sending the pre-meeting documentation supporting the BoD meeting of 2018 shows an appreciable improvement compared to the previous year, equal to about 3 days from the date set for meetings. Where, in some specific cases, it has not been possible to provide the necessary information with adequate advance, the Chairman has checked that adequate and punctual investigations are carried out during the board sessions.

In addition, with the support of the Corporate Affairs Department, the Chairman of the Board of Directors has made sure that the topics on the agenda may be devoted the necessary time to allow a constructive debate, by encouraging, during the meetings, contributions from the Directors.

The Board of Directors, in the meeting of 24<sup>th</sup> January 2020, expressed an explicit assessment of the adequacy of the pre-meeting information received during the year, examining the methods and timing of transmission of the pre-meeting information during 2018 and confirming the adequacy of the methods adopted in 2019, in particular with regard to the timing for sending to the directors and auditors the supporting documentation for the meeting of the Board itself.

In line with the Application Guideline 1.C.6, during 2019, the Director of Legal and Corporate Affairs, upon request of the Board of Directors Chairman has participated to 20 (twenty) meetings of the Board of Directors. Furthermore, about the topics discussed, the Issuer's Managers in charge for the departments concerned, according to the subject, or external consultants, were invited to attend the

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Board of Directors meetings, upon request of the Chairman or other administrators, in order to provide additional information on the topics on the agenda.

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The Board of Directors plays a primary role in the Ascopiave system of Corporate Governance, in that it determines the company's strategic goals and those of the subsidiaries belonging to the Group it heads, ensuring that they are achieved,) without prejudice to the compliance with the management independence of the companies belonging to Ascopiave Group, subject to the functional and accounting separation regime (*unbundling*).

Pursuant to Guideline 1.C.1 lett. a) of the Self-discipline Code, are included among its exclusive functions:

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the periodic monitoring of the related implementation;
- and the definition of the corporate governance system of the Issuer and of the Group structure.

Pursuant to the "Guidelines on the performance of the management and coordination powers by Ascopiave S.p.A.", approved by the Board of Directors of Ascopiave S.p.A. on 16<sup>th</sup> June 2016, the parent company Ascopiave S.p.A draws up the business plans and the group budgets and sets the guidelines required when each company of the group draws up the budgets and the business plans sets the guidelines to be implemented in the process of drawing up of the plans and of the budgets by each group company, without prejudice to the respect of the management autonomy of the Ascopiave Group companies subject to the functional and accounting separation regime (so-called unbundling).

For drawing up the group business plans and budgets, in compliance with the procedures, tools and planning and programming schedules executed and disseminated by the parent company, the Board of Directors of each subsidiary will be responsible for submitting to the parent company information and forecasts which follow the above guidelines, as well as to work according to approved annual business plans and budgets, by providing periodic audits through periodic final reports. The parent company shall check the compliance of the business plans and of the annual budgets with the guidelines provided and any eventual deviation from the periodic financial reports.

The planning and budgeting guidelines set by the parent company for the group companies subject to unbundling obligations, consider the powers and prerogatives envisaged by the unbundling rules for the Independent Committee and for the vertically integrated company (so-called. *unbundling*).

In addition, the Board of Directors plays an important role in the correct management of corporate information and in the relationships with the shareholders.

To this aim, art. 19 of the Company Articles of Association states that the Board of Directors has the broadest powers to manage the Company, without any exception, and the power to take all actions it deems advisable for the implementation and achievement of the corporate objectives, with the only exception of those strictly reserve by the law to the shareholders.

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Furthermore, always pursuant to art. 19 of the Articles of Association, the resolutions to be taken in compliance with art. 2436. c.c fall under the responsibility of the Board of Directors and cannot be delegated. They deal with:

- mergers and demergers in accordance with articles. 2505, 2505-bis, 2506-ter, c.c.;
  - creation or elimination of secondary branches;
  - transfer of the registered office within Italy;
  - indication of the directors who have legal representation;
  - capital reduction because of a shareholder's withdrawal;
  - modification of the Articles of Association according to mandatory regulations,
- It is understood that these resolutions may also be taken by the shareholders during an extraordinary session.

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In line with the Application Guideline 1. C.1. let. c), the Board has evaluated, on 11<sup>th</sup> March 2019, regarding the year 2018 and on 13<sup>th</sup> March 2020, regarding the year 2019, the suitability of the organisational, administrative and general accounting structure of the Issuer, with specific reference to the Internal Control system and management of conflicts of interest, in accordance with the procedures adopted by the Issuer for that purpose. About this activity, as need may dictate, the Board has made use of the support offered by the Internal Control Committee, by the Internal Control Supervisor, the auditing company and the Director Responsible for preparing company accounts, as well as the procedures and checks implemented in accordance with Law no. 262/2005, as well as the interaction with the Board of Statutory Auditors, the Supervisory Body and the Independent Auditors.

In 2012, the Ascopiave Board of Directors S.p.A. adopted the document "Guidelines relating to the management and coordination", document updated with the approval by the Board of Administrators of Ascopiave S.p.A. on 16<sup>th</sup> June 2016, which regulates the implementing mechanisms of management and coordination, the information and control flows between the Issuer and its subsidiaries. The document, approved by the general meetings of subsidiaries in 2012, is an integral part of the Group's governance system.

Ascopiave S.p.A. and the subsidiaries have been provided with an organization, management and control model ("Model 231") pursuant to the Legislative Decree no. 231/2001 and have adopted the Ascopiave Group's Code of Ethics. Each company of the Group has appointed a Supervisory Body, in charge for supervising the implementation and effectiveness of Model 231.

In 2019, the Ascopiave Group started updating the 231 models of the parent company Ascopiave and of its subsidiaries. Namely, the model of the parent company Ascopiave was approved by the Board of Directors during the meeting held on 05/08/2019.

In compliance with Law 30th November 2017, n. 179, on 13<sup>th</sup> May 2019 the Board of Directors of Ascopiave S.p.A. approved the "Ascopiave Group Reporting Procedure", an integral part of Model 231 (attachment 3), adopted by all Ascopiave Group subsidiaries

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The Board, in line with the Application Criterion 1.C.1. lett. e), has assessed, on a quarterly basis, the general performance of the company, verifying the Company's financial, operating and consolidated results. These results, and the performance indicators, were compared with the planned data.

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In accordance with the guideline 1.C.1 lett. f) of the Self-Discipline Code, it is up to the Board of Directors of Ascopiave, given the system of delegated powers in force, the resolution on the transactions of significant strategic, economic, or financial importance for the Issuer.

If these operations are carried out by the participated companies, in the document "Guidelines on management and coordination" it is expected that, in compliance with industry regulations relating to administrative and accounting separation, the administrative bodies of the subsidiaries submit the same to the prior exam of the Board of Directors of Ascopiave.

The following operations are considered, but not limited to, having a strategic, economic, or financial, relevance:

- agreements with competitors and partners of the Group which, for the object, commitments, constraints, limits which may directly or indirectly arise, may for long-term affect strategic decisions on the freedom of business strategic choices (e.g. partnership, joint venture, etc.);
- acts and operations involving the entrance in (or the exit from) geographic and/or products markets;
- investment in tangible and intangible assets;
- purchase and arrangement of companies or business units;
- purchase and arrangement of subsidiaries of controlling interests and connections and share in profits in other companies, as well as the conclusion of agreements on the exercise of rights related to those shares;
- undertaking of loans of significant amount, as well as provision of loans and issuing of guarantees for the interest of Group companies;
- purchase of assets and services binding the company for a multi-year period;
- decision of merger in the cases envisaged by Articles 2505 and 2505-bis of the civil code;
- creation and closing of secondary branches;
- amendments to the company Articles of Association to comply with the law.

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In line with the Application Guideline 1.C.1, let. g) on 4<sup>th</sup> March 2019, the Board of Directors has completed the self-assessment on the functioning of the Board itself and of its internal Committees. The assessment process was carried out based on qualitative criteria, by comparing the composition and functioning of the Board of Directors and of the internal committees to the best practices of reference. For the assessment, the Board has not made use of external consultants, but of professionals internal to the Company.

Following the closure of the financial year 2019, on 24<sup>th</sup> January 2020, in accordance with the Self-Regulatory Code which provides for a self-assessment at least once a year self-assessment, the new

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Board of Directors of the Issuer has carried out the self-assessment on its functioning pursuant to the Application Criterion 1.C.1 letter g, also performing the assessment of the independence requirement of its non-executive directors (see paragraph "4.6 Independent Directors"), as well as expressing its orientation with reference to the maximum number of offices in other companies (see paragraph "Maximum number of positions held in other companies").

The board evaluation, relating to the financial year 2019, coordinated by the Chairman of the Board of Directors, with the technical support of the Legal and Corporate Affairs Department, shows a picture of the functioning of the Board of Directors and the Committees overall positive, from which it emerges that these bodies they operate in strict adherence to the best practices in corporate governance.

With reference to the component represented by the Independent Directors, the results of the board evaluation activity are substantially in line with what emerged from the overall self-assessment of all the members of the Board of Directors.

On 24th January 2020, in compliance with the recommendations of the Application Criterion 1.C.1. h) of the Corporate Governance Code and considering that, with the approval of the financial statements 2019, the current mandate expires, the outgoing Board of Directors of Ascopiave SpA, taking into account the self-assessment results ("board review") referred in the financial year 2019, in view of the renewal of the administration body, communicated to the shareholders the guidelines for managers and professionals whose presence on the new Board of Directors is deemed appropriate. In this regard, please refer to paragraph 4.2 "Structures", "Diversity criteria and policies" section.

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The Shareholders' Meeting did not authorise any exceptions to the prohibition of competition as specified by Article 2390 of the Civil Code.

#### **4.4. DELEGATED BODIES**

##### **Chief Executive Officer**

With resolution dated 09<sup>th</sup> May 2017, the Company's Board of Directors, appointed during the meeting held on 28th April 2017, resolved to grant the Chairman of the Board of Directors, Nicola Cecconato, as CEO.

Subsequently, following the resignation of the General Manager, effective from 15th November 2018, and in view of the beginning of the process aimed at enhancing its activities in the gas and electricity sales sector and strengthening and consolidating its presence in the gas distribution sector , ended on 19th December 2019 through the partnership with the Hera Group , in order to ensure adequate protection of the main stakeholders and the related responsibilities, to define an efficient, effective and adequate Group governance and control model for the corporate and organizational structure, to guarantee adequate control over the Group. Group activities, by resolution dated 21 December 2018,

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the Board of Directors supplemented the powers conferred by resolution dated 9 May 2017 to the Chairman of the Board of Directors and Chief Executive Officer, at the same time proceeding to restate and reformulate the previous powers.

Furthermore the Issuer's system of powers and proxies was implemented through a three-division of powers since, in addition to the powers of the Board of Directors and of the Chairman and Chief Executive Officer, part of the powers previously assigned to the General Director (who effectively resigned on 15th November 2018), were assigned to the Chief Financial Officer, Riccardo Paggiaro, on 21st December 2018. In particular, the CFO was assigned, among others, with powers of representation in the relationships with tax, financial and administration offices, tax agencies and any public administration, as well as with powers relating to the consequent acts, based on the Law and the Articles of Association.

The Chairman of the Board of Directors and Chief Executive Officer, Nicola Cecconato, in addition to the legal and institutional representation and the competences due to him according to the Law and the Articles of Association, was conferred with powers for the implementation of the operations of management, coordination and control of the activities of Ascopiaeve SpA functions and corporate services, which can be performed in accordance with the budget and the investment plan, as well as the guidelines of the Board of Directors and the administrative and accounting separation regime (so-called unbundling).

In summary, the following main assignments have been given to the Chairman and Chief Executive Officer, by value and subject:

- Coordinating the activity of the Board of Directors and implementing the related resolutions;
- Taking care of the relationships with the shareholders;
- Managing the institutional relationships and promoting the Company image;
- Elaborating medium-long term strategies;
- Contracts for the purchase and sale of goods, raw materials, movable properties, services with economic content not higher than Euros 1,500,000 for each operation;
- Purchasing, selling or exchanging installations, machines, equipment, trademarks, patents with value not higher than Euros 500,000 for each operation;
- Authorize and granting professional appointments, consultancies, services, for amounts not exceeding € 100,000 per single contract with the obligation to periodically report to the Board of Directors;
- Purchasing, even through financial lease agreements, selling or exchanging plant, machinery, equipment, brands and patents not exceeding Euro 500,000 for each individual transaction, within the budget limits;
- Stipulating, modifying, terminating credit and loan opening agreements, agreeing on loan concessions and other banking facilities, up to a maximum limit of Euro 5,000,000.00 per single contract;
- Requesting and/or issuing guarantees in the interest of Ascopiaeve and/or its subsidiaries or investee companies, for commitments falling within the activities referred to in the related

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corporate purpose, for amounts up to € 5,000,000.00 per transaction or series of related transactions.

Pursuant to the current corporate and organization structure of Ascopiave Group, the Chairman and CEO, Nicola Cecconato, shall not be qualified as main person in charge of the company (chief executive officer).

### **Chairman of the Board of Directors**

See above par. "Chief Executive Officer"

### **Information to the Board**

In accordance with what specified by Article 19.5 of the Company Articles of Association , the delegated parties report on at least a quarterly basis to the Board of Directors and Board of Auditors as to their work, general management trends, foreseeable evolution and the most economically, financially and equity important operations performed by the Company and its subsidiaries; specifically, the Chairman provides information as to the operations in which he has an interest on his own behalf or that of third parties.

With regards to the statutory provisions, it should be noted that the delegated parties report and involve the board on the activity performed at each meeting of the Board of Directors. On a quarterly basis, upon approval of the annual and half-yearly financial statements and of the intermediate management reports are instead communicated the management results and related performance indicators.

### **4.5. OTHER EXECUTIVE DIRECTORS**

There are no other executive directors further than the Chairman and Chief Executive Officer, Mr. Nicola Cecconato.

### **4.6. INDEPENDENT DIRECTORS**

In the year 2019, in the Issuer's Board of Directors there were four independent directors (three independent directors of the previous board of directors), in line with the Application Guideline 3.C.3 of the Self- Discipline Code. The non-executive Directors and Independent Directors are, in terms of number and authority, such as to guarantee that their judgement can have significant influence on the Issuer's board resolutions. The non-executive Directors and Independent Directors shall bring their specific competencies to board discussions, contributing to the decision-making process in accordance with the Company interests.

The number of independent directors (4 out of a board of 6) is adequate both based on the provisions of Article IA.2.10.6 Instruction Stock Exchange, and in relation to the size of the Board and to the Issuer's activity; furthermore, this is sufficient to the constitution of the committees within the board that the Company has deemed appropriate to adopt.

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In line with the provisions of the Application Principle 3.P.2 of the Self-Conduct Code, which recommends to assess the independence of Directors after the appointment of the Board of Directors, and in line with Application Criterion 3. C.4, it should be noted that at the meeting of 9th May 2017, the new Board of Directors assessed, with reference to the date of the assessment, the independence requirements of the non-executive Directors Dimitri Coin, Greta Pietrobon, Enrico Quarello and Giorgio Martorelli.

During this meeting, the new Board of Directors resolved to consider that the non-executive director Antonella Lillo did not meet the requirements necessary to qualify her as an independent director, consistently with the statements made by the same director during the prior acceptance of the position of director.

Furthermore, pursuant to the recommendations contained in the Application Criterion 3.C.4, the Board of Directors has announced the results of its assessments, after the appointment, also through a press release issued to the market.

In performing such evaluations, the Board of Directors adopted the Application Guidelines 3. C.1. and 3. C.2. as specified by the Self-Discipline Code. The Independent Directors are, as such, in possession of the independence requirements listed in Article 148, 3rd paragraph, letters b) and c) of the Consolidated Financial Law, since each one of them:

- (i) Does not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;
- (ii) Does not participate, directly or indirectly, in any company agreement where one or more subjects may exercise control or significant influence on the Issuer;
- (iii) Was or was not in the previous 3 fiscal years, an important party (by such, meaning Chairman, legal representative, Chairman of the Board of Directors, and executive Director or Manager with strategic responsibility) of the Issuer or of a holding with strategic relevance or of a company under common management with the Issuer or of a company or body which, even with others, through a representational company agreement, controls the Issuer or is able to exercise significant influence;
- (iv) Does not have, or did not have, during the previous year, directly or indirectly (e.g. through subsidiaries or companies of significance in the sense specified by the previous point (iii), or as partner of a professional studio or consultancy company) significant commercial, financial or professional relations, or subordinate working relations: (a) with the Issuer, with its subsidiary, or with one of relevant its partners, in the sense specified by the previous point (iii), (b) with a subject that, even jointly with others, through a representational company agreement , controls the Issuer or – given that it is a body or company -with the partners, in the sense specified by the previous point (iii);
- (v) Without prejudice to what specified under the previous point (iv), holds any independent or subordinate working relations, or other relations of an economic or professional nature such as to compromise independence: (a) with the Issuer, with one of its holdings or parent companies, or with the companies subject to common management; (b) with the Issuer Directors; (c) with subjects that are married or related up to the fourth level with the Company's Directors as under the previous point (a);
- (vi) Does not receive or did not receive in the previous three fiscal years from the Issuer or from a holding or subsidiary a significant additional fee in addition to the “fixed” fee as non-executive

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- Company Director including participation in incentives linked to company performance even based on shares;
- (vii) Has not been a Director of the Issuer for more than nine years during the last twelve years;
  - (viii) holds the office of Executive Director in another company in which an Executive Director of the Issuer holds an office of Director;
  - (ix) is not a member or director of a company or of one belonging to the network of companies tasked with the auditing of the Issuer's accounting;
  - (x) is not a close family member of a person who finds himself in any of the situations as specified under the previous points and, in any case, is a husband, wife, relative or similar within the fourth grade of the Issuer Directors of the subsidiaries, of the companies controlling it and those subject to common management.
  - (xi) They were not in the conditions set by art. 2382 of the civil code.

Furthermore, the Board of Directors assessed the independence of its directors also on 4<sup>th</sup> March 2019 and on 24<sup>th</sup> January 2020. As part of the assessments, the Application Criterion 3.C.1 of the Self-Conduct Code and art. 148 of the Consolidated Law, subpar. 3, were applied.

During the meeting held on 24th January 2020, the Board of Directors of Ascopiave S.p.A., with particular reference to the director Enrico Quarello, assessed and confirmed the independence of this director who also holds the office of director and member of the Executive Committee of the subsidiary company AP Reti Gas S.p.A. (August 2019) and AP Reti Gas Nord Est S.r.l. (from 2020). The Board of Directors made in particular the following assessments:

- the Director is a member of the Executive Committee ("Independent Manager" as provided for by the regulation on functions separation - so-called unbundling), that is, a collegial body expressing and implementing its resolutions through the Executive Committee;
- the Director has not been granted proxies or signature powers in relation to this role;
- the Director shall not independently take a decision pertaining to the Executive Committee.

Following Giorgio Martorelli's resignation on 3rd February 2020, appointed from the minority list (List no.2 jointly submitted by AMBER CAPITAL ITALIA SGR SPA, AMBER CAPITAL UK LLP and ASM Rovigo SpA), the Board of Directors of Ascopiave SpA, which met on 7th February 2020, having acknowledged that Claudio Paron, second person from the minority list no. 2, was not available to take up the office of director, ascertained that there are no further candidates on the list where Giorgio Martorelli and Claudio Paron were present and there are no further minority lists. Therefore it decided not to perform the co-option of the resigned director, because of the time needed to identify a new director and the imminence of the Shareholders' Meeting (23/04/2020) held to renew the corporate bodies, among other things, and because the number of independent directors is 3 and therefore s adequate; so, there was no urgency to integrate the Board of Directors

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The Board of Auditors verified, in line with the Application Guideline 3.C.5, the correct application of the guideline and procedures adopted by the Board to evaluate the independence of its members, and the results of this after the appointment of the Board of Directors, during the board meeting of 9th May 2017 .

Furthermore, in 2019, namely at the meeting of 4th March 2019, the Board of Statutory Auditors also verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members; the outcome of this verification was disclosed in the report of the statutory auditors to the Shareholders' Meeting of 23rd April 2019 pursuant to art. 2429 c.c.

The same assessment was carried out on 24th January 2020 and the outcome shall be disclosed in the report of the statutory auditors at the next Shareholders' Meeting of 23rd April 2020 pursuant to art. 2429 of the Italian Civil Code.

In line with the Application Criterion 3.C.6, which provides that independent directors meet at least once a year in the absence of other directors, on 11th March 2019 the Board of Directors of Ascopiave S.p.A. has deemed appropriate to set up an Independent Directors Committee only composed by the independent directors of Ascopiave S.p.A ..

In particular, the Independent Directors Committee met 3 (three) times during the financial year 2019 in the absence of the other directors, on the following dates: 15th March 2019, 17th June 2019 and 30th July 2019.

After the end of the fiscal year 2019, the Independent Directors Committee met on 7th February 2020. For further information about the structure and functioning of the Independent Directors Committee, refer to paragraph 17 "Further corporate governance practices".

#### **4.7. LEAD INDEPENDENT DIRECTOR**

The Board of Directors did not deem necessary to identify an internal independent Director as a Lead Independent Director, not occurring the circumstances envisaged in the Application Guideline 2. C.4. of the Code. This figure, in fact, is expressly envisaged by the Application Guideline 2. C.4. of the Self-Discipline Code in the event the Chairman of the Board is primarily responsible for managing the Issuer - *chief executive officer* – i.e. the Chairman or the controlling shareholder of the Issuer, or if the Issuer belongs to the FTSE-Mib, for which the appointment of the *Lead Independent Director* may be required by the majority of independent directors.

### **5. PROCESSING OF COMPANY INFORMATION**

#### **5.1. PROCEDURE FOR THE MANAGEMENT AND PROCESSING OF PRIVILEGED INFORMATION, FOR THE DISCLOSURE OF INFORMATION TO THE PUBLIC AND FOR THE MANAGEMENT OF THE REGISTER OF PERSONS WHO HAVE ACCESS TO PRIVILEGED INFORMATION**

The Issuer's Board of Directors updated the previous code of conduct for market announcements deciding, during its meeting on 19<sup>th</sup> October 2016, the adoption of the new "Procedure for the

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management and treatment of confidential information, for the dissemination of information to the public and for the management of people who have access to privileged information "pursuant to the entry into force of the new EU Regulation 596/2014 (" Market Abuse Regulation "or " MAR "), applicable as of 3<sup>rd</sup> July 2016, and in compliance with the provisions of the Consolidated Law on Finance and the Issuers' Regulation, to the extent compatible with "MAR", the Regulations for the execution of European source and the Application Criterion 1.C.1 lett. j) of the Code.

The "Procedure for the management and processing of confidential information, for the dissemination of information the public and for the management of the register of persons who can access to privileged information" contains provisions relating to:

- management and processing of confidential information;
- procedures to be respected for the disclosure of privileged information directly dealing with Ascopiave S.p.A. and/or its subsidiaries, with reference, in this latter case, to relevant information for the purpose of Ascopiave's price sensitivity;
- management of the Register of persons who can access to confidential information.

The Legal Affairs Department is responsible for keeping and updating the Register, whose management is carried out according to the criteria and procedures set forth in the above procedure.

Furthermore, pursuant to Article. 2.6.1 of the Stock Exchange Regulations, the Board of 23<sup>rd</sup> June 2015 appointed as the Information Officer Mrs. Irene Rossetto and Mr. Giacomo Bignucolo, as her substitute, as Information Officer of Ascopiave S.p.A., assigning them the task of complying with law and regulatory requirements under the responsibility of the above mentioned Information Officer, with particular reference to those dealing with mandatory corporate information and market disclosure of information on transactions subject to the "Internal Dealing Code " (see paragraph 8 of the "Procedure for the management and processing of privileged information, for the dissemination of press releases and for the management of the register of people who have access to privileged information") (see. section 5.2).

It should be noted that the "Procedure for the management and processing of privileged information, for the dissemination of disclosures to the public and for the management of the register of persons having access to privileged information" can be consulted on the Issuer's website [www.groupascopiave.it](http://www.groupascopiave.it) in the Corporate Governance/System and Rules/Privileged Information Management Procedure section.

## **5.2. INTERNAL DEALING**

The Issuer's Board of Directors decided in its meeting of 19<sup>th</sup> October 2016 to update the "Internal Dealing Code", under the new EU Regulation. 596/2014 ("Market Abuse Regulation" or "MAR") and, in particular, the related Article 19 of the Delegate Commission Regulation (EU) 2016/522, of the Execution Regulation (EU) 2016/523 and of the regulations and national rules on this matter.

The "Internal Dealing Code" was updated again on 21st February 2018, in line with the provisions of Consob Resolution no. 19925 of 22<sup>nd</sup> March 2017 (published on the Official Gazette on April 14th 2017), which introduced amendments to art. 152-septies of the Issuers' Regulation, with reference to the threshold for the amount of the transactions subject to disclosure obligations.

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The "Internal Dealing Code" regulates the procedures and communication times to Ascopiave S.p.A., to Consob and to the market of the information relating to the transactions directly or indirectly carried out by the so-called relevant persons and persons closely related to relevant persons on the ordinary shares of Ascopiave S.p.A. or on debt securities, derivatives or other financial instruments linked to them.

This code is available on the Issuer's website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) section Corporate Governance/Sistema e regole/Codice Internal Dealing.

## **6. INTERNAL BOARD COMMITTEES**

Within the Issuer's Board of Directors, the Compensation Committee and the Risks and Control Committee have been established.

For further information about the structure and functioning of the Independent Directors Committee, refer to paragraph no. 17 "Further corporate governance practices".

## **7. APPOINTMENT COMMITTEE**

As reported in the previous paragraph "4.1. Appointment and Replacement" of this Report, the Board of Directors has not established to set up a committee for the appointment proposals as member of the Board of Directors, not deeming it necessary, and keeping this functions to the Board of Directors, in line with the provisions of the Application Criterion 4.C.2 of the Corporate Governance Code. This choice was dictated by the fact that the applicable regulatory provisions and the provisions of the articles of association - such as, in particular, the appointment mechanism through the "list vote" – give adequate transparency to the selection and indication of candidates, also in consideration of the size of the Issuer and of the limited number of members of the administrative and control bodies.

The decision to reserve the functions of the Appointments Committee to the entire Board of Directors was taken, subject to verification of compliance with the conditions set out in criterion 4.C.2. of the Corporate Governance Code, reserving for the appropriate meetings within the Board meetings the task of identifying the most suitable figures to fill the offices within the various corporate governance bodies of the Company..

## **8. COMPENSATION COMMITTEE**

In accordance with Principle 6.P.3 of the Code, the Company's Board of Directors has set up an internal Compensation Committee.

### **Composition and functioning of the compensation committee**

The Compensation Committee of the Issuer is composed by three Directors.

With reference to the current Board of Directors, during the Board meeting of May 9th 2017, in accordance with the provisions of Principle 6.P.3 of the Corporate Governance Code, the Independent Director Mr. Dimitri Coen has been appointed as members of the Remuneration Committee, with the

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functions of Chairman, and the independent Director Enrico Quarello and the non-executive Director Antonella Lillo (see Table 2)

The Director Dimitri Coin has gained suitable experience in the field of remuneration policies, both as an entrepreneur, and as member of the Board of Directors and of the Ascopia Remuneration Committee from 2011 to date, in compliance with Principle 6.P.3 of the Self-Conduct Code..

During the fiscal year 2019, 7 (seven) meetings of the Compensation Committee were held on 21th January 2019, 25<sup>th</sup> January 2019, 26<sup>th</sup> January 2019, 18<sup>th</sup> February 2019, 1<sup>st</sup> March 2019, 22<sup>nd</sup> March 2019, 6<sup>th</sup> September 2019, The meetings duration was about 1 hour.

The Committee furthermore met after the end of the fiscal year, on 6<sup>th</sup> March 2020,

As of today , for the fiscal year 2020, no other meeting of the Board have been scheduled.

The Chairman and one member of the Board of Auditors, invited by the Committee itself, participated in the meeting and, for in-depth examinations of the agenda, some employees of the Company were also in attendance.

In accordance with Application Guideline 6.C.6, the Regulations of the Compensation Committee provides that no director takes part in the meetings of the Committee where proposals to the Board of Directors regarding his Compensation are formulated.

### **Functions of the Compensation Committee**

For the details of the functions and functioning of the Compensation Committee, see Section I, chapter 2.4 of the Report on Compensation, prepared in compliance with Article 123-ter of the Consolidated Financial Law. It should be noted that the Rules of the Compensation Committee, which was adopted in its original form on 12th September 2006, was amended on 19th December 2011.

In 2019, the Committee met to discuss the following issues, among others:

- Compensation Report pursuant to art. 123-ter of the Consolidated Financial Law: assessments on the 2019 Compensation Policy, verification of the consistency of remuneration paid in 2018 and the 2018 Compensation policy;
- Exam of the MBO Plan 2018 results;

After the end of the fiscal year, on 6<sup>th</sup> March 2020, the Committee met to discuss, among the subjects, the adequacy, consistency and application of the Compensation Policy and the drafting of the 2016 Report on Compensation, to monitor the actual achievement of the performance targets set in “Management by objectives 2019” plan.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., lett. D).

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment, in line with the Application Guideline 4.c.1, lett. e).

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No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

## **9. COMPENSATION OF THE DIRECTORS**

The information in this Section refers to the relevant parts of the Remuneration Report about the remuneration policy published pursuant to art. 123-ter of the Consolidated Financial Law.

In particular, please refer to the Remuneration and Compensation Report for the following information:

- General remuneration policy;
- Share-based remuneration plans;
- Remuneration of executive directors;
- Remuneration of managers with strategic responsibilities;
- Incentive mechanisms for the manager in charge for preparing the corporate accounting documents;
- Remuneration of non-executive directors;
- Indemnity of directors in the event of resignation, dismissal or termination of the relationship as a consequence of a take-over bid (ex. Art 123-bis, subpar.1, lett. i, Consolidated Financial Law).

## **10. RISKS AND CONTROL COMMITTEE**

In line with the provisions of Principle 7. P.3., Letter. a), n. (ii) and 7. P.4. the Board has constituted an internal Control and Risk Committee.

The Board of Directors of the Issuer, on 11<sup>th</sup> September 2006, simultaneously approved the Control and risks Committee Regulations, in compliance with the new Code of Self-Discipline, with following modifications dated 23<sup>rd</sup> February 2011 and 24<sup>th</sup> January 2013.

### **Composition and functioning of the control and risks committee**

The Issuer's Control and Risk Committee is composed by three members.

Following the appointment of the new Board of Directors, which took place at the Shareholders' Meeting on 28th April 2017, the new Control and Risk Committee was appointed during the Board meeting of 9th May 2017, which is made up of the Independent Director Enrico Quarello, acting as Chairman, and by the Independent Directors Greta Pietrobon and Giorgio Martorelli.

After the closure of the financial year 2019, following the resignation of Giorgio Martorelli on 3rd February 2020, member of the Board of Directors and of the Control and Risk Committee, the Board of Directors of Ascopiave S.p.A. decided to integrate the Control and Risk Committee with the independent director Dimitri Coin, new member of the committee.

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In accordance with Principle 7.P.4 of the Corporate Governance Code, the Controls and Risks Committee is composed of independent directors. The Director Enrico Quarello has expertise in the field of risk management, acquired in the experience of being a member of the Control and Risk Committee of Ascopiave S.p.A., of which he is a member since 2012; the Director Giorgio Martorelli, who resigned on 3rd February 2020, has relevant experience in financial and risk management, acquired during his professional experience; in addition, the Director Dimitri Coin, appointed as new member of the Control and Risk Committee from 7th February 2020, acquired good experience in risk management as Chairman of the Control and Risk Committee of Ascopiave S.p.A. during the mandates 2011-2013 and 2014-2016.

During the financial year 2019, 9 (nine) meetings of the Control and Risk Committee were held on 28th January 2019, 18th February 2019, 4th March 2019, 18th March 2019, 13th May 2019, 30th July 2019, 11th November 2019, 9th December 2019 and 18th December 2019. The average duration of the meetings was approximately 1 hour. For details about the participation of members in these meetings, refer to Table 2 attached.

For the year 2020, meetings of the Committee are scheduled for the n. 4 (four) meetings of the Board of Directors set for the approval of the annual, semi-annual and quarterly results of the Company. After the end of the year, one Committee meetings was held on 6<sup>th</sup> March 2020.

The Committee meetings were attended, upon invitation, by the members of the Board, in line with the Application Guideline 7.C.3 of the Code, the Manager responsible for preparing corporate accounting documents and the head of the Internal Auditing department.

#### **Functions assigned to the risks and control committee**

In line with the Application Guideline 7.C.1, the Control and Risks Committee, in its role of supporting the Board of Directors, expresses its opinion about:

- (i) the definition of guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility criteria of those risks with a healthy and consistent business management;
- (ii) the assessment, with at least yearly frequency, of the adequacy of the internal control and risks management system in comparison with the corporate characteristics and with the profile of the risks taken, as well as with its effectiveness;
- (iii) the work plan scheduled with at least annually by the Head of the Internal Auditing Department ;
- (iv) the description, in the report on corporate governance, of the main features of the system of internal control and risk management;
- (v) the results presented by the statutory auditor in the eventual letter of recommendations and in the report on key matters arisen during the statutory audit.

The Control and Risks Committee, furthermore, in supporting the Board of Directors:

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- (i) Assesses, together with the manager in charge of preparing the corporate accounting documents, heard the statutory auditor and the Board of Auditors, the correct application of accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;
  - (ii) expresses opinions on specific issues regarding the identification of key business risks;
  - (iii) reviews the periodic reports related to the evaluation of the system of internal control and risk management, and those prepared by the Internal Auditing Department;
  - (iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Auditing department;
  - (v) may ask the Internal Auditing Department to perform audits on specific operational areas, by simultaneously communicating it to the Chairman of the Board;
  - (vi) reports to the Board of Directors at least once every six months, in occasion of the approval of the annual financial report and statements, on its activity and the adequacy of the system of internal control and risk management;
  - (vii) delivers a preventive motivated opinion on the Company interest to the completion of transactions with related parties, as well as on the convenience and accuracy of the related conditions, pursuant to the Procedure for transactions with related parties approved by the Board of Directors of the company on 24th November 2010;
  - (viii) delivers a preventive motivated opinion on the proposals made by the Director in charge of the internal control system and risk management to the Board of Directors regarding the functions of appointment and dismissal of the Head of Internal Auditing, the allocation to the same of adequate resources for the fulfilment of his responsibilities, as well as the determination of his Compensation in line with the company policy;
  - (ix) performs the other duties which, from time to time, will be assigned to him by the Board of Directors

During the fiscal year, the Control and Risk Committee has delivered its opinion in favour of the Board of Directors on the adequacy of the internal control and risk management system. The Committee has examined the Audit Plan 2019/2020 and the periodic reports prepared by the Internal Auditing Department about the progress of the work in the field of internal auditing, the reports drawn up by the Manager in charge, with particular regard to the activities of risk analysis and to the implementation of the necessary measures to provide reasonable assurance regarding the true and fair representation of the economic, patrimonial and financial information according to the provisions of Law 262/2005; the report of the Energy Risk Committee on the hedging instruments in place as part of the gas procurement activity (from 19<sup>th</sup> December 2019, the Energy Risk Committee has not been present anymore as a consequence of the partnership with the Hear Group) During its meetings, the Committee also discussed the most suitable initiatives with regards the auditing activities for 2019, with a view to progressively improving the Internal Control and Risk Management system.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., let. D).

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In performing its functions, the Committee has had the right to access all information and company functions necessary for the execution of its tasks, and avail of external consultants, within the terms set out by the Board, in line with the Application Guideline 4. C.1., lett. e).

No financial resources have been granted to the Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

Ascopiave has adopted a system of internal control and risk management in accordance with the Code of Self-Discipline for listed companies and in line with the best practices of reference.

The Board of Directors, under the definition of the strategic, industrial and financial plans, defined the nature and level of risk consistent with the strategic objectives of the Issuer, in line with the Application Guideline 1. C.1. lett. b).

Following the beginning of the partnership with the Hera Group, as of 19th December 2019, Ascopiave S.p.A. consolidated its gas distribution business through the establishment of AP Reti Gas Nord Est S.r.l. and, following this reorganization of the group structure, it set the new strategic and business plan for the next three years, including in the new three-year industrial strategic plan an assessment of the level of risk in line with the strategic objectives of the Issuer , pursuant to the Application Criterion 1.C.1., lett. b); this assessment included in particular all the risks that may be relevant in terms of sustainability in the medium and long term. The Board of Directors of Ascopiave S.p.A. approved the three-year 2020-2022 plan at the meeting of 28th February 2020.

The Board of Directors defined the guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Issuer and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining the compatibility of these criteria with a healthy and consistent business management including in its assessments all risks that may become significant for the medium-long term sustainability of the Issuer's development, in line with the Application Guideline 7.C.1., lett. a).

In 2019, the following risk management activities have continued under the coordination of the Chief Financial Officer:

- application of the Procedure "Compliance with EMIR Regulation" adopted by Ascopiave Board of Directors, as well as by other subsidiaries, which regulates the ways to comply with the requirements of the EMIR European Regulation about the use of derivatives (i.e. timely confirmation of the operations, periodic reconciliation of the portfolio with the counterpart, reporting of all derivatives entered into with specific trade repository approved by ESMA), even by complying with a proper accounting framework in line with the Hedge Accounting;
- application by Ascopiave, as well as by other subsidiaries, of the "Management and control of energy risks" policy, which states the roles and responsibilities related to the risk management when signing supply and provision contracts both for the purchase and sale in the gas and electricity business and of the "Management and control of financial risks" policy.

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- application of the Policy “Management and control of financial risks”.

The internal control and risk management system is embodied by the set of rules, procedures and organizational structures aimed at permitting the identification, the measurement, the management and the monitoring of the main risks. Pursuant to Principle 7.P.1 of the Code, this system is integrated into the broader organizational and corporate governance organizations adopted by the Issuer and shall take into due consideration the reference models and the national and international best practices.

The system is aimed at ensuring the protection of the corporate assets, the efficiency and the effectiveness of the business processes, the reliability of the information provided to the corporate bodies and to the market, the compliance with laws and regulations as well as with the Articles of Association and with the internal procedures.

During the second semester of 2019 the Legal and Corporate Affairs Department, in collaboration with the People & Stakeholder Relations Department, launched a project to update the Group Policies, including also risk management, which was needed after the changes in the management of Ascopiave SpA.

In addition, it is also necessary to update and review the risk management Group policies, upon assessment by the Control and Risk Committee, in consideration of the partnership with Hera Group, completed on 19th December 2019, after which the sales companies have left Ascopiave Group.

### **Roles and Functions**

The internal control and financial risk management system of Ascopiave involves different stakeholders who perform specific roles and responsibilities:

- Board of Directors;
- Director in charge of internal control and risk management;
- Control and Risk Committee;
- Supervisory Board pursuant to the Legislative Decree. n. 231/2001;
- Manager responsible for preparing corporate accounting documents;
- Head of the Internal Auditing Department ;
- Statutory Auditors;
- Independent Auditing firm

The Board of Directors is in charge for defining the nature and the level of risk consistent with the strategic objectives of the Company, considering all risks that may be significant in view of the medium-long term sustainability of the Issuer's activity. The Board of Directors, after consultation with the Control and Risk Committee, is in charge for setting the guidelines of the internal control and risk management system, and to assess its adequacy at least once per year. To this end, the Board relies on the work carried out by the Control and Risk Committee and by the Administrator in charge for the internal control and risk management. The Control and Risk Committee supports, with suitable preliminary investigation, the assessments and the decisions of the Board of Directors regarding the

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internal control and risk management system, as well as those relating to the approval of periodic financial reports.

The head of the Internal Auditing Department is in charge for verifying that the internal control and the risk management system are active and adequate.

Furthermore, the heads of each *business unit* and corporate management of the Company are responsible, within the guidelines of the internal control and risk management system set by the Board of Directors and of the directives for implementing such guidelines, to define, manage and monitor the effective functioning of the internal control and risk management system with reference within its scope of competence.

All employees, according to their respective roles, contribute to ensure an effective functioning of the internal system and risk management system of Ascopiave.

In accordance with the requirements of Art. 2.2.3, paragraph 3, subparagraph (j) and 2.2.3 bis of the Stock Exchange Regulations, Ascopiave set on 27<sup>th</sup> March 2008 an organizational, management and control frame work, pursuant to Art. 6 of the Legislative Decree dated 8<sup>th</sup> June 2001, n. 231, also identifying a Body in charge for overseeing the adequacy and the effective implementation of the Model; for its details, please refer to paragraph 11.3 of this document.

#### **Existing management of risk and internal control system in relation to the financial information procedure**

The internal control and risk management system is aimed at providing the reasonable certainty that the diffused accounting information supplies to the users a true and correct representation of the management facts, allowing the release of the certifications and declarations requested by law on the correspondence of the document results, of the books and accounting writings of the acts and communications of the company diffused to the market and related to the accounting information also within the year, and also the appropriateness and effective application of the administrative and accounting procedures during the period interested by the accounting documents (year balance, half year balance and intermediate management report) and on the drawing-up of the same according to the international accounting standards.

In relation to this, we must remember that, as specified in the previous Reports, Ascopiave, as an Italian company with shares negotiated in an Italian regulated market, must appoint a Manager in charge of preparing the company accounting documents (Manager in charge), to whom the law attributes specific duties, responsibilities and certification and declarations obligations.

As a consequence, on 19<sup>th</sup> July 2007 the Board appointed a Manager in charge, to whom it entrusted the task to prepare proper administrative and accounting procedures for the creation of the accounting informative diffused to the market, and also to supervise the effective respect of these procedures, attributing him proper powers and instruments for implementing related functions.

The Manager in charge started the “262 Project”, with the aim of ascertaining the consistency of the Internal Control System to supply a reasonable certainty about the true and proper representation of the economic, equity and financial information.

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The Board has entrusted this task to the Issuer's Chief Financial Officer, to whom he has assigned adequate powers and means for performing the duties in accordance with the provisions of article 154-bis of Legislative Decree 24 February 1998, n. 58.

The risk management and internal control system is based on the following characterising elements:

- set of company procedures relevant for the preparation and circulation of financial information, comprising, among others, operating instructions, reporting and accounting calendar;
- identification process of the main risks connected to the financial information and of the main controls for the acknowledged risks (financial risk assessment) that brought to the recognition, for each relevant accounting area, of the financial processes/flows considered critical and the activities of control supervising these financial processes/flows and also the elaboration of appropriate control matrixes that describe for each process considered critical and/or sensitive for the Group, the control standard activities (key controls) and the concerning process owners. The company processes and related matrixes are the subject of a periodical evaluation and if necessary to an update.
- process owners to whom the update of the matrixes of the controls is entrusted; the Chief Financial Officer is responsible for the verification and the periodical update of the administrative-accounting procedures of the Group;
- periodical assessment of the appropriateness and of the effective application of the identified key controls. The assessment is carried out every six months during the drawing up of the financial statements and of the half-year report, and it is carried out by the Head of the Internal Auditing Department , in coordination with the Manager in charge. In particular, the tests on the half-year verifications are carried out on the basis of the priorities identified during the risk assessment stage with the support of the Compliance Department (headed by the Legal and Corporate Affairs Department) in coordination with the Internal Auditing Manager; in addition, the Compliance Department also carries out monthly verification activities with the support of continuous auditing IT tools, in coordination with the Internal Auditing Manager;
- certification process toward the outward based on the reports and declarations given by the manager in charge according to Article 154-bis of Legislative Decree 58/1998, in the framework of the general process of preparation for the annual balance or the half year financial report or the intermediate management report, also on the basis of the controls performed and object of the accounting control model, which content is shared with the Chairman and Chief Executive Officer, who submits the report or the declaration of the Board, together with the accounting document, for the relating approval by this last one. For the purposes of internal reporting, the Manager in charge periodically refers to the Control and Risks Committee, to the Board of Auditors and to the Supervisory Committee about the development procedures of the evaluation process of the control system and also about the results of the evaluations performed to support the released certifications or declarations.

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The Board of Directors has assessed, upon advice of the Control and Risk Committee, the adequacy of the internal control and risk management system with respect to the Company characteristics and the

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risk profile, as well as its effectiveness, in accordance with the provisions of Application Guideline 7.C.1 letter b).

The evaluation was conducted on the occasion of the presentation of financial results for the period, as well as during the regular meetings of the Board, through the constant flow of information guaranteed by the players of the internal control and risk management system.

### **11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM**

The Board of Directors appointed Mr. Fulvio Zugno (Chairman of the Board of Directors and Chief Executive Officer) as executive director in charge of supervising the functioning of the internal control and risk management system, in charge for the implementation and preservation of an effective internal control and risks management system, in line with the Guideline 7.P.3, let a), n. (i).

This choice has been made based on the importance that Mr. Cecconato holds within Ascopiae.

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In accordance with the Application Guideline 7. C.4. of the Code, the executive director in charge of supervising the functioning of the internal control system:

- identifies the main company risks considering the characteristics of the Issuer's activities and those of its subsidiaries, and has submitted them to a periodical Board's examination;
- implements, within the scope of the powers appointed to him, the guidelines defined by the Board, designing, realising and managing the in-company control system, constantly checking the overall suitability and efficiency;
- adapts this system to the dynamics of the operative conditions and legislative and regulatory situation;
- can ask the Internal Auditing Department to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;
- sets up, in case it is needed, a constant flow of information with the control and risks Committee and with the Board of Directors about the issues and concerns raised, so that the Committee (or the Board) can take appropriate action.

### **11.2. INTERNAL AUDITING OFFICER**

The internal auditing officer is, since June 2015, Sandro Piazza, advisor with proper professional qualifications and independence, who has gained extensive experience in the field of Internal Auditing and compliance activities.

The appointment of Sandro Piazza took place following the favourable opinion of the Director in charge for the Internal Control and risks Committee, based on the technical knowledge and skills of the professional experience to perform the task.

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Pursuant to the Guideline 7. C.3., lett. b) The Head of the Internal Auditing Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

Until July 2019, the Internal Auditing Department comprises, in addition to the Manager, two additional resources with specific expertise in economics and finance.

In July 2019 the Compliance Dept. was set up (headed by the Legal and Corporate Affairs Department of Ascopiave S.p.A.), and it included two resources that were previously part of the Internal Auditing Department.

Among its activities, the Compliance Department also supports any eventual operational audits by the Internal Auditing Manager, acting as contact point for gathering the necessary information.

The Internal Auditing Department is not responsible for any operational area and reports to the Chairman of the Board of Directors of Ascopiave.

The Board of Directors is responsible, on proposal of the Director in charge for the internal control and risk management system, upon approval of the Control and Risk Committee and after having heard the Board of Auditors, to appoint and dismiss the head of the Internal Auditing Department, ensuring that he is provided with the adequate resources to perform his work. In addition, the Board of Directors is responsible for approving, on an annual basis, the work plan prepared by the Head of the Internal Auditing Department, after consultation with the Control and Risk Committee, having heard the Board of Auditors and the Administrator in charge for the internal control and risk management system.

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The head of the Internal Auditing, Department pursuant to the Application Guideline 7. C.5. of the Code:

- verifies, either continuously or in relation to specific needs and in compliance with international standards, the operation and the suitability of the internal control and risk management system; the activity is regulated by an audit plan, approved annually by the Board of Directors, based on a structured analysis and prioritization of key risks;
- has direct access to all information useful to perform his tasks;
- draws up periodic reports containing adequate information about his work, the way in which the risk management is carried out, as well as on the compliance with the plans for their reduction, further to an assessment on the suitability of the internal control and risk management system and he transmits them to the Chairmen of the Board of Auditors and of the control and risk Committee, to the Chairman of the Board of Directors and to the Director responsible for the system of internal control and risk management;
- draws up timely reports on major events and transmits them to the Chairmen of the Board of Auditors, of the Control and Risk Committee and of the Board of Directors as well as to the Director in charge of the internal control system and risk management;
- verifies, as part of the audit plan, the reliability of information systems including systems of accounting.

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For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the Head of Internal Auditing may request the support of external professionals expert in this field or of tools that support the activity.

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During the financial year, the Head of the Internal Auditing performed a verification of the internal control system and risk management of the Issuer on the of the control instruments implemented in the previous fiscal years.

The Head of the Internal Auditing department, during the financial year, has guaranteed systematic and periodical information about the outcomes of activity performed, addressed to the Chairmen of the control and risks Committee and of the Board of Auditors, as well as to the administrator in charge of supervising the internal control and risk management system, in order to enable them to fulfil the tasks assigned in the field of supervision and evaluation of the system of internal control and risk management.

The Internal Auditing Officer is also member and coordinator of the Whistleblowing Committee, a collegial body set up after the adoption of the "Whistleblowing Group Reporting Procedure", on 13th May 2019.

### **11.3. ORGANISATION MODEL ex Legislative Decree 231/2001**

On 27th March 2008, the Issuer adopted the organisation, management and control model for the prevention of crime with the aims specified by Legislative Decree 231/2001 and subsequent integrations.

The Board of Directors of Ascopiave SpA, at the meeting of 22nd December 2016, upon proposal of the Supervisory Body, approved the updating of the general part of the Model.

Along with the adoption of the model, the Company appointed a Supervisory Committee that will have to supervise on the operation and compliance with the model itself, taking into consideration the requisites required by the relevant legislation and the indications deriving from the guidelines of the relevant category associations as well as from the best industry practices

On 8th June 2017, the Board of Directors of Ascopiave S.p.A. appointed the new Supervisory Body of Ascopiave S.p.A., composed of the lawyer Fabio Pavone (Chairman of the Board), from Mr. Luca Biancolin - who also holds the position of member of the Board of Statutory Auditors of Ascopiave S.p.A. and from Law. Elisa Pollesel.

During the financial year 2019, in carrying out the duties assigned by law and by the Board of Directors of Ascopiave to the Supervisory Body, no. 10 (ten) meetings were held, and they were all reported on minutes by the Chairman .

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During the meeting of 13th May 2019, the Board of Directors of Ascopiave SpA approved the "Procedure for managing Ascopiave Group reports" (so-called Whistleblowing), an integral part of Model 231 in compliance with Law 179/2017, which modified art. 6 of the Legislative Decree 231/2001.

The "Ascopiave Group reporting management procedure" was adopted by all the Ascopiave Group subsidiaries, and it provides for three main contact channels (letter, dedicated e-mail and web platform) and assigns the reports management to a "Reporting Committee".

The Reporting Committee, a collegial body set after the adoption of the "Ascopiave Group Reporting Procedure", on 13th May 2019, is made up of the Internal Auditing Officer, the Legal and Corporate Affairs Director and the Supervisory Body of Ascopiave SpA

During the financial year 2019, the Reporting Committee of Ascopiave S.p.A. met on 7th October 2019. The Committee also met on 24th February 2020.

The "Ascopiave Group report management procedure" is published on the Issuer's website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the Corporate Governance / System and rules / Model 231 section.

The summary document of Model 231 consists of a general part which illustrates the reference regulatory system, the model definition procedure and the elements which constitute the model; other special parts are also documented depending on the types of crime that the model aims at preventing, including:

- crimes against the public administration
- corporate crimes
- *market abuse*
- health and safety at work
- environmental crimes
- Informatics crimes
- receiving of stolen goods and money recycling and laundering
- corruption between private parties

The Supervisory Board has set up, during the previous years, a structured collection of information flows by the business parties so called Apical, designed to obtain information about significant events that occurred during the operations that may be attributable to the risk areas identified in Model 231.

For the dissemination of the model, the general part of the same is available on the Issuer's website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the section Corporate Governance/Sistema e regole/Modello 231.

In addition, the Ascopiave Group Code of Ethics, approved by resolution of the Board of Directors of Ascopiave S.p.A. of 14<sup>th</sup> May 2013, is available on the Issuer's website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the section Corporate Governance/Sistema e regole/Codice Etico.

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#### **11.4. AUDITING COMPANY**

Auditing is entrusted to the company PriceWaterhouseCoopers S.p.A.

The appointment was made by the Shareholders' Meeting on 23<sup>rd</sup> April 2015. The appointment will expire upon approval of the financial statement as of 31<sup>st</sup> December 2023.

#### **11.5. MANAGER RESPONSIBLE FOR DRAWING UP THE COMPANY ACCOUNTING DOCUMENTS**

The Board of Directors of Ascopiave SpA, which met on October 15<sup>th</sup> 2018, subject to the opinion of the Board of Statutory Auditors and to verification of the requirements of integrity and professionalism provided for by the Articles of Association, appointed Riccardo Paggiaro on October 31<sup>st</sup> 2018 as Chief Financial Officer, in charge for drawing up the accounting and corporate documents pursuant to art. 154-bis of the Legislative Decree 58/98 and as strategic manager of the Ascopiave Group. Mr. Paggiaro, graduate in Economics from Ca 'Foscari University of Venice in 2001, Accountant and Auditor, has gained significant experience in administration, finance and control after a multi-year course in tax and corporate finance at primary consulting and auditing company. Since 2011 he has held the position of Head of Finance & Treasury of the Ascopiave Group and of Administrative Manager for the subsidiaries, as well as holding positions in Group companies.

In accordance with Article 25 of the Issuer's Articles of Association , the manager responsible for preparing the company accounting documents must be in possession, not only of the honourable requirements described by current legislation for all those performing functions of administration and management, but also the professional requirements as follows (i) having graduated in economics, finance or a subject related to company management and organisation, (ii) having matured a total experience of at least three years in administration or control activities, or having performed managerial tasks with capital companies, or administrative or managerial tasks, or held offices of auditor or consultant as Articles of Association and accountant with businesses in the fields of credit, finance or insurance, or in any case in fields that are closely related or inherent to the activity performed by the Company, involving the management of economic and financial resources.

Furthermore, any person not in possession of the requirements of honour as under article 147-quinquies of Legislative Decree no. 58 dated 24th February 1998.

Following the obligatory but not binding opinion of the Board of Auditors, the Board of Directors shall appoint the Manager responsible, setting out his compensation.

The Board of Directors will grant the appointed Manager suitable powers and means by which performing his tasks, in accordance with the provisions of article 154 bis of Legislative Decree no. 58 dated 24th February 1998.

#### **11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Issuer has implemented mechanisms of interaction between the parties involved in the system of internal control and risk management aimed to ensure the coordination and the effective performance of specific tasks. Among these, it is to be noticed the performance of regular meetings between the bodies and the departments responsible for internal control and risk management, the participation of

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the Board of Statutory Auditors and of the Internal Auditing Manager to the meetings of the Control and Risks Committee.

Furthermore, upon request of the Chairman of the Board of Statutory Auditors of Ascopiave S.p.A., Mr. Antonio Schiro, on 25<sup>th</sup> February 2019 a meeting was held for the exchange of information pursuant to art. 151 of the Consolidated Financial Law, with the control bodies of Ascopiave and the subsidiaries of the Ascopiave Group.

## **12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES**

On 24th November 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"). The Code governs the operations with related parties performed by the Company, either directly or through subsidiaries, in accordance with the provisions set forth in the Regulations adopted pursuant to Art. 2391-bis of the civil code by the National Committee for the Companies and the Stock Market, (CONSOB) with resolution no. 17221 dated 12<sup>th</sup> March 2010 and further amendments ("Regulations").

The Code came into force as of 1st January 2011 and it has replaced the previous regulation governing Related Parties Transactions approved by the Board of Directors of the Company on 11th September 2006 (subsequently modified).

For the contents of the Code, see the document available on the Issuer's website [www.Gruppoascopiave.it](http://www.Gruppoascopiave.it), section Corporate Governance/Systems and rules/ Related regulation.

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In order to implement the procedure, a mapping of the so-called Related Parties is periodically performed, to which the contents and the controls envisaged by the document are applied. The Directors are also required to declare, if existent, any interests in conflict with the performing of the transactions in question.

## **13. APPOINTMENT OF AUDITORS**

The appointment and replacement of auditors is governed by the laws and regulations of Article 22 of the Issuer's Articles of Association.

The Board of Auditors is composed of three statutory auditors and two alternate auditors, whose office lasts three years and which can be re-elected. At least one of the statutory auditors should be: (i) a woman, if the majority of the statutory auditors are men; (ii) a man, if the majority of the statutory auditors are women.

In accordance with Article 22 of the Issuer's Articles of Association , the whole Board of Auditors is appointed based on lists presented by Shareholders. Shareholders who alone, or together with other Shareholders, at the time of presentation hold a share of at least 2.5% of the share capital, or, where otherwise, the maximum share of the share capital required for the presentation of lists as specified by applicable provisions of law and regulations, may present lists. The interest share will be specified in the summons notice to the Meeting called to deliberate the appointment of the Board of Auditors.

The lists must specify at least one candidate for the office of Statutory Auditor, and one for the office of Alternate Auditor. No candidate may appear in more than one list, at risk of being deemed incompatible. In the lists composed of three or more candidates, the gender of at least one third

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(rounded up) of the candidates for the role of statutory auditor and the candidates for the office of alternate auditor must be different from the gender of the other candidates.

The lists, signed by the Shareholders presenting them, or by the Shareholder who has been delegated to present them and provided with the documentation specified by this Articles of Association and by current provisions of law and regulations, must be filed at the company headquarters within the terms of the applicable provisions of law and regulations. If, upon expiry of the terms set out by the applicable provisions of law and regulations, only one list of candidates has been presented, or indeed none, the meeting shall deliberate by relative majority of shareholders. In case of a tie between candidates, there will be a second ballot between these, with a further voting by the meeting.

Where two or more lists are presented, election of the Board of Auditors shall take place as follows:

- (i) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes: (a) two statutory auditors and (b) one alternate auditor;
- (ii) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes: (a) one statutory auditor, who will also hold the office of Chairman of the Board of Auditors, and (b) one alternate auditor and, where available, further alternate auditors ready to replace the minority member, up to a maximum of three. Where this is not possible, the first candidate of the list having obtained the next greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes, will be appointed alternate auditor;
- (iii) should votes for two or more lists be equal, the candidates of the list presented by shareholders holding the greatest share, will be appointed, or, subordinate to this, that presented by the greatest number of shareholders, without prejudice to applicable regulations governing gender balance.

Should one or more standing auditors taken from the list that had obtained the greatest number of votes (the 'Majority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, without prejudice to applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, respecting applicable regulations governing gender balance. Should one or more standing auditors taken from the list that had obtained the second greatest number of votes (the 'Minority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, always in compliance with applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, and in order to respect, where possible, the principle of minority representation.

The Meeting held to deliberate on the integration of the Board of Auditors shall proceed in any case with the appointment or replacement of the members of said Board, without prejudice to the need to ensure that the structure of the Board of Auditors complies with the provisions of law and current regulations, and with the Issuer's Articles of Association .

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Without prejudice to that set out by the previous paragraph, should the Meeting integrate the Board of Auditors, it shall resolve with ordinary majorities and methods, as an exception to the list voting system, which will only apply in the event of replacement of the entire Board of Auditors.

The Company's Board of Directors will propose to the Shareholders' Meeting, called to approve the 2019 financial statements, the approval of the amendments to the Articles of Association, aimed at ensuring that the statutory auditors to be elected are divided according to a criterion ensuring the gender balance, pursuant to the new art. 148, paragraph 1-bis of the Consolidated Financial Law, which states that "*omissis ... the least represented gender shall obtain at least two fifths of the effective members of the board of statutory auditors*".

#### **14. STRUCTURE AND FUNCTIONING OF THE BOARD OF AUDITORS**

The Board of Auditors appointed by the Ordinary Meeting held on 28th April 2017 and in office until approval of the financial statement as of 31st December 2019, is structured as follows:

Name	Position
Antonio Schiro	Chairman of the Board of Auditors
Luca Biancolin	Statutory auditor
Roberta Marcolin	Statutory auditor
Achille Venturato	Alternate auditor
Pierluigi De Biasi	Alternate auditor

The Statutory Auditors Luca Biancolin and Roberta Marcolin and the Alternate Auditor Achille Venturato have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Chairman of the Board of Statutory Auditors Antonio Schiro and the Alternate Auditor Pierluigi De Biasi have been chosen from the no. 2 minority list jointly presented by AMBER CAPITAL ITALIA SGR S.p.A., AMBER CAPITAL UK LLP e ASM Rovigo S.p.A..

The two lists presented have no connection whatsoever with one another.

For the detailed composition of the Board of Auditors for the year 2018, please refer to Table 3 attached to the Report.

Below are reported the 2 lists presented:

ISSUER	LIST OF CANDIDATES	LIST OF APPOINTED SUBJECTS	% OF VOTES OBTAINED ACCORDING TO THE VOTING CAPITAL

<b>List n. 1</b> Asco Holding S.p.A.	<b>Statutory auditors</b> 1. Luca Biancolin 2. Roberta Marcolin <b>Alternate auditor</b> 1. Achille Venturato	<b>Statutory auditors</b> 1. Luca Biancolin 2. Roberta Marcolin <b>Alternate auditor</b> 1. Achille Venturato	81,15%
<b>List n. 2</b> Jointly presented by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A.	<b>Statutory auditor</b> 1. Antonio Schiro <b>Alternate auditor</b> 1. Pierluigi De Biasi	<b>Statutory auditor</b> 1. Antonio Schiro <b>Alternate auditor</b> 1. Pierluigi De Biasi	18,73%

Please refer to Table 5 for the list of other companies listed on regulated markets, including foreign ones, in financial, banking, insurance or large companies, different from the Issuer in which the same Auditors have responsibilities of administration or control.

Here below is the personal and professional history of each Auditor:

- Chairman, Antonio Schiro: is a member of the Association of Articles of Association and Accountants of Rovigo and of the Register of Credit Brokers at the UIC. He is freelance independent advisor in his firm "Studio Schiro & Partners" in Rovigo. He has been a member of various boards of companies and private and public entities, banks, financial, industrial and service companies, both in Italy and abroad
- Statutory Auditor, Luca Biancolin: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry, he practices in her office in Conegliano (TV). He is currently director and auditor in various public and private law companies.
- Statutory Auditor, Roberta Marcolin: member of the Association of Articles of Association and Accountants and Accounting Experts of Treviso and in the Register of Legal Auditors, she practices in her studio in Treviso. She is director in various public and private companies. Alternate Director, Pierluigi De Biasi: he obtained the title of lawyer and is admitted to legal aid before the higher courts. He was director and administrator of some companies, including listed companies
- Alternate Auditor, Pierluigi De Biasi: Lawyer, admitted to practice before the higher courts. He has been a statutory auditor and director of a number of listed companies.
- Alternate Auditor, Achille Venturato: registered to the Treviso Association of Articles of Association and Accountants, to the Register of Auditors and to the Register of Technical Consultants of the Court of Treviso. He carries out his profession at his law firm in Treviso. He has been director or member of the board of auditors in various public or private companies.

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The professional curricula of the auditors pursuant to articles 144-octies e 144-decies of the Consob Issuers Regulation are available on the Issuer's website in the section "investor relations".

During the financial year 2019, 12 (twelve) meetings of the Board of Statutory Auditors were held on the following dates: 15th February 2019, 25th February 2019 (two meetings), 4th March 2019, 11th March 2019, 29th March, 17th June 2019, 30th July 2019, 5th August 2019, 23rd September 2019, 11th November 2019 and 10th December 2019.

The average duration of the meetings was 1 hour and 30 (thirty) minutes.

For details on the participation of the Auditors to the meetings, see Table 3 attached to this report.

During 2020, the Board of Auditors will meet at least every 90-days, pursuant to Article 2404 of the Civil Code. After the end of the fiscal year, until the date of this report, the Board of Auditors met on 24th January 2020 and 7th February 2020. 4 (four) meetings have been schedule scheduled for 2020 by the current Board of Statutory Auditors

There have been no changes to the composition of the Board subsequent to balance sheet date.

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### **Diversity policies and criteria**

With regard to the diversity policies on the composition of the Board of Statutory Auditors, it is hereby stated that, pursuant to the current Articles of Association, the composition of the Board of Statutory Auditors must guarantee the balance between genders, as required by law.

In particular, at least a third of the current Board of Statutory Auditors is made up of auditors of the least represented gender.

Please refer to the professional curricula of the Statutory Auditors deposited at the registered office and available on the Issuer's corporate website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) in the Investor Relations section, for the training, professional paths and skills acquired.

With particular reference to gender balance, moreover, the Company's Board of Directors will propose to the Shareholders' Meeting, called to approve the 2019 financial statements, the approval of the amendments to the Articles of Association, aimed at ensuring that the statutory auditors to be elected are divided according to a criterion ensuring the gender balance, pursuant to the new art. 148, paragraph 1-bis of the Consolidated Financial Law, which states that "*omissis ... the least represented gender shall obtain at least two fifths of the effective members of the board of statutory auditors*".

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The delegated bodies have reported in a suitable and timely manner to the Board of Auditors concerning all activities performed, the general management trends and predictable evolution, as well as on the most important operations in terms of size and characteristics performed by the Issuer and its subsidiaries, specified by the Law and the Articles of Association , and therefore at least once a quarter.

In line with the Application Criterion 8.C.1 of the Self-Discipline Code, the Board of Auditors, at its meeting on 9<sup>th</sup> May 2017, the first after its appointment, verified the existence of the requirements of independence of its members, in accordance with the provisions in the Guideline 8. C.1 of the Self-Discipline Code. The verification did not reveal any element that lead to the disappearance of this need for independence.

During 2019, namely during the meeting of 4<sup>th</sup> March 2019, the Board of Auditors verified the continuation of the independence requirements for its members on March 14th 2018, and reported the outcome of these verifications to the Board of Directors. This verification was carried out also during the meeting of 24<sup>th</sup> January 2020.

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During the fiscal year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgence of information during meetings and in the pre-board report.

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The Issuer specifies that any Auditor who, on his own behalf or that of third parties, holds an interest in a given Issuer operation, must inform the other auditors and the Chairman of the Board as to the nature, terms, origin and extent of such interest, in a full and timely manner.

The Board of Auditors in the conduct of its business, is regularly coordinates with the Head of Internal Auditing and with the control and risks Committee, in line with the Application Guidelines 8.C.4 and 8. C.5. of the Code.

## **15. RELATIONSHIPS WITH THE SHAREHOLDERS**

The Issuer has deemed of his interests - as well as a duty to the market - to set up a continuous dialogue from the time of listing, founded on reciprocal understanding of roles, with the general information of the shareholders. This dialogue will, in any case, take place in compliance with the procedure for the external communication of company documents and information. The article 2.2.3 subparagraph. 3 lett. k) of the Stock Exchange Regulations also states, with specific reference to companies intending to obtain listing of own shares with the 'STAR' qualification, the compulsory appointment of a professionally qualified person from within their organisational structure (Investor Relator) in charge of specifically managing relationships with investors.

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Regarding the above, and in accordance with the recommendations of Principle 9 of the Self-discipline Code, the Company's Board of Directors appointed during the meeting held on 24<sup>th</sup> July 2006 Mr. Giacomo Bignucolo as Investor Relator and responsible for relationship with investors.

Finally, Ascopiave has set up a specific 'investor relations' section within its website ([www.gruppoascopiave.it](http://www.gruppoascopiave.it)), in which information concerning the company and important for its shareholders is available.

## 16. MEETINGS

In accordance with Article 11.1 of the Issuer's Articles of Association , the subjects legitimated by the authorised intermediary may participate in the Meetings, in accordance with the current and relevant regulations.

Any legitimated subject may be represented by another person, not necessarily a shareholder, upon presentation of a written proxy, in accordance with the current and relevant regulations. The proxy can also be assigned electronically, through the procedures envisaged by regulations currently in force. Moreover, in accordance with the provisions set forth in the summons notice, the electronic notification of the proxy can be sent by accessing the dedicated section of the Company's website, i.e. by sending the document to the certified email address of the Company (Article 11, paragraph 2 of the Company Articles of Association ).

The regulations concerning Board activities, applicable to listed companies, have been considerably overhauled, following the coming into effect of Legislative Decree no. 27 dated 27th January 2010, the adoption of Directive 2007/36/EC of the European Parliament and of the Council of 11th July 2007, on the exercise of certain shareholders' rights in listed companies (the so-called "Shareholders' Rights Directive" or "SHRD").

Now, therefore, the Shareholders' Extraordinary Meeting dated 28th April 2011 has resolved to integrate Article 11 of the Company Articles of Association by adding the paragraph 11.3 which envisages that the Company can appoint for each meeting an individual that may receive a proxy from those who have the right to vote with instructions on how to vote on each or some of the proposals on the agenda.

In order to facilitate the Shareholders 'participation to the Meetings, the Articles of Association also specifies that the Meeting may take place with interventions in different, separate and distant places that are audio/video connected, as long as formal meeting procedures and the principle of good faith and equal treatment of shareholders, are respected (Article 12, paragraph 1 of the Articles of Association ).

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With reference to the Criterion 9.C.3 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 resolved to adopt the Meeting Regulations (subsequently amended by the Meeting held on 28th April 2008 and by the Meeting held on 28th April 2011), which came into effect as from the date of the Start of Negotiations(<http://www.gruppoascopiave.it/investor-relations/assemblee.pdf>).

These Regulations are specifically aimed at governing the Shareholders' Meetings, guaranteeing a correct and orderly holding of such, and, in particular, the right of each shareholder to intervene on the matters under discussion. It constitutes a

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valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

Among the other things, the Regulations provides that the Chairman shall lead the discussion, giving the floor to those who may legitimately intervene (i.e. those who have the right to participate in the meeting based on the law and Articles of Association ), who may have requested it.

Those with a right to intervene who wish to speak, must request to do so of the Chairman, after his having read the item on the meeting agenda to which the request refers, and after discussion has been opened, before the Chairman declares discussion of the item over.

The above mentioned request must be made by the raising of the hand, should the Chairman not have arranged for a written request procedure. Where procedure involves the raising of the hand, the Chairman will allow the person who has raised his hand first to speak. Should it be impossible to establish who raised his hand first, the Chairman will allow participants to speak in accordance with the order established by himself, in his own judgement. Where a written request procedure is implemented, the Chairman shall allow participants to speak based on the order of entry.

The Chairman and/or, upon his invitation, the Directors and Auditors, regarding their respective functions or as the Chairman deems fit in relation to the meeting agenda, shall answer those legitimately able to participate, after each intervention, or rather after having completed all interventions on each item on the agenda, in accordance with what specified by the Chairman.

Those who have the right to intervene, the Directors and Auditors, have the right to speak on each of the items on the agenda, and to formulate proposals to their regard.

Those with a right to intervene can ask questions related to the matters in the agenda even before the meeting, through the procedures specified in the summon notice.

The questions submitted prior to the Meeting by those with a right to intervene, are answered during the Meeting itself, provided that the requested information has been accessible according to the applicable regulations and as long as the Chairman is able to give a single answer to the questions concerning the same topic.

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In light of the amendments to regulations concerning related party transactions pursuant to the Regulations adopted by Consob with resolution no. 17221 on 12th March 2010 (and further amendments) and taken into consideration the new regulations introduced by Legislative Decree no.27/2010 implementing the Directive 2007/36/EC (the so-called "Shareholders' Rights Directive"), the Shareholders' Meeting held on 28th April 2011 has resolved to integrate the Company Articles of Association by adding a new article recorded as "Related party transactions". This regulation gives the Board of Directors the possibility to approve the transactions of greater relevance within the scope of the Board of Directors as well as to implement the transactions of greater relevance within the scope of the Shareholders' Meeting, despite a contrary opinion of the Independent Directors, provided that the shareholders meeting authorizes and approves the transaction's execution and the Shareholder's Meeting itself takes its resolutions both based on the legal majorities and on the favourable vote of the majority of unrelated voting shareholders and provided that the unrelated shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights.

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The Board has reported back to the Meeting on the activity performed and planned, and has acted to ensure that Shareholders are suitably informed as to all elements necessary in order to make a knowledgeable decision.

2 (two) directors attended the ordinary and extraordinary Shareholders' Meeting of 23rd April 2019 while the other directors justified their absence.

The methods applied by the Compensation Committee Department for exercising its functions were presented to the shareholders, during the meeting of 23<sup>rd</sup> April 2019, on the Report on Compensation and during the discussion of its contents.

During the fiscal year 2019, the Issuer believed there have been no significant changes to the capitalisation of the Issuer market or to the structure of its subsidiaries that would require changes to be made by the Shareholders' Meeting to the Articles of Association , in relation to the percentages specified for the year of the prerogatives protecting minorities. To this regard, we would specify that in applying Article 144 quarter of the Consob Issuer Regulations 11971/1999 for the presentation of lists for the appointment of members of the Board of Directors and the Board of Auditors, Articles 15.2 and 22.2 of the Issuer's Articles of Association requires a percentage threshold of 2.5% of the share capital with voting rights, or other percentage that may be specified or stated by provisions of law or regulations.

The Shareholders' Meeting of Ascopiave S.p.A. of 23rd April 2019, in extraordinary session, modified art. 6 of Ascopiave's Articles of Association in order to introduce the mechanism for increasing the voting right, pursuant to art. 127-quinquies of the Consolidated Financial Law.

The Regulations for the increased vote and the related request form for the registration in the special list for the increased vote are available on Ascopiave website at [www.gruppoascopiave.it](http://www.gruppoascopiave.it), "Corporate Governance" Section - "Increased Vote".

For further information on the increased vote, please refer to the paragraph "Securities conferring special rights".

## **17. FURTHER CORPORATE GOVERNANCE OPERATIONS**

In 2012, the Board of Directors of the Issuer approved, and updated on 16<sup>th</sup> June 2016, the "Guidelines on the exercise of management and coordination powers of the parent company" which governs the management and coordination executive procedures, the flows of information and control between the Issuer and its subsidiaries, in compliance with the prerogatives provided by the unbundling legislation for the Independent Provider and for the vertically integrated company (so-called *unbundling*). The Guidelines have been adopted by the boards of the subsidiary companies and after adopted by each administration body of these, is an integral part of the Group governance system.

On 11<sup>th</sup> March 2019, the Board of Directors of Ascopiave S.p.A. set up a new internal board committee called the Independent Directors Committee.

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The creation of this internal committee is in line with the recommendations of the Application Criterion 3.C.6. of the Corporate Governance Code that recommends that the Issuer's independent directors meet at least once a year in the absence of the other directors. The structure and functioning of this intra-board committee is in line with the Application Criterion 4.C.1 of the Corporate Governance Code. The Independent Directors Committee is composed of all the independent Directors of Ascopiave S.p.A. or by the independent director Coin Dimitri, Chairman, and by the independent directors Enrico Quarello, Giorgio Martorelli (who submitted his resignation on February 3, 2020) and Greta Pietrobon (see Table 2).

During the financial year 2019, 3 (three) meetings of the Independent Directors Committee were held, on March 15, 2019, June 17, 2019 and July 30, 2019. The average duration of the meetings was approximately 1 hour.

The Committee also met, after the end of the year, on February 7, 2020. At the current date, no other Committee meetings have been scheduled for the year 2020.

The Chairman and the other two members of the Board of Statutory Auditors attended the Committee meeting upon invitation of the Committee.

## **18. CHANGES SINCE THE END OF THE FISCAL YEAR IN QUESTION**

No changes in the corporate governance system adopted by the Issuer since the end of the fiscal year.

## **19. CONSIDERATIONS ON THE LETTER OF 20<sup>th</sup> DECEMBER 2019 BY THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations of the Chairman of the Corporate Governance Committee formulated in the communication of 20<sup>th</sup> December 2019 were examined by the Board of Directors on 24<sup>th</sup> January 2020. At the meeting of 6<sup>th</sup> March 2020, the Board of Directors examined these recommendations.

At this meeting, the Board of Directors examined the recommendations of the Governance Committee identified in 2019, and it carried out a follow-up on the level of implementation of the recommendations referred to the previous year (2018). The recommendations made in the letter were also submitted to the Board of Statutory Auditors.

The initiatives planned and/or undertaken by Ascopiave in accordance with the recent recommendations made by the Corporate Governance Committee on 20<sup>th</sup> December 2019 are summarized below.

In particular, with reference to the first recommendation to integrate the sustainability of the business activity into the company's strategies and the remuneration policy, as mentioned by the 2018 Governance Report, the Board of Directors of Ascopiave S.p.A. has already integrated the concept of "sustainability" of the business activity into the definition of the company strategies and of the remuneration policy.

In particular, the Shareholders' Meeting of 26<sup>th</sup> April 2018 approved the LTI 2018-2020 share-based long-term incentive plan, tool envisaged by the Ascopiave's remuneration policy for pursuing the objective of sustainability of the company's activities in the medium-long term.

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In addition, the Ascopiaeve Group's sustainable business model is reported in the consolidated non-financial declaration drawn up pursuant to articles 3 and 4 of Legislative Decree no. 254 of 2016.

It should also be noted that, following the operational partnership with the Hera Group, effective from 19<sup>th</sup> December 2019, Ascopiaeve S.p.A. has consolidated its business in the distribution of gas and, following this reorganization of the group structure, has defined the new strategic and industrial plan for the next three years, including in the new three-year strategic industrial plan a risk assessment in line with the strategic objectives of the Issuer, pursuant to the Application Criterion 1.C.1., lett. b), in particular by including in its assessments all the risks in terms of sustainability in the medium-long term. In this regard, the Board of Directors of Ascopiaeve S.p.A. approved the three-year 2020-2022 plan at the meeting of 28th February 2020.

With reference to the second recommendation to the Board of Directors to ensure the adequate management of information flows to the Board of Directors, guaranteeing that confidentiality is protected without compromising the completeness, use and timeliness of the information, during the year 2019, in line with Application Criterion 1.C.5. of the Code, the Chairman of the Board of Directors and CEO endured, with the help of the Corporate Affairs Office, that the documents about the agenda items are brought to the attention of the directors and statutory auditors well before the board meeting. For further details, please refer to the paragraph "Role of the Board of Directors".

With reference to the third recommendation to the Board of Directors to apply more rigorously the independence criteria of the Code, and to the supervisory bodies to check the correct application of these criteria, paying particular attention to the relationships being assessed, during the meeting of 24<sup>th</sup> January 2020, the Board of Directors carried out the annual independence assessment of its independent directors pursuant to the Application Criterion 3.C.1 of the Corporate Governance Code and art. 148 of the Consolidated Financial Law, paragraph 3. For further details, please refer to paragraph 4.6 "Independent directors".

Finally, with reference to the fourth recommendation to the Board of Directors and to the committees responsible for compensation, in order to verify the adequacy of the fees paid to non-executive directors and to the members of the control body according to the competence, professional level and commitment requested by their role, also referring to the common remuneration practices, also abroad, in the same sectors and for companies of similar dimension, in view of the renewal of the corporate bodies, as part of the annual process of review and updating of the Remuneration Policy, the Board of Directors and the Remuneration Committee, with the support of the People & Stakeholder Relations Department, shall assess the compensation paid to non-executive directors and members of the control bodies, also with reference to widespread remuneration practices, also abroad, in the same sectors and for companies of similar size.

However, it should be noted that decisions regarding the remuneration of newly appointed directors must be taken by the next Shareholders' Meeting of Ascopiaeve.

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## TABLES

**TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE**

	Nº Shares	% vs. Share Capital	Listed/Non-Listed	Rights and Obligations
<b>Ordinary Shares</b>	234.411.575	100%	STAR	Each share is equivalent to one vote (*). The shareholders' rights and obligations are those stated in Articles 2346 et seq civil code and company Articles of Association

(\*) The extraordinary session of the Shareholders' Meeting of Ascopiave S.p.A. of 23rd April 2019, modified art. 6 of Ascopiave's Articles of Association in order to include the increased voting right, pursuant to art. 127-quinquies of the Consolidated Financial Law.

In particular, this mechanism shall give 2 voting rights for each Ascopiave share belonged to the same shareholder for a continuous period of at least 24 months starting from the registration in a special list, established by the Company at the registered office. The officer in charge for managing the Special List was also appointed.

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**SIGNIFICANT CAPITAL EQUITY INVESTMENTS AT THE DATE OF APPROVAL OF THE REPORT OR ON 13TH MARCH 2020 (pursuant to art. 120 of the Consolidated Financial Law and the information reported in the Shareholder's Structure of Ascopiave S.p.A. on Consob corporate website)**

Declarant	Direct Shareholder	Ownership % of ordinary capital	Ownership % of voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	52,043 %	52,043 %
Ascopiave S.p.A.	Ascopiave S.p.A.	5,117%(1)	5,117%(1)
Municipality of Rovigo	ASM Rovigo S.p.A.	4,398 %	4,398 %
Anita S.r.l.	Anita S.r.l.	3,050%	3,050%
A2A S.p.A.	A2A S.p.A.	4,163%	4,163%

(1)Figure referring to shares actually owned by Ascopiave S.p.A. as at 31<sup>st</sup> December 2018, including n. 1.975 bonus shares, carrying value € 1.0

**TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE**

Board of Directors													Control and Risk Committee		Compensation Committee		Independent Auditors Committee	
Position	Members	Date of Birth	Date first appointment *	Start of Term	End of Term	List **	Exec .	Non-exec.	Indep. From Code	Indep. Cons. Fin. Law	N. other offices ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)
Chairman CEO •	Nicola Cecconato	1965	04/05/2017	04/05/2017	Fin Stats 2019		X	-	-	-	2	20/20	-					
Director	Dimitri Coin	1970	28/04/2011	04/05/2017	Fin Stats 2019	M	-	X	X	X	0	18/20	-		P	7/7	P	3/3
Director	Quarello Enrico	1974	14/02/2012	04/05/2017	Fin Stats 2019	M	-	X	X	X	1	19/20	P)	9/9	M	7/7	M	3/3
Director	Pietrobon Greta	1983	24/04/2014	04/05/2017	Fin Stats 2019	M	-	X	X	X	0	19/20	M	9/9		-	M	3/3
Director	Antonello Lillo	1961	04/05/2017	04/05/2017	Fin Stats 2019	M	-	X	-	-	3	19/20	-	-	M	7/7	-	-
Director	Giorgio Martorelli	1976	04/05/2017	04/05/2017	Fin Stats 2019	m	-	X	X	X	1	20/20	M	9/9		-M	-	3/3
<b>TERMS EXPIRED DURING THE FINANCIAL YEAR-----</b>																		
N. of meetings held during financial year: 20					Control and Risk Committee: 9					Remuneration Committee: 7					Independent Auditors Committee: 3			
<b>State quorum requested for the election of one or more minority directors (Art. 147-ter Consolidated Financial Law ): 2.5%</b>																		

#### OBSERVATIONS

The symbols listed below should be entered in the “Office” column:

• This symbol indicates the director in charge of the internal control and risk management system.

◊ This symbol specifies the person responsible for the Issuer’s management (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

\* The date of first appointment of each director is the date on which the director was appointed for the first time (ever) in the issuer’s Board of Directors.

\*\* This column shows the list from which each director has been appointed (“M”: majority list; “m”: minority list; “BoD”: the list submitted by the Board).

\*\*\* This column specifies the number of offices held as a director or auditor by the person in question in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies. The Report on corporate governance exhaustively lists the offices.

(\*). This column indicates the attendance of directors at the meetings of the BoD and the Committees, respectively (number of meetings attended compared to the total number of meetings at which attendance was possible).

(\*\*). This column specifies the role of the director within the Committee: “P”: Chairman; “M”: member.



**TABLE 3: BOARD OF AUDITORS STRUCTURE AS OF 31/12/2019**

Board of Statutory Auditors									
Office	Members	Date of Birth	Date first appointment *	Start of Term	End of Term	List (M/m)**	Independence code	Attendance to meetings ***	Other offices held ****
<b>Chairman</b>	Antonio Schiro	1970	28/04/2017	28/04/2017	Fin Stats 2019	m	X	12/12	0
<b>Standing Auditor</b>	Luca Biancolin	1952	24/04/2014	28/04/2017	Fin Stats 2019	M	X	12/12	2
<b>Standing Auditor</b>	Roberta Marcolin	1968	28/04/2017	28/04/2017	Fin Stats 2019	M	X	12/12	0
<b>Alternate Auditor</b>	Achille Venturato	1966	24/04/2014	28/04/2017	Fin Stats 2019	M	X	-	-
<b>Alternate Auditor</b>	Pierluigi De Biasi	1956	28/04/2017	28/04/2017	Fin Stats 2019	m	X	-	-
<b>Auditors retired during accounting fiscal year</b>									
<b>Number of meetings held during financial year: 12</b>									
<b>State quorum requested for the election of one or more minority directors (Art. 148 Consolidated Financial Law ): 2,5%</b>									

**NOTES**

\* The date of first appointment of each auditor is the date on which the auditor was appointed for the first time (ever) in the Issuer's Board of Auditors.

\*\* This column shows the list from which each auditor has been appointed ("M": majority list; "m": minority list).

\*\*\* This column indicates the attendance of auditors at the meetings of the Board of Auditors (number of meetings attended/number of meetings held during the actual term of office of the person in question).

\*\*\*\* This column shows the number of offices held as a director or auditor by the person under consideration pursuant to art. 148 bis of the Unified Finance Law (Consolidated Financial Law ) and its implementing provisions contained in Consob Issuer Regulations. The complete list of offices is published by Consob on its website in accordance with art. 144- quinque decies of Consob Issuer Regulations.

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**TABLE 4: OFFICES OF THE DIRECTORS IN OTHER COMPANIES**

<b>Nicola Cecconato</b> <i>Chairman and CEO (from 04/05/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Director (from May 2017)</i>	<i>Pasta Zara S.p.A.</i>
	<i>Director (from May 2018 )</i>	<i>Hera Comm S.p.A</i>
<b>Antonella Lillo</b> <i>Non-executive director (from 04/05/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Director (from December 2017)</i>	IWB S.p.A.
	<i>Director (from May 2018)</i>	Somec S.p.A.
	<i>Director (from May 2018)</i>	Autostrade Meridionali S.p.A.
<b>Giorgio Martorelli</b> <i>Independent director (from 04/05/2017)</i>	<b>Office</b>	<b>Company</b>
	<i>Chief Executive Officer (from 2017)</i>	Amber Capital Italia SGR S.p.A.
<b>Enrico Quarello</b> <i>Independent director (from 14/02/2012)</i>	<b>Office</b>	<b>Company</b>
	<i>Director (from May 2019)</i>	Robintur S.p.A.

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**TABLE 5: OFFICES OF THE DIRECTORS IN OTHER COMPANIES AS OF 31/12/2019**

<b><i>Luca Biancolin</i></b>	<b>Office</b>	<b>Company</b>
<i>Chairman of the Board of Auditors (from 28/04/2017)</i>	<i>Chairman of the Board of Directors (from February 2016)</i>	ARPA Veneto
	<i>Member of the Board of Directors (from July 2018)</i>	Mobilità di Marca S.p.A.

## **ASCOPIAVE S.P.A.**

*Headquartered in Pieve di Soligo (TV), Via Verizzo no. 1030  
Share capital Euro 234.411.575.00 fully paid up  
Registered R.E.A of Treviso – Fiscal Code no. 03916270261*

### **REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF ASCOPIAVE S.P.A.**

**(pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429, paragraph 2 of the Civil Code)**

Dear Shareholders,

the Board of Statutory Auditors, pursuant to Article 153 of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance) and Article 2429, paragraph 2, of the Civil Code, is called on to report to the Shareholders' Meeting on the supervisory activities carried out by it as well as on any omissions and improper events it may have detected. The Board of Statutory Auditors can also make comments and proposals regarding the financial statements, their approval and other matters within its jurisdiction.

During the year, the supervisory tasks, attributed to the Board of Statutory Auditors by the applicable provisions of law and regulations, were carried out.

In accordance with the provisions of Article 2403 of the Civil Code ("Duties of Statutory Auditors"), the Board of Statutory Auditors has performed its duties by supervising compliance with the law and the Articles of Association, compliance with the principles of correct administration and in particular, the adequacy and proper functioning of the organizational, administrative and accounting system adopted by the Company.

The task of the statutory audit of the accounts pursuant to Article 14 of Legislative Decree 39/2010 has been assigned to the external auditing company Pricewaterhouse Coopers S.p.A. (PWC).

During the financial year ended 31<sup>st</sup> December 2019, we carried out the supervisory activities required by law, according to the rules of conduct for the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts.

With regard to the activities carried out during the year, also in compliance with the indications provided by CONSOB communication DEM / 102SS64 of 6<sup>th</sup> April, 2001, its subsequent amendments and additions, and with the indications contained in the Code of Conduct, we report the following:

- 1) The Board of Statutory Auditors supervised compliance with the law and the articles of association by respecting the periodicity provided for in Article 23, paragraph 3 of the Articles of Association. We obtained information from the Directors on the activities and on the main operations approved from an economic, financial and equity viewpoint, which were implemented by the Company, its subsidiaries and associates, during the year. In this regard, we can reasonably affirm that these operations comply with the law and the Articles of Association and that they are not manifestly imprudent, risky or in conflict with the resolutions passed by the corporate bodies or such as to compromise the integrity of the company's equity. Furthermore, from the information provided by the Directors to us, in accordance with the law, no operations carried out by them are deemed to be in conflict with the interests of the Company.
- 2) We assessed as complete the information provided by the Board of Directors in the management report, with regard to atypical and / or unusual transactions, including intra-group transactions and transactions with related parties. The Board of Statutory Auditors also assessed the information provided by the Board of Directors in the notes to the financial statements relating to intercompany and related party transactions, of an ordinary nature, and we believe these transactions to be congruous and in the Company's interests.
- 3) The external auditors PWC S.p.A., have released the reports pursuant to Articles 14 and 16 of Legislative Decree 39/2010, regarding the separate financial statements and the consolidated financial statements of the

Group at 31<sup>st</sup> December 2019, prepared in accordance with the International Financial Reporting Standards - IFRS adopted by the European Union.

- 4) The external auditors PWC S.p.A., in charge of the legal audit, have released the report on the non-financial consolidated declaration, pursuant to Article 3, paragraph 10, Legislative Decree 254/2016 and Article 5 of the CONSOB Regulation no. 20267, of ASCOPIAVE S.p.A. and its subsidiaries for the financial year ended 31<sup>st</sup> December 2019, prepared pursuant to Article 4 of the Decree and approved by the Board of Directors on 28<sup>th</sup> February 2020.
- 5) No claims pursuant to Article 2408 of the Civil Code were submitted during the year.
- 6) No other complaints pursuant to Article 2409 of the Civil Code were received during the year.
- 7) For the 2019 accounting period, the fees of the external auditors, PWC S.p.A. for their legal audit activities, amounted to € 261,227 (two hundred and sixty-one thousand, two hundred and twenty-seven), of which € 181,412 (one hundred and eighty-one thousand, four hundred and twelve) related to the accounting audit, € 25,259 (twenty-five thousand, two hundred and fifty nine) for the legal audit of the separate annual statements, and € 54,556 (fifty-four thousand, five hundred and fifty six) for Other Services, for Ascopiave S.p.A. and its subsidiaries.  
No activities were assigned to PWC S.p.A. falling outside of Article 16, paragraph 1-ter of TUF (Consolidated Law on Finance) and related CONSOB regulations, nor any implementation or responsibilities prohibited by Article 5, paragraph 1, of EU Regulation 537/2014.
- 8) In view of the declaration of independence issued by PWC S.p.A. in accordance with Article 17 paragraph 9 letter a) of Legislative Decree 39/2010 and regarding the functions conferred upon it by Ascopiave S.p.A. and subsidiaries as detailed above, the Board of Statutory Auditors deems that there are no grounds to doubt the independence of the external auditing company.  
The external auditors, PWC S.p.A., has stated the following in its Report on the Financial Statements: "We are independent from the company Ascopiave SpA, in compliance with the regulations and principles of ethics and independence envisaged by Italian legislation on accounting audits of financial statements".
- 9) The Board of Statutory Auditors held 12 meetings to perform its supervisory activities.  
The Board of Statutory Auditors attended all 20 meetings held by the Board of Directors and the Ordinary Meeting of the Shareholders on 23<sup>rd</sup> April 2019.  
The Board of Statutory Auditors also attended all 9 sessions held by the Internal Control and Risk Committee, the 7 meetings of the Remuneration Committee and the 3 meetings of the Independent Directors Committee.
- 10) We evaluated and supervised, within our scope of work, compliance with the principles of fair administration and the adequacy of the Company's organizational structure, through the acquisition of information from Managers of the Company's departments and through meetings with the external auditors, to reciprocally exchange relevant facts and figures.
- 11) We assessed and watched over the consistency of the internal control system and had meetings with the Internal Audit Manager of the Company. We did an in-depth analysis of the corrective measures proposed and received relevant updates, on at least a quarterly basis, of the related status, with particular care related to compliance issues. In this regard, we have taken note of the activities performed by the Internal Controls Manager during 2019. Our activities have revealed nothing untoward which may be considered an indicator of inadequacy or criticality of the internal control system.
- 12) We supervised and evaluated the consistency of the administrative-accounting system as a reliable tool for representing operations correctly, through:
  - i. The examination of the reports of the Director in charge of preparing the accounting and corporate documents, concerning the Administrative and Accounting structure and the Internal Control System, as well as the Company Information produced;
  - ii. Obtaining timely and periodic information from the Managers of the respective functions;
  - iii. Relations with the control bodies of the subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of Legislative Decree 58/98;
  - iv. Participation in the work of the Control and Risk Committee;
  - v. The receipt of adequate updates on the activity carried out by the Supervisory Committee set up by the Company in accordance with the provisions of Legislative Decree 231/2001.

No anomalies emerged from the activities which could be considered indicators of inadequacy of the administrative-accounting system.

- 13) The Board of Statutory Auditors has acquired knowledge and supervised, within the scope of our work, the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Legislative Decree 58/98, through the gathering of information from the Managers of the competent corporate functions and meetings with the auditing firm, as well as with the Boards of Statutory Auditors of the subsidiaries themselves, for the purpose of reciprocal exchange of relevant facts and figures.
- 14) The Board of Statutory Auditors held meetings with the managers of the auditing firm, also pursuant to Article 150, paragraph 2, of Legislative Decree 58/98, during which no facts or situations emerged which require highlighting in this report.
- 15) The Board of Statutory Auditors supervised the methods of compliance and actual implementation of the Corporate Governance Code and the Code of Ethics & Conduct of ASCOPIAVE S.p.A., pursuant to Article 149, paragraph 1, letter C - bis, of the TUF (Consolidated Law on Finance).  
The Board of Statutory Auditors has taken note of the verification carried out by the Board of Directors regarding the independence of the directors, verifying the correct application of the criteria and procedures and assessment adopted. The Board of Statutory Auditors also verified the continuation of the independence of its members, in accordance with the provisions of the current Corporate Governance Code.
- 16) The Board of Statutory Auditors has viewed and obtained information on the organizational and procedural activities carried out, pursuant to Legislative Decree 231/2001 and 61/2002, concerning the administrative liability of Entities and for the crimes envisaged by these regulations. The Supervisory Committee, established by the Board of Directors, has reported to the Board of Statutory Auditors on the activities carried out during the 2019 financial year, highlighting the activities to ensure compliance with the legislation in force.
- 17) In compliance with the provisions of "International Accounting Standards - IAS 24" concerning the definition of related parties, it should be noted that these are fully indicated in the paragraph "Relations with related parties", in the chapter "Other comments to the 2019 annual financial report".
- 18) The Director in charge of preparing the accounting and corporate documents has released the declaration required by Article 154 - bis of Legislative Decree 58/1998, with reference to the separate and consolidated financial statements of ASCOPIAVE S.p.A. closed on 31<sup>st</sup> December 2019, expressing an overall positive evaluation.
- 19) The Board of Statutory Auditors highlights that among the significant events that occurred during the year, on 28<sup>th</sup> January 2019, the Board of Directors of ASCOPIAVE S.p.A. and UNIGAS DISTRIBUZIONE S.r.L. approved a business combination through merger by incorporation of UNIGAS DISTRIBUZIONE S.r.L. in ASCOPIAVE S.p.A., immediately followed by the conferral of the operational activities of UNIGAS DISTRIBUZIONE S.r.L. in the networks sector, in EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.. The Board of Directors of ASCOPIAVE S.p.A. and of UNIGAS DISTRIBUZIONE S.r.L. have approved the Merger plan, which will be brought to the approval of the respective shareholders' meetings as well as to Anita's shareholders' meeting. The auditing firm Reconta Ernst & Young S.p.A. was appointed by the Court of Venice as an expert for the purpose of expressing an opinion on the fairness of the exchange ratio, pursuant to Article 2501-sexies of the Civil Code. The Merger was implemented through (i) cancellation of the shares representing 100% of the share capital of Unigas on the date of the signing of the Merger deed and (ii) conferral to Anita, in exchange for its stake held in Unigas, of treasury shares of Ascopiave, without the need to increase the share capital of Ascopiave to service the exchange.
- 20) The Board of Statutory Auditors highlights, among the significant events that occurred during the year, that on 20<sup>th</sup> February 2019, the Board of Directors of ASCOPIAVE SpA, in line with the communication to the market on 15<sup>th</sup> October, 2018, approved the commencement of a process aimed at (i) enhancing its activities in the gas and electricity sales sector and (ii) strengthening and consolidating its presence in the gas distribution sector, in both cases also through one or more strategic partnerships. During this first phase, interested operators submitted expressions of interest and non-binding offers, all of which were collected by 15<sup>th</sup> April 2019.  
Over twenty operators were contacted to participate in the selection process. At the end of the selection process, a partnership was started with HERA Group and on 17<sup>th</sup> June 2019, ASCOPIAVE S.p.A. and HERA S.p.A. approved the signing of a binding Term Sheet for the development of a leading company within the territories of the North-East with over one million energy customers. At the same time, they agreed to a reorganization of their respective gas distribution activities.

The Term Sheet, finalized in a framework agreement by the deadline of 31<sup>st</sup> July 2019, defined the perimeters involved, the economic terms of the agreement, as well as the related governance elements.

The framework agreement was signed on 30<sup>th</sup> July 2019, and from that date, all "Signing to Closing" activities have been carried out.

On 19<sup>th</sup> December 2019, as communicated to the market, the partnership between HERA Group and ASCOPIAVE S.p.A. was finalized and became operational. in the commercial energy sector, with Ascopiave consolidating its Venetian leadership in gas distribution. The operation sanctioned the birth, through the company EstEnergy S.p.A., of the largest energy operator in the North-East and ASCOPIAVE S.p.A. acquired new assets in the distribution of gas, strengthening its position in the sector and reaching 775,000 managed users.

All the commercial activities of the Ascopiave Group were concentrated in EstEnergy S.p.A., through the sale of the equity investments held in the subsidiaries Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A., of the joint ventures Asm Set S.r.l. and Etra Energia S.r.l. and the investment in Sinergie Italiane S.r.l., valued at a total of 474,200 million Euros.

ASCOPIAVE S.p.A. accounted for the disposal of these companies by recording a net result from discontinued operations / assets held for sale of € 503,384 thousand, referring for € 474,598 thousand to the capital gain generated by the disposal of the companies, net of costs incurred and the related tax effect, and for € 28,786 thousand to dividends collected in the period.

Therefore, at the end of the partnership process, EstEnergy S.p.A. share capital is held for 52% by HERA Group and 48% by ASCOPIAVE S.p.A. (which purchased its stake at a price of 395.9 million euros, based on an equity value of 100% of EstEnergy S.p.A. equal to 824.9 million euros).

In line with the Shareholders' Agreement signed, in the composition of the Board of Directors of EstEnergy S.p.A., made up of five members, the appointment of two directors, including the Chairman, as well as the appointment of the Chairman of the Board of Statutory Auditors was reserved to ASCOPIAVE S.p.A..

As part of the transaction, for a period of seven years, ASCOPIAVE S.p.A. was granted the option of withdrawal, exercisable annually, at an exercise price equal to the higher of (i) the fair market value of the investment calculated at exercise date and (ii) the value of the investment, revalued for an annual interest of 4%, net of the share of dividends received, and in any case, not less than the value of the investment itself.

As regards the reorganization of the gas distribution activities, ASCOPIAVE S.p.A. acquired from HERA Group, for a price of 168 million Euros, a perimeter of concessions comprising approximately 188,000 users located in Veneto and Friuli-Venezia Giulia, which were conferred from 31<sup>st</sup> December 2019, into the newly established company called Ap Reti Gas Nord-Est Srl .

With this operation, the Ascopiave Group reached the milestone of managing around 775,000 users and over 12,000 kilometers of network, consolidating its national ranking.

Finally, as required by the agreement signed at the end of July 2019 ASCOPIAVE S.p.A. purchased 3% of the capital of Hera Comm S.r.l., at a price of 54 million Euros and Chairman and Chief Executive Officer Dr. Nicola Cecconato was appointed to the company's Board of Directors.

Finally, Hera Comm S.r.l. directly acquired 100% of the capital of Amgas Blu, a company wholly owned by ASCOPIAVE S.p.A., active in the province of Foggia with around 50,000 customers at a price of € 42.5 million.

- 21) The Board of Statutory Auditors has also received analytical information on the impairment test performed by the auditing firm EY S.p.A. confirming the values of goodwill and some high-value financial assets entered in the balance sheet. The related details have been provided by the Board of Directors in the financial statements and are consistent with international accounting principles and Consob guidelines.

The Board of Statutory Auditors is not aware of other facts or elements that are relevant and / or worthy of being brought to the attention of the Shareholders' Meeting.

In consideration of the above, on the basis of the control activity carried out during the year, there are no impediments to the approval of the financial statements at 31<sup>st</sup> December 2019 and to the proposal of the Board of Directors, with regard to the destination of the result of the fiscal period.

Antonio Schiro – Chairman    Luca Biancolin – Standing Auditor    Roberta Marcolin - Standing Auditor



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of Ascopiave SpA

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Ascopiave Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Ascopiave SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **PricewaterhouseCoopers SpA**

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 01156771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felisenti 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

### **Key Audit Matters**

### **Auditing procedures performed in response to key audit matters**

#### **Recoverability of Goodwill**

##### *Note 1 to the consolidated financial statements "Goodwill"*

As of 31 December 2019, the Ascopia Group recorded a goodwill amounting to Euro 47,914 thousand, representing 4% of total assets, partly referred to the major value resulted from the transfer of the gas distribution networks carried out by shareholders and partly referred to the consideration paid at the time of acquisition of some company branches belonging to the business of gas distribution.

We focused on this item of the financial statements since the assessment of the recoverability of the goodwill allocated to the cash generating units represented by the distribution of gas ("Gas distribution") implies a high degree of evaluation and judgment as it requires Company management to use assumptions and a certain level of discretion in developing the evaluation model.

The valuation of the recoverable amount of the cash generating units has been carried out by the Company management using the discounted cash flow method ("DCF"), discounting at a rate representing the cost of capital the operating cash flows generated by cash generating units, as per the 2020–2022 business plan, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2022.

In particular, it should be noted that the current sectorial legislation provides that the natural gas distribution service is awarded according to bidding procedures to be carried out with a predefined timing. Since the renewal of the concessions has a certain degree of uncertainty, with reference to the valuation of the cash generating unit "Gas distribution" the Company management assumed two alternative scenarios:

- a) Obtainment of the renewal of all the concessions and assignments in place as at 31 December 2019 in 2022;
- b) Termination of the gas distribution service in

Our audit procedures concerned the recoverability of the goodwill value and were performed by carrying out the following tests:

- We performed an understanding and evaluation of the methodology adopted by the company's management to test the recoverability of the values allocated to the two cash generating units for the distribution of gas ("Gas distribution").
- Procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2020–2022, also with reference to the various scenarios assumed for the valuation of the cash generating unit "Gas distribution".
- Discussions were held with the Company management in order to understand and examine the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plan, also using sector references and comparisons between the previous years' budgeted and final results.
- Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (WACC) and of the expected long-term growth rate (g) used in the test development.
- An independent sensitivity analysis was developed on the WACC and g rates applied for the determination of the recoverable values of the two cash generating units, recalculating the recovery values through rates that differ by half a percentage point compared to

### **Key Audit Matters**

### **Auditing procedures performed in response to key audit matters**

2022, realizing a reimbursement value of the plants in concession regime pursuant to art.15 of the Legislative Decree n°164/2000.

those used.

- We tested the correct determination of the assets and liabilities book value attributed to each cash generating unit, including the allocated goodwill, to compare it with the recoverable amount.
- Finally, the completeness and correctness of the disclosure in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.

### **Extraordinary operations**

#### *Note 4 to the financial statements "Share interests"*

In 2019 the Ascopiave Group signed a trade agreement for the development of a partnership with the Hera Group consisting, in short, of the following operations:

- The sale to Hera SpA of the total investment (49%) held in EstEnergy SpA, which has approved a share capital increase in favor of the new shareholders Hera SpA and Hera Comm Srl;
- The sale to EstEnergy SpA of the total investment held by the parent company Ascopiave SpA in the trade companies: Ascotrade SpA - Ascopiave Energie SpA - Blue Meta SpA - Etra Energia Srl - Asm Set Srl - Sinergie Italiane Srl in liquidazione;
- The sale to Hera Comm Srl of the total investment held by the parent company Ascopiave SpA in Amgas Blu Srl;
- The subsequent reacquisition of 48% of the new EstEnergy SpA which, in the meantime, has also acquired the entire investment of Hera Comm Srl in Hera Comm Nord Est Srl (previously Energia Base Trieste Srl=; the latter, in turn, has been transferred by Hera Comm Srl the business unit relating to the sale of electricity, natural gas and value-added services called "Ramo Clienti Veneto HC";
- The acquisition by AcegasApsAmga SpA of AP

Also thanks to the support granted by the PwC network experts, we:

- Conducted interviews with the Company management in order to understand and analyze this extraordinary operation through the analysis of the agreements signed between the parties;
- Analyzed the assessments made by the management in determining the transaction pursuant to the provisions of IFRS 5 as for discontinued operations, IFRS 3 as for business combinations, IAS 28 as for Investments in associates and IFRS 9 as for minor investments and the put options;
- Analyzed the fair assessment of sale and acquisition prices in compliance with the underlying agreements and the reasonableness of the assessments made by the Company management not to carry the financial asset resulting from the related agreements;
- Analyzed the new shareholders agreements regulating the governance of EstEnergy SpA in order to confirm the assessment made by the management as concerns the actual loss of common control in the company;

### **Key Audit Matters**

- Reti Gas Nord Est Srl, acquirer of the business unit of AcegasApsAmga SpA relating to the gas distribution service in the Municipalities of "Padova 1", "Padova 2", "Udine 3" and "Pordenone" included in "ATEM";
- The acquisition of 3% of the share capital of Hera Comm Srl held by Hera SpA.

Following the disposal of the above companies, the Ascipia Group entered a net result from transfer/disposal of assets totaling Euro 478.737 thousand, of which Euro 443.548 thousand referring to the gain resulting from the disposal less costs to sell and related tax effect and Euro 35.189 thousand referring to the 12-month result of the companies being disposed of.

The 100% acquisition of AP Reti Gas Nord Est Srl has been recorded pursuant to IFRS 3 "Business combinations". As a result of the above acquisition, at 31 December 2019 the Group posted a goodwill temporarily amounting to Euro 14.140 thousand.

The acquisition of 48% of EstEnergy SpA and of Hera Comm Nord Est Srl have been recorded pursuant to IAS 28 "Investments in associates" and to IFRS 9 "Financial Instruments", respectively.

Prior to entering this operation in the company accounts, management had to:

- Recognize and measure the acquired assets and liabilities and determine the goodwill, if any, resulting from the transaction in compliance with IFRS 3;
- Assess the need to set out financial assets in the financial statements resulting from possible contractual terms including put options on the investments held in EstEnergy SpA and Hera Comm Srl.

Given its significance, the economic and financial effects on the Group financial statements and its complexity, the transaction represented a key issue in the audit of the consolidated financial statements.

### **Auditing procedures performed in response to key audit matters**

- Ascertained the correct application of the related accounting principles;
- Ascertained the complete and accurate disclosure of the operations in the explanatory notes to the financial statements.

### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements***

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Ascopiaeve SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014***

On 23 April 2015, the shareholders of Ascopiaeve SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



## **Report on Compliance with other Laws and Regulations**

### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

The directors of Ascopiave SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Ascopiave Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Ascopiave Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Ascopiave Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

### ***Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016***

The directors of Ascopiave SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement. Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Treviso, 30 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*



## **Independent auditor's report**

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the shareholders of Ascopiave SpA

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### ***Report on the Audit of the Financial Statements***

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#### ***Opinion***

We have audited the financial statements of Ascopiave SpA (the Company), which comprise the statement of financial position as of 31 December 2019, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### **PricewaterhouseCoopers SpA**

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### **Key Audit Matters**

### **Auditing procedures performed in response to key audit matters**

#### **Recoverability of the investments' value**

*Note 3 to the financial statements "Share interests"*

As of 31 December 2019 Ascopiaeve SpA recorded shareholdings totalling Euro 1.014.648 thousand, representing 87% of total assets.

We focused on this item of the financial statements since the assessment of the recoverability of the investments' value recorded in the financial statements implies a high degree of evaluation and judgment as it requires Company management to use assumptions and a certain level of discretion in developing the evaluation model.

The valuation of the recoverable amount of the investments has been carried out by the Company management using the discounted cash flow method ("DCF"), discounting at a rate representing the cost of capital the operating cash flows generated by the companies, as per the 2020-2022 business plan for each investee company, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2022.

In this respect, it should be noted that the current sectorial legislation provides that the natural gas distribution service is awarded according to bidding procedures to be carried out with a predefined timing. Since the renewal of the concessions has a certain degree of uncertainty, with reference to the valuation of companies belonging to the gas distribution sector, such as AP Reti Gas SpA, AP Reti Gas Rovigo Srl, Edigas Esercizio Distribuzione Gas SpA, AP Reti Gas Nord Est Srl and AP Reti Gas Vicenza SpA, the management assumed two alternative scenarios:

- a) Obtainment of the renewal of all the concessions and assignments in place as at 31 December 2019 in 2022;
- b) Termination of the gas distribution service in 2022, realizing a reimbursement value of the plants in concession regime pursuant to art.15

Our audit procedures concerned the recoverability of the investment's value and were performed by carrying out the following tests:

- We performed an understanding and evaluation of the methodology adopted by the company's management to test the recoverability of the investments' value for the subsidiaries belonging to the gas distribution.
- Procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2020-2022 used for each investment, also with reference to the various scenarios assumed for the valuation of those belonging to the gas distribution sector.
- Discussions were held with the Company management in order to understand the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plans, also using sector references and comparisons between the previous years' budgeted and final results.
- Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (WACC) and the expected long-term growth rate (g) used in the test development.
- An independent sensitivity analysis was developed on the WACC and g rates applied for the determination of the recoverable values of the investments,

### **Key Audit Matters**

of the Legislative Decree n°164/2000.

With reference to the associated company EstEnergy SpA and to the company Hera Comm Srl belonging to the gas trade sector, the Company management considered that the investment made close to the year end of the related independent parties would correctly represent its fair value.

### **Auditing procedures performed in response to key audit matters**

recalculating the recovery values through rates that differ by half a percentage point compared to those used.

Finally, the completeness and correctness of the disclosure in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.

### **Extraordinary operations**

*Note 3 to the financial statements "Share interests"*

In 2019 the Ascopiave Group signed a trade agreement for the development of a partnership with the Hera Group consisting, in short, of the following operations:

- The sale to Hera SpA of the total investment (49%) held in EstEnergy SpA, which has approved a share capital increase in favor of the new shareholders Hera SpA and Hera Comm Srl;
- The sale to EstEnergy SpA of the total investment held by the parent company Ascopiave SpA in the trade companies: Ascotrade SpA - Ascopiave Energie SpA - Blue Meta SpA - Etra Energia Srl - Asm Set Srl - Sinergie Italiane Srl in liquidazione;
- The sale to Hera Comm Srl of the total investment held by the parent company Ascopiave SpA in Amgas Blu Srl;
- The subsequent reacquisition of 48% of the new EstEnergy SpA which, in the meantime, has also acquired the entire investment of Hera Comm Srl in Hera Comm Nord Est Srl (previously Energia Base Trieste Srl); the latter, in turn, has been transferred by Hera Comm Srl the business unit relating to the sale of electricity, natural gas and value-added services called "Ramo Clienti Veneto HC";
- The acquisition by AcegasApsAmga SpA of AP Reti Gas Nord Est Srl, acquirer of the business unit of AcegasApsAmga SpA relating to the gas distribution service in the

Also thanks to the support granted by the PwC network experts, we:

- Conducted interviews with the Company management in order to understand and analyze this extraordinary operation through the analysis of the agreements signed between the parties;
- Analyzed the assessments made by the Directors in determining the transaction pursuant to the provisions of IFRS 5 as for discontinued operations, IAS 28 as for Investments in associates and IFRS 9 as for minor investments and the put options;
- Analyzed the fair assessment of sale and acquisition prices in compliance with the underlying agreements and the reasonableness of the assessments made by the Company management not to carry the financial asset resulting from the related agreements;
- Analyzed the new shareholders agreements regulating the governance of EstEnergy SpA in order to confirm the assessment made by the management as concerns the actual loss of common control in the company;
- Ascertained the correct application of the related accounting principles;
- Ascertained the complete and accurate disclosure of the operations in the explanatory notes to the financial

<b>Key Audit Matters</b>	<b>Auditing procedures performed in response to key audit matters</b>
Municipalities of "Padova 1", "Padova 2", "Udine 3" and "Pordenone" included in "ATEM";	statements.
- The acquisition of 3% of the share capital of Hera Comm Srl held by Hera SpA.	
Following the disposal of the above companies, Ascopiave SpA reported a net result from transfer/disposal of assets totaling Euro 503,384 thousand, of which Euro 474,598 thousand referring to the gain resulting from the disposal of the companies less costs to sell and related tax effect and Euro 28,786 thousand to dividends of the period. The 100% acquisition of AP Reti Gas Nord Est Srl has been recorded pursuant to IFRS 3 "Business combinations". The acquisition of 48% of EstEnergy SpA and of 3% of Hera Comm Srl have been recorded pursuant to IAS 28 "Investments in associates" and to IFRS 9 "Financial Instruments", respectively.	
Prior to entering this operation in the company accounts, management had to:	
- Assess the need to set out financial assets in the company financial statements resulting from possible contractual terms including put options on the investments held in EstEnergy SpA and Hera Comm Srl.	
Given its significance, the economic and financial effects on the company's financial statements and its complexity, the transaction represented a key issue in the audit of the company's financial statements.	

### **Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in

the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 23 April 2015, the shareholders of Ascopiave SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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#### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

The directors of Ascopiave SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Ascopiave SpA as of 31 December 2019, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Ascopiave SpA as of 31



December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Ascopiaeve SpA as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 30 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*



**ASCOPIAVE S.P.A.**

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED  
NON FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND  
ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY  
2018**

**YEAR ENDED 31 DECEMBER 2019**



## **Independent auditor's report on the consolidated non-financial statement**

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018*

To the Board of Directors of Ascopiave S.p.A.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Ascopiave S.p.A. and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, presented in a specific section of the Report on Management, and approved by the Board of Directors on 13 March 2020 (hereafter the "NFS").

### ***Responsibility of the Directors and of the Board of Statutory Auditors for the NFS***

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree, with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards") and, limited to some indicators, with the "G4 Sector Disclosure – Electric Utilities" defined in 2013 (hereafter "G4 Sector Disclosure"), indicated at paragraph "Comment on the methods adopted" of the NFS, identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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### ***PricewaterhouseCoopers SpA***

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### **Auditor's Independence and Quality Control**

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### **Auditor's responsibilities**

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI Standards and, limited to some indicators, with the G4 Sector Disclosure. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("reasonable assurance engagement") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in Ascopiae Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Ascopiaeve S.p.A. and with the personnel of AP Reti Gas S.p.A. and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.
- Moreover, for material information, considering the activities and characteristics of the Group:
- at holding level,
    - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
    - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
  - for the subsidiary AP Reti Gas S.p.A., which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### ***Conclusions***

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Ascopiaeve Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree, with the GRI Standards and, limited to some indicators, with the "G4 Sector Disclosure – Electric Utilities", indicated at paragraph "Comment on the methods adopted".

Treviso, 30 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.*

**G r u p p o   A s c o p i a v e**

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