# ANNUAL FINANCIAL REPORT AS OF 31ST DECEMBER

# 2018

Ascopiave Group

Gruppo ASCOPIAVE®

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# 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 Directiors and CEO* | 2017-2019 | 28/04/2017 | Approval of budget 2019 |
| Coin Dimitri | Indipendet Director | 2017-2019 | 28/04/2017 | Approval of budget 2019 |
| Martorelli Giorgio | Indipendet Director | 2017-2019 | 28/04/2017 | Approval of budget 2019 |
| Lillo Antonella | Director | 2017-2019 | 28/04/2017 | Approval of budget 2019 |
| Pietrobon Greta | Indipendet Director | 2017-2019 | 28/04/2017 | Approval of budget 2019 |
| Quarello Enrico | Indipendet Director | 2017-2019 | 28/04/2017 | Approval of budget 2019 |

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

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

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

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

*Independent Auditors*
PriceWaterhouseCoopers S.p.A.

*Legal headquarters and Company data*
Ascopiave S.p.A.
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Fax: +39 0438 82096
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*Investor relations*
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fax +39 0438 964779
e-mail: investor.relations@ascopiave.it

# Main economic and financial data of the Ascopiave Group

### Economic figures

| | Full Year | | | |
|---|---|---|---|---|
| (Thousands of Euro) | 2018 | % of revenues | 2017 | % of revenues |
| Revenues | 581,652 | 100.0% | 532,792 | 100.0% |
| Gross operative margin | 80,036 | 13.8% | 84,409 | 15.8% |
| Operating result | 55,101 | 9.5% | 59,939 | 11.3% |
| Net result for the period | 46,499 | 8.0% | 49,252 | 9.2% |

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

### Capital data

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Net working capital | 59,514 | 66,380 |
| Fixed assets and other non current assets | 557,118 | 553,397 |
| Non-current liabilities (excluding loans) | (51,245) | (49,411) |
| **Net invested capital** | **565,386** | **570,367** |
| Net financial position | (117,517) | (119,867) |
| Total Net equity | (447,869) | (450,500) |
| **Total financing sources** | **(565,386)** | **(570,367)** |

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

### Monetary flow data

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| **Net income of the Group** | **44,625** | **47,135** |
| Cash flows generated (used) by operating activities | 68,690 | 50,549 |
| Cash flows generated/(used) by investments | (32,084) | (31,983) |
| Cash flows generated (used) by financial activities | 14,489 | (11,833) |
| **Variations in cash** | **51,095** | **6,733** |
| **Cash and cash equivalents at the beginning of the year** | **15,555** | **8,822** |
| **Cash and cash equivalents at the end of the year** | **66,650** | **15,555** |

# REPORT ON MANAGEMENT

## Foreword

The Ascopiave Group closed 2018 with a net consolidated profit of Euro 46.5 million (Euro 49.3 million as of 31st December 2017), Euro 2.8 million, -5.6% compared to the previous year.
The consolidated net assets as of 31st December 2018 amount to Euro 447.9 million, (Euro 450.5 million as of 31st December 2017) and the net capital invested to Euro 565.4 million (Euro 570.4 million as of 31st December 2017).
In 2018, the Group accomplished investments for Euro 29.8 million (Euro 23.6 million as of 31st December 2017), mainly in the development, maintenance and modernisation of the networks and plants of gas distribution and the installation of electronic metres.

**Activities**
Ascopiave mainly operates in the sectors of distribution and sale of natural gas, as well as in other sectors related to the core business, such as the sale of electric power, heat management and co-generation.
The Group currently holds concessions and direct assurances for the supply of the service in 230 municipalities (230 municipalities as of 31st December 2017) and has a distribution network extending for over 9.809 Km [1], (over 9,780 km as of 31st December 2018), and providing a service to a catchment area bigger than 1 million inhabitants.
The activity of natural gas sale to end customers is carried out through subsidiaries of the parent company Ascopiave S.p.A., controlled exclusively or jointly with other shareholders.
In the gas sale segment, Ascopiave is one of the main National operators with over 908 million cubic metres [1] of gas sold in 2018 (939 million cubic metres as of 31st December 2017).

**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, in the respect of 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.

**Management trend**
The volumes of gas sold in 2018 are equal to 908.5 million cubic metres, marking a decrease of 3.2% compared to the previous year.
The volumes of electrical energy sold were 457.1 GWh[1], marking an increase of 3.8% compared to the same period in the previous year.
The customers portfolio managed at the reporting date included 743.6 thousand customers, marking an increase of 0.3% compared to the same period in the previous year.
As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 1,086.7 million cubic metres [1], marking an increase of 6.5% as compared to 2017 (82.0 million cubic metres relate to the extension of the consolidation scope to Ap Reti Gas Vicenza S.p.A.). The distribution network as of 31st December 2018 has an extension of 9,809 km[1], an increase of 29 km compared to the previous year.

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

**Economic results and financial situation**

Consolidated revenues in 2018 equal Euro 581.7 million, compared to Euro 532.8 million of the previous year. The increase in the turnover, due to the extension of the scope of consolidation for Euro 5.0 million, is mainly determined by an increase in revenues from the sale of gas to the end market (Euro +39.5 million), by the growth in revenues from the sale of electricity (Euro +13.7 million), by the higher revenues from the forward sale of raw materials (Euro +7.5 million) and partly mitigated by lower contributions for white certificates (Euro -14.2 million).

The Operating Result of the Group equals Euro 55.1 million, marking a decrease compared to Euro 59.9 million in 2017. The decrease was mainly explained by a worsening of the first margin of natural gas sales (Euro -2.5 million), higher personnel costs (Euro -1.2 million), and the decrease in the margin on energy efficiency certificates (Euro -0.8 million).

The Net Result, equalling Euro 46.5 million, marks a decrease of Euro 2.8 million as compared to 2017.

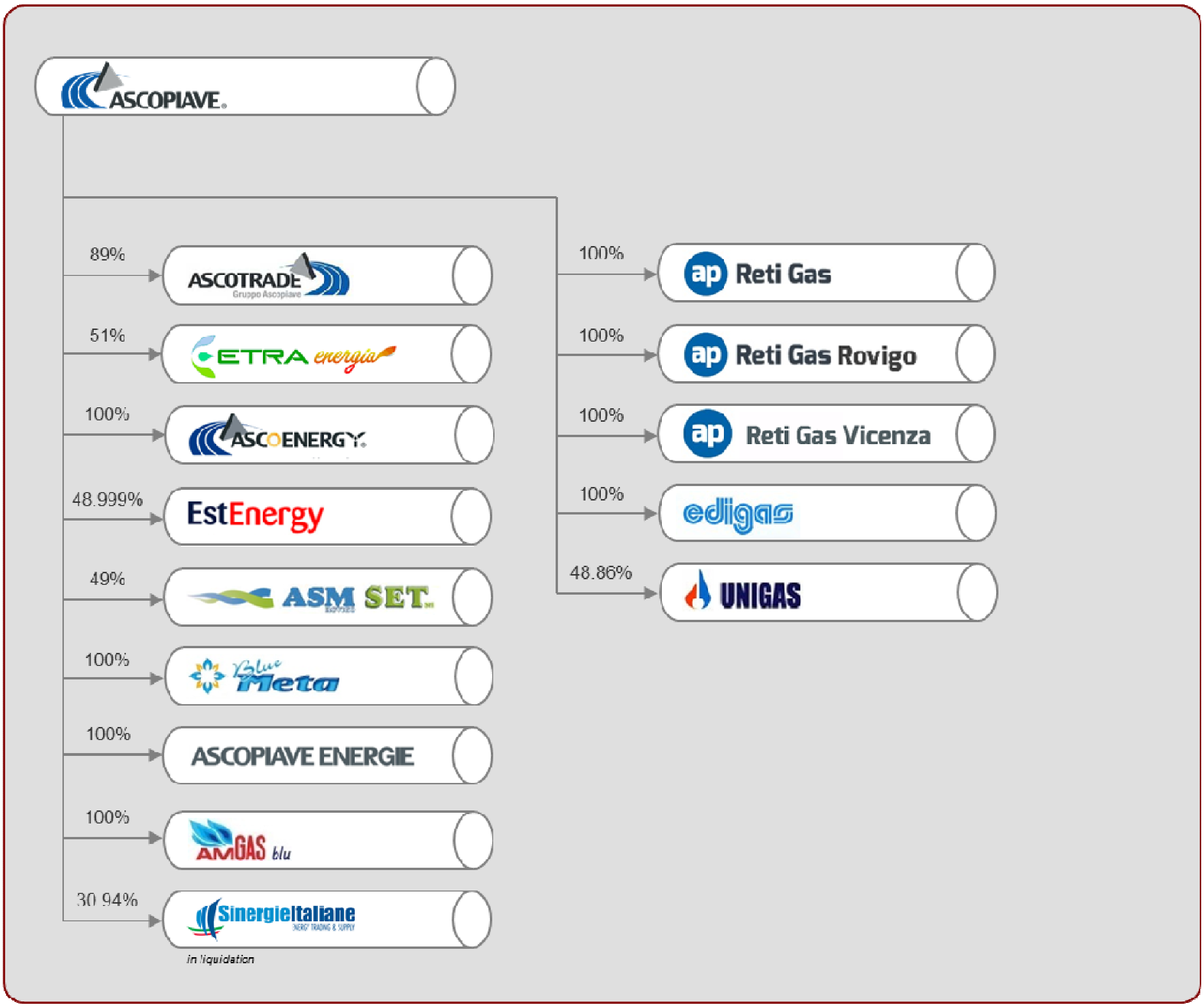
The Net Financial Position of the Group as of 31st December 2018 is equal to Euro 117.5 million, an improvement of Euro 2.3 million as compared to Euro 119.9 million as of 31st December 2017.

The decrease in financial indebtedness is determined by the cash flow of the period 2018 (Euro +71.4 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which has absorbed financial resources for Euro 2.7 million. The investment activity has absorbed financial resources for Euro 32.1 million, whereas the management of the working capital (distribution of dividends and dividends received from the companies consolidated using the equity method) has absorbed resources for Euro 34.3 million.

The ratio between Net financial position and Net equity as of 31st December 2018 is 0.26 (0.27 as of 31st December 2017).

## The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31st December 2018.



## Reference economic context

In 2018, the global economy, despite its continued growth, showed signs of cyclical deterioration in various advanced and emerging economies. The risk factors that currently affect the expansion of the international economic activity lie mainly in the possible application of new protectionist measures that could influence international trade subsequent to a negative evolution of the negotiation between the United States and China, in the escalation of financial tensions in the emerging countries and in how the United Kingdom will exit the European Union (Brexit) subsequent to the failure of the British Parliament to ratify the negotiation agreement reached in November by the government.

Recent OECD projections suggest that in 2018 the worldwide domestic product increased by 3.7% compared to the previous year, and that in 2019 it could grow by 3.5%, down by 0.2% compared to 2018.

This sluggish growth of the international economy is linked to a slight deterioration of the forecasts in the Euro zone, in Japan and in the main emerging economies and to the expected deceleration of US growth due to the progressive disappearance of the positive effects brought about by the tax policies applied.

In 2018, the economic performance of the Euro area slowed down (+1.9% in 2018, 1.8% expected in 2019), affected by a deterioration in companies' expectations, the stagnation of exports and the introduction of the worldwide harmonised light vehicle test procedure (WLTP) whose negative effects should be partly temporary.

The average inflation in 2018 was 1.4%, compared to 1.5% in 2017, as it was negatively affected by the decrease in energy prices in late 2018. The monetary policy applied by the ECB, which has maintained very favourable financing conditions, continues with the intention of preserving a large degree of monetary adjustment in the long run.

With regard to the economic situation in Italy, in 2018, the economic activity has weakened starting from the third quarter (the overall GDP increased by +0.8% in 2018), thus showing a growth below the European average. The slowdown in economy is attributable specifically to the decrease in investments, a slight fall in household spending and temporary factors such as the stagnation in the automotive sector's production and commercial activity linked to the introduction of the new legislation on emissions. Exports, on the other hand, contributed positively to the economic growth, exceeding imports.

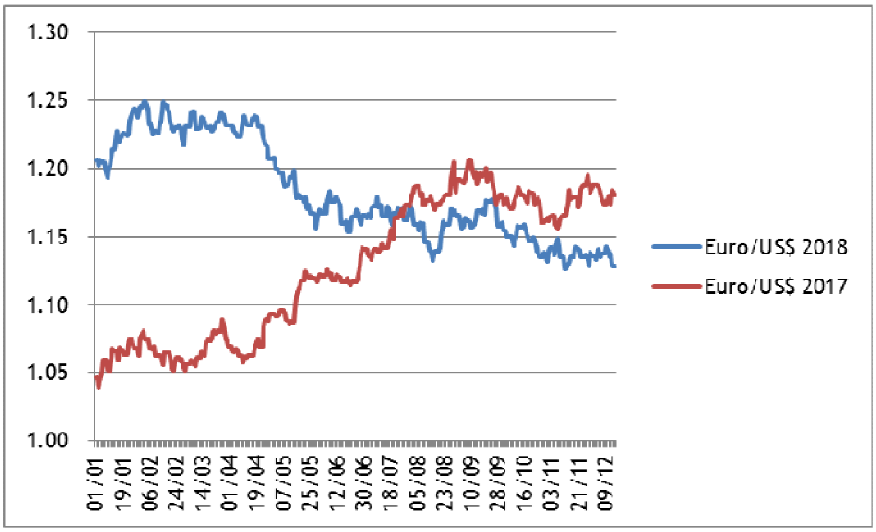
On an annual basis, employment increased by +0.9% (+202 thousand units), but this rise concerns fixed-term workers and independent workers, while permanent workers continue to decrease. Furthermore, the growth in the number of employed people over the twelve months of 2018 was also accompanied by the fall in the number of the unemployed (-4.8%, -137 thousand units).

Consumer inflation slowed down significantly in 2018, mainly due to the trend in energy prices since October. On average in 2017, inflation was 1.2% (+ 1.3% in 2017) and values are expected to be around 1.3% in 2019.

**Evolution of international energy prices**

In 2018, the Euro/Dollar exchange rate recorded an annual average equal to 1.18 USD per Euro (a slight growth compared to the 2017 average), achieving a maximum of 1.25 USD per Euro (February 2018) and a minimum value of 1.13 USD per Euro (November 2018). The Euro/Dollar exchange grew progressively in the first months of the year, oscillating within a range of 1.20 - 1.25 USD per Euro; subsequently, it has decreased gradually since May.

Euro/Dollar exchange rate trend in 2017 and 2018




Source: Banca d'Italia, processed by Ascopiave S.p.A.

During 2018, the costs of raw oil increased compared to the previous year. The price of oil (Brent) recorded an increase in the first nine months of 2018, attaining its highest annual point in early-October (86.1 $/barrel), and then continued with a negative trend until the end of the year, reaching the lowest annual value in late-December (50.6 $/barrel).

As far the Euro prices are concerned, the increase was less impactful due to a slight average appreciation of the Euro against the US Dollar.

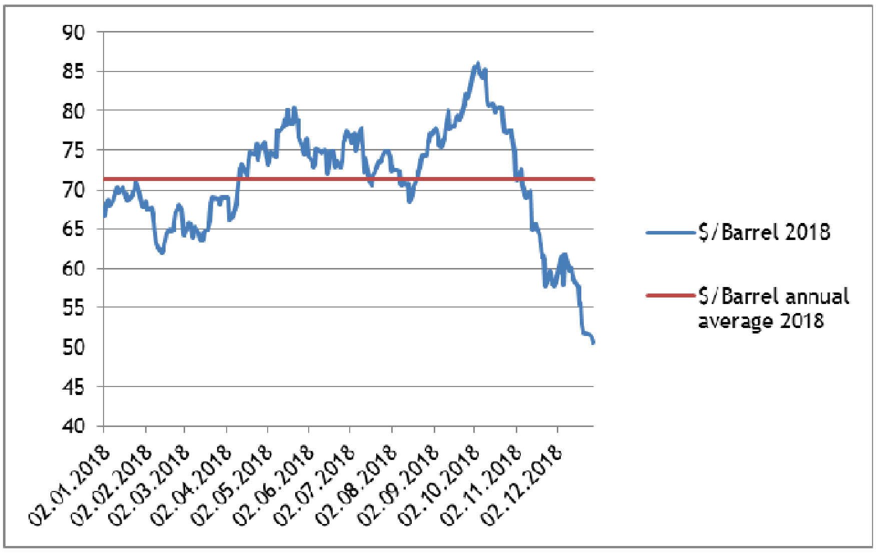
| Quotations | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Annual average brent quotation (Dollars per barrel) | 71.34 | 54.12 | 43.64 | 52.32 |
| Annual average Exchange rate Euro/Dollar | 1.18 | 1.13 | 1.11 | 1.11 |
| Annual average brent quotation (Euro per barrel) | 60.45 | 47.90 | 39.31 | 47.13 |

Source: Banca d'Italia and EIA, elaborated by Ascopiave S.p.A.

In late 2018, there was a significant drop in oil costs attributable especially to factors linked to procurement, including certainly the increase in production in the United States, Russia and Saudi Arabia, as well as to the persistence of Iran's exports subsequent to minor temporary sanctions applied by the United States. The decline in the trend of oil prices was also affected by less optimistic forecasts as regards oil consumption linked to a slowdown in the global economy.

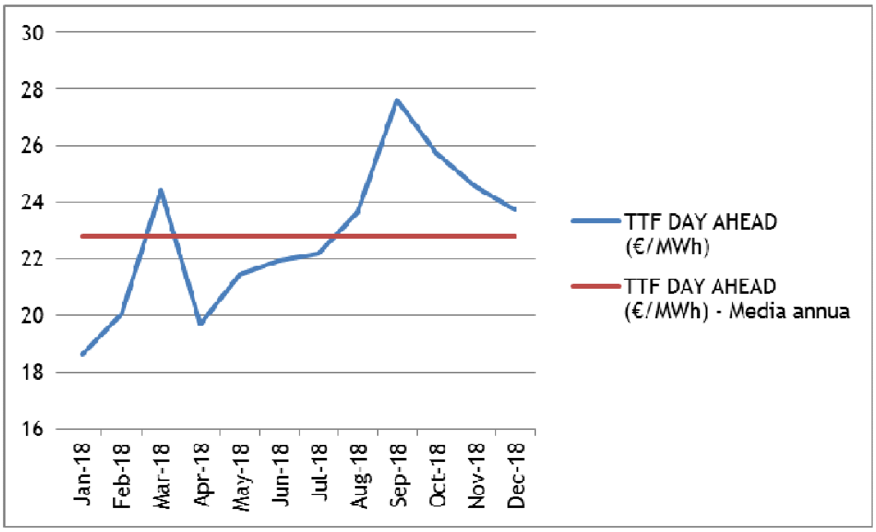
Although an agreement was reached between the OPEC countries and other producer countries at the beginning of December in order to implement production cuts, the fall in prices that began in October did not stop.

Brent trend year 2018




Source: EIA, processed by Ascopiave S.p.A.

Gas sales prices applied to the protected market are determined based on the Dutch gas Stock Exchange (TTF) quotations. On the other hand, the purchase prices of Ascopiave Group's supply agreements are mainly adjusted to the trend of the above-mentioned market.




Source: elaborated by Ascopiave S.p.A.

## The gas market: the Italian scenario

**Gas demand in Italy and its coverage sources**

In the solar year 2018, the gross domestic consumption of gas in Italy recorded a decrease of 3.3% as compared to 2017, reaching 72.67 billion cubic metres (source: Ministry of Economic Development).

Demand highlights a decrease of 2.48 billion cubic metres, attributable in part to all sectors, and especially to the thermoelectric sector subsequent to the recovery of the French nuclear production that favoured imports and to the growth of hydroelectric output.
The coverage of gas demand was performed mainly through the recourse to import sources that in 2018 achieved a level of 67,87 billion cubic metres, a decrease of 1.78 billion cubic metres as compared to 2017 (-2.6%). The main gas supplier remains Russia, through the Tarvisio interconnection point, although, compared to the previous year, the Passo Gries interconnection point was the only entry point whose volumes increased (Northern Europe, +7.1%).
The gas amounts through the GNL Panigaglia terminal (+41.7% as compared to 2017) and the GNL Livorno terminal (+17.0% as compared to 2017) both increased.

**National production of natural gas**

In 2018, the Italian gas production totalled 5.45 billion cubic metres, and decreased by 1.6% as compared to 2017, covering 7.5% of national gas requirements.
Gas deposits in Italy are dwindling. Their contribution to the national requirement will become increasingly marginal.

**The gas system in Italy: import and re-gasification infrastructures**

In the current global scenario, two projects are being developed. TAPI, a pipeline that will have a capacity of over 30 billion Scm, which will convey the gas from the deposits of Turkmenistan to Pakistan and India through Afghanistan, and TANAP (Trans-Anatolian pipeline), which will supply Turkey and Europe with the raw material coming from the gas fields of Azerbaijan, (over 30 billion Scm; completion is expected for 2020).
TANAP will convey the Turkmen gas to Europe by joining the TAP (Trans Adriatic Pipeline).
The latter pipeline will transport 10 billion Scm; it will cross northern Greece, Albania and the Adriatic Sea and arrive in southern Italy where it will connect to the national network. In October, TAP started the offshore construction of the pipeline that will connect Italy to Albania; it will be 105 kilometres long and installation is expected for 2019. In early November, the connection between TAP and TANAP was completed: the "*South Caucasus Pipeline*" is almost accomplished and gas will be delivered to Europe presumably commencing 2020.
Another important project in Europe is "East Med", a gas pipeline that will cross Israel, Cyprus, Crete, the Peloponnese, Greece and Italy, becoming the longest gas pipeline in the world with its 1,300 kilometres offshore and 600 kilometres onshore. The Italian portion of the project is called ITGI, a submarine section that will connect the compression facility located on the Greek coast with the measurement facility in Otranto, thus transporting 10 billion Scm to Italy with a possible increase up to 15 billion Scm of natural gas per year.
As concerns re-gasification plants, which have become a seriously competitive supply alternative to methane pipelines, able to bypass the obstacles presented by the limited shipment capacity available on the import gas pipelines networks, in Italy three plants are in operation: Panigaglia in La Spezia, Porto Levante in Rovigo and Livorno Offshore in Livorno. Our Country has at its disposal at least a dozen of projects regarding the realisation of new LNG terminals. Because of the bureaucratic difficulties, the litigations filed by the local bodies, the technical setbacks and, above all, the decisions taken by the potential investors following the development prospects of the industry and the profitability of the investments, we believe that not all of them can be realised.

## Gas sale

Gas sale is the main activity of the Group in terms of contribution to company revenues. This is a liberalised activity in a free market, with direct competition with other operators, which will become ever fiercer in the future. In the current phase of liberalisation of the market, growth is directly connected to an organisational model that values territorial presence and improvement of company operating costs. New models are being researched that will tie the stakeholders on their territory even more so that their distinguishing features can set them apart from their competitors. These models are paired with the introduction of industrial plans that would result in an augmented operating and organisational efficiency, through re-engineering and optimisation of processes that will result in an improvement of company cost-to-serve.

## Gas distribution

Gas distribution is the second activity of the Group in terms of contribution to company revenues.
This activity is carried out as a concession or direct allocation 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 involving the selection of the provider would allow for a limitation of costs for the end customer and an improvement in the quality of the service supplied.
Law Decree 159/2007 (Law 222/2007) has introduced, for the first time, the concept of Territorial Tender, 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 single Municipalities, ratifying the obligation to launch tenders exclusively in minimum territorial areas.
Therefore, as to the distribution activity as well, 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.
From 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 19th 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 18th 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 21st 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 23rd May 2000 (the so-called Workforce Protection Decree);
4) with the Decree issued by the Ministry for Economic Development on 12th 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 operators of medium size, 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 provides for 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 20th 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

### National regulations

**Italian Legislative Decree 101 dated 10th August 2018 - Privacy**
By **EU Regulation 2016/679 (General Data Protection Regulation - GDPR)** the European legislator modified the regulations concerning the protection of natural persons with regard to the processing of their personal data; the general principles contained in this European legislation are directly applicable to the Italian legal system since 25th May 2018.
Pursuant to the "2016-2017 European Delegation Law" the Government was asked to issue one or more legislative decrees to adapt the national regulatory framework to the new European Regulation on privacy, implementing the following guiding principles and criteria:

- repeal of the provisions of the Privacy Code which are incompatible with those of the European Regulation;
- the Privacy Code shall be amended solely to the extent necessary to implement the provisions of the Regulation which are not directly applicable;
- the provisions in force concerning the protection of personal data shall be coordinated with those of the Regulation;
- introduction of specific implementing and supplementary measures adopted by the Privacy Guarantor in the context of and for the purposes stated in the Regulation;
- introduction of criminal and administrative sanctions which are effective, dissuasive and proportionate to the seriousness of the violation of the provisions of the Regulation.

The Government has therefore issued **Legislative Decree 101 dated 10th August 2018**, which entered into force on 19th September 2018 and represents the national legislation which coordinates and integrates the general rules which can be detailed by the national legislators of the Member States.
Updating and deeply modifying the so-called "Privacy Code", Legislative Decree 101 has introduced some novelties, including:
(i) Limitation of the rights of the data subjects: the rights of the data subjects pursuant to articles 15-22 of the GDPR may be limited or excluded in certain cases (e.g. anti-money laundering regulations, defensive investigations), including the case of the identity of the employees who report, based on whistleblowing legislation, an offence of which they became aware due to their position;
(ii) Provisions relating to the controller and the processor: the controller or the processor may attribute - through a specific appointment deed - under their own responsibility and within their organisational structure, specific tasks and functions connected to the processing of personal data to natural persons who work under their direct authority;
(iii) Simplified procedures for the fulfilment of obligations by SMEs: the Privacy Guarantor ("Garante") will have to introduce simplification mechanisms for micro, small and medium enterprises as concerns the obligations of the controller;
(iv) "Garante" for the protection of personal data: Decree 101 strengthens the powers of this Authority and increases its duties, as the body responsible for adopting the corrective measures stated in art. 58, paragraph 2 of the Regulation as well as for imposing administrative sanctions.
(v) Sanctions: without prejudice to the provisions of art. 83 of the Regulation, additional behaviours that give rise to the application of administrative sanctions have been introduced. With regard to criminal offences, Decree 101 introduces new types of crime into the Privacy Code (including, without limitation, unlawful processing of data, large-scale illicit communication and disclosure of the personal data being processed, large-scale fraudulent acquisition of the personal data being processed, false statements made to the Garante and interruption of the execution of the tasks or the exercise of the powers of the Garante and non-compliance with the provisions of the Garante).

**Electronic invoicing - 2018 Budget Law**

With reference to the relevant provisions contained in law no. 205 dated 27th December 2017 (2018 Budget Law), since 1st January 2019 it is mandatory to issue electronic invoices for transactions between entities residing, established or identified in Italy, both in B2B (business to business) and B2C (business to consumer) situations; some categories are excluded from the obligation, including operators with privileged taxation or flat rate regime and identified operators.

The rules for preparing, transmitting, receiving and storing electronic invoices are defined in the provision of Agenzia delle Entrate no. 89757 dated 30th April 2018 (and subsequent amendments).

**Postponement of the termination date of the protected market - Law no. 108 dated 21st September 2018**

With Law no. 108/2018, conversion law of the so-called "Milleproroghe" Law Decree, published in the Official Gazette no. 220 of 21st September 2018, the termination date of the protected market will be postponed from July 2019 to July 2020.

Subsequent to the approval of the Law, ARERA published a press release containing the updated disclosure that the operators of the protected services must include in all the invoices, issued in the second half of 2018, to the customers concerned.

## Provisions of the Regulatory Authority for Energy, Networks and the Environment (ARERA)

The main provisions of the Regulatory Authority for Energy, Networks and the Environment in 2018 include:

**Update of the supply economic conditions for Customers of the protected market**

**2nd Quarter 2018**

**Natural Gas**

By virtue of **Resolution 189/2018/R/gas dated 29.03.2018**, the Authority updated the economic supply conditions for the consumer protection service for the April - June 2018 quarter.

With **Resolution 172/2018/R/com dated 29.03.2018**, the Authority approved the update, commencing 1st April 2018, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.

The Authority calculated that, starting 1st April 2018, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic metres of gas) would be 72.32 Euro Cents per cubic metre, including taxes, divided as follows: 32.30% for natural gas supply and for the activities related to it; 7.03% for retail sales; 18.14% for distribution, metering, transportation and distribution services, and quality; 3.41% for general system costs, set by law; 39.12% for taxes. As calculated by the Authority, commencing 1st April 2018, the cost of gas for the average customer has decreased by 5.7%.

**Electricity**

With **Resolution 188/2018/R/eel dated 29.03.2018,** the Authority approved the update, for the quarter April - June 2018, of the economic conditions for the supply also applicable to greater protection Customers.

With Resolution **172/2018/R/com dated 29.03.2018**, the Authority approved the update, commencing 1st April 2018, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.

The Authority calculated that, commencing 1st April 2018, the reference price of Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a power of 3 kW) would be 18.98 Euro Cents per kilowatt/hour, including taxes, divided as follows: 35.02% for supply costs; 8.82% for retail sales; 20.38% for distribution, metering, transportation and distribution services, and quality; 22.44% for general system costs, set by law; 13.34% for taxes, including VAT and power taxes.

As calculated by the Authority, commencing 1st April 2018, the cost of electricity for the average customer has decreased by 8%.

**3rd Quarter 2018**

**Natural Gas**

With **Resolution 365/2018/R/gas dated 28.06.2018** the Authority updated the economic supply conditions for the consumer protection service, for the July - September 2018 quarter.

**With Resolution 359/2018/R/com dated 28.06.2018**, the Authority approved the update, starting 1st July 2018, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.

The Authority calculated that, starting 1st July 2018, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic metres of gas), would be 78.28 Euro Cents per cubic metre, including taxes, divided as follows: 36.27% for natural gas supply and for the activities related to it; 6.49% for retail sales; 17.12% for distribution, metering, transportation and distribution services, and quality; 2.82% for general system costs, set by law; 37.30% for taxes.

As calculated by the Authority, starting 1st July 2018, the cost of gas for the average customer has increased by 8.2%.

**Electricity**

With **Resolution 364/2018/R/eel dated 28.06.2018,** the Authority approved the update, for the quarter July – September 2018, of the economic conditions of supply applicable to greater protection Customers.

With Resolution **359/2018/R/com dated 28.06.2018**, the Authority approved the update, starting 1st July 2018, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.

The Authority calculated that, starting 1st July 2018, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a power of 3 kW) would be 20.22 Euro Cents per kilowatt/hour, including taxes, divided as follows: 43.57% for supply costs; 8.26% for retail sales; 19.14% for distribution, metering, transportation and distribution services, and quality; 15.92% for general system costs, set by law; 13.11% for taxes, including VAT and power taxes.

As calculated by the Authority, starting 1st July 2018, the cost of electricity for the average customer has increased by 6.5%.

**4th Quarter 2018**

**Natural Gas**

With **Resolution 477/2018/R/gas dated 27.09.2018** the Authority updated the economic supply conditions for the consumer protection service, for the October - December 2018 quarter.

With **Resolution 475/2018/R/com dated 27.09.2018**, the Authority approved the update, commencing 1st October 2018, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.

The Authority calculated that, commencing 1st October 2018, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic metres of gas), would be 83.07 Euro Cents per cubic metre, including taxes, divided as follows: 38.03% for natural gas supply and for the activities related to it; 6.12% for retail sales; 17.17% for distribution, metering, transportation and distribution equalisation services, and quality; 2.66% for general system costs, set by law; 36.02% for taxes.

As calculated by the Authority, commencing 1st October 2018, the cost of gas for the average customer has increased by 6.1%.

**Electricity**

With Resolution **478/2018/R/eel dated 27.09.2018** the Authority updated the economic supply conditions for the consumer protection service, for the quarter October - December 2018.

With Resolution **475/2018/R/com dated 27.09.2018**, the Authority approved the update, commencing 1st October 2018, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.

The Authority calculated that, commencing 1st October 2018, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a power of 3 kW) would be 21.76 Euro Cents per

kilowatt/hour, including taxes, divided as follows: 46.91% for supply costs; 7.69% for retail sales; 17.78% for distribution, metering, transportation and transmission equalisation, and quality; 14.82% for general system costs, set by law; 12.80% for taxes, including VAT and power taxes.
As calculated by the Authority, commencing 1st October 2018, the cost of electricity for the average customer has increased by 7.3%.

**1st Quarter 2019**

**Natural Gas**

With Resolution **709/2018/R/gas dated 27.12.2018** the Authority updated the economic supply conditions for the consumer protection service, for the January - March 2019 quarter.
With Resolution **711/2018/R/com dated 27.12.2018** the Authority updated the tariff components for the coverage of general charges and additional components of the electric and gas sectors.
The Authority calculated that, commencing 1st January 2019, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic metres of gas), would be 84.95 Euro Cents per cubic metre, including taxes, divided as follows: 37.89% for natural gas supply and for the activities related to it; 6.00% for retail sales; 17.08% for distribution, metering, transportation and distribution equalisation services, and quality; 3.46% for general system costs, set by law; 35.37% for taxes.
As calculated by the Authority, commencing 1st January 2019, the cost of gas for the average customer has increased by 2.3%.

**Electricity**

With Resolution **708/2018/R/eel dated 27.12.2018** the Authority updated the economic supply conditions for the consumer protection service, for the January - March 2019 quarter.
With Resolution **711/2018/R/com dated 27.12.2018**, the Authority approved the update, commencing 1st January 2019, of the tariff components for the coverage of general charges and additional components of the electric and gas sectors.
The Authority calculated that, commencing 1st January 2019, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a power of 3 kW) would be 21.74 Euro Cents per kilowatt/hour, including taxes, divided as follows: 41.63% for supply costs; 8,18% for retail sales; 18.01% for distribution, metering, transportation and transmission equalisation, and quality; 19.38% for general system costs, set by law; 12.80% for taxes, including VAT and power taxes.
As calculated by the Authority, commencing 1st January 2019, the cost of electricity for the average customer has remained substantially unchanged (- 0.08%).

### Other resolutions concerning Economic conditions

With **Resolution 626/2018/R/eel dated 05.12.2018** - *Further deferment of the completion of the reform of the tariff components for the coverage of general system charges for electricity household customers, pursuant to the resolution of the Authority 582/2015/R/eel* - ARERA postponed by one further year with respect to the deadline originally envisaged for 1st January 2019 the implementation of the third stage of the electricity tariff reform concerning the application to the fees for the coverage of general system charges of a tariff structure which is non-progressive but different for resident and non-resident customers. For the tariff components of general charges, the two-tier structure applied in 2018 will therefore remain in force until 31st December 2019, in order to keep proportionate the effect of the reactivation of general charges for all household customers.
The postponement does not concern the $DISP_{BT}$ component, applied to all customers entitled to the greater protection service, which in 2018 still had a progressive structure for resident household customers. Therefore, since 1st January 2019, the tiers are eliminated from this component and only a fixed fee will be applied, as for supplies to homes other than those of residence.
Finally, the provision introduced some amendments to Resolutions 205/2014/R/eel and 130/2017/R/eel in order to, respectively, enable the customer to switch to another supplier during 2019 even if not included in the list of vendors participating in the experimentation, without incurring any inconveniences, and to maintain, throughout 2019, the

application of the same tariff structure already in force so as to guarantee the protection of the investments made by household customers who have joined the tariff experimentation for heat pumps.

With **Resolution 667/2018/R/gas dated 18.12.2018** - *Update of tariffs for gas distribution and metering services, for the year 2019* – the Authority approved, for the year 2019, obligatory tariffs for the services of distribution, metering and sale of natural gas, pursuant to article 40 of RTDG, and the bi-monthly equalisation amounts relating to the natural gas distribution service, pursuant to Article 45 of the RTDG, for the year 2019.

With **Resolution 670/2018/R/eel dated 18.12.2018** - *Updating of the tariffs for the supply of the electricity transmission service, for the year 2019, and decisions regarding the applications for incentives to specific high-risk projects* - ARERA updated the tariffs for the transmission service for the year 2019 in compliance with the tariff regulation criteria in force for the period 2016-2023 pursuant to Resolution 654/2015/R/eel and introduced provisions for the acceptance of applications for the recognition of costs in relation to specific projects stated in Resolution 129/2018/R/eel. Specifically, the resolution updated for 2019 the tariff components to cover transmission costs that the distributor is required to apply, pursuant to the TIT, to the counterparties included in the electricity distribution contract for utilities other than household ones.

With **Resolution 671/2018/R/eel dated 18.12.2018 -** *Update, for the year 2019, of the mandatory tariffs for electricity distribution and metering services for non-household customers and of the economic conditions for the provision of the connection service* - ARERA updated, for the year 2019, the mandatory tariffs for electricity distribution and metering services for non-household end customers and the economic conditions for the service of connection to the electricity grids.
The resolution postponed to 31st December 2019: the deadline for the definition of criteria for the tariff adjustment of withdrawals and injections of power and reactive energy at high and very high voltage withdrawal points; the decrease in charges under the scope of household customers who want to change the level of contract power stated in article 8-*bis* of the TIC.

With **Resolution 673/2018/R/eel dated 18.12.2018** - *Update, for the year 2019, of the tariffs for the supply of electricity network services (transmission, distribution and metering) for household customers* - ARERA updated, for the year 2019, the tariffs for electricity transmission, distribution and metering services for household customers, and specifically replaced Table 9 of the TIT showing the Components of the mandatory tariff TD.

With **Resolution 705/2018/R/eel dated 27.12.2018** - *Updating of dispatching fees for the year 2019* - the Authority adjusted the value of the DIS fee on the basis of the necessary accounting with Terna and defined the new values of the dispatching fees stated in Annex A of Resolution 111/06. There was substantially a reduction in the uplift fee, an increase, as compared to the 2018 average value, of the fee for the coverage of interruptibility costs, a slight increase in costs to cover the remuneration of the production capacity and an increase in costs for the essential units. Finally, the fee to cover charges related to the transits of electricity on foreign grids deriving from cross-border trade was reduced.

With **Resolution 706/2018/R/eel dated 27.12.2018** - *Updating of the RCV and DISPBT components and the PCV fee related to the marketing of electricity as part of the greater protection service and amendments to the TIV* - the Authority defined the 2019 values of the RCV, RCVsm and RCVi components and the PCV fee, relating to the marketing of the electricity sales service. The level of these components was quantified considering the recognition criteria already used in the past. Specifically, the level of charges to be recognised is determined by considering the unpaid ratio levels updated based on the best estimate of the price level and average consumption of customers served in the greater protection market, whereas the value of other operating costs was determined through values included in the 2017 financial statements, which can be deduced from the separate annual accounts sent by the operators in compliance with the existing accounting unbundling obligations. As far as the return on net invested capital is concerned, ARERA has adopted the WACC method, taking into account the intra-period adjustments envisaged by the recent Resolution 639/2018/R/com.

With **Resolution 707/2018/R/gas dated 27.12.2018** - *Updating of the QVD component of the economic conditions of the natural gas protection service and of the UG2 component, for the year 2019* – the Authority defined the 2019 value of the QVD component to cover the costs for marketing the natural gas sales service to the customers of the protection service. As compared to the values of the previous year, there was a slight increase in the fixed portion of the component for both household and condominium users entitled to the protection service. The provision also updated the values of the UG2 component, relating to the compensation of the aforementioned marketing costs for the necessary remuneration of the operators.

**Other resolutions**

**Natural gas and Electricity Sector**

With **Resolution 1/2018/A dated 04.01.2018 -** *Start of the activities required for the first operation of the regulation and control tasks of the cycle of urban and similar waste, attributed to the Regulatory Authority for Energy, Networks and the Environment (ARERA), pursuant to Article 1, paragraphs 527 to 530, of law dated 27th December 2017, no. 205* - ARERA started all the activities required for the first operation of the new competences as regards waste regulation and control, in terms of organisational and managerial changes, and arranged to take stock, at a later stage, after the organisational changes, of the factual situation of the sector and the segmentation of the individual activities in the waste cycle. The resolution follows the publication in the Official Gazette no. 302 of 29th December 2017 of the 2018 Budget Law, which had turned the Authority for electricity, gas and water (AEEGSI) into the Regulatory Authority for Energy, Networks and the Environment (ARERA) and attributed to the latter the regulation of the waste sector.

With **Resolution 39/2018/R/com dated 01.02.2018** - *Amendments and simplifications to Part III of the Unified Text of the adjustment of the commercial quality of electricity and natural gas provision service* - ARERA established that the Survey on call centre quality must no longer be performed every six months but on a yearly basis and also corrected a clerical error, present in art. 15.4, Part II, Title III.

With **Resolution 51/2018/R/com dated 01.02.2018 -** *Establishment of the Portal for the publication of offers targeted to household end customers and small enterprises in the electricity and natural gas retail markets, pursuant to law 124/2017* - ARERA defined the regulatory framework for the implementation and management of the so-called “Offers Portal” stated in Article 1, paragraph 61, Law no. 124 dated 4th August 2017 (2018 Competition Act), the online portal for comparing electricity and gas offers created and managed by Acquirente Unico S.p.A., the Manager of the Integrated Information System (SII).
By this provision, ARERA established the schedule for the implementation of the Portal by successive stages: (i) the PLACET offers were published by the month of July; (ii) the electricity and natural gas offers (including dual fuel offers) for household customers formulated by the sellers which, at the time of the Resolution, had voluntarily joined TrovaOfferte, or which, although not featured in TrovaOfferte, had asked the Manager to publish all their offers, were published by the month of September; (iii) all the other offers addressed to small end customers in general (advertised or disseminated on Internet sites and/or at physical offices, on other websites and on the main media whose territorial coverage was at least equal to the region) were published by the end of December.
By Annex A attached to the provision, moreover, ARERA defined the general criteria for the implementation of the Portal, its principles and technical features, the methods for calculating the estimate of the annual expense associated with the offers published that will have to be implemented by the SII’s Manager. Finally, the Resolution collected the feedback on the related consultation document (DCO 763/2017/R/com) and the results of the meetings of the Portal’s technical committee (including representatives of consumers, companies, the Ministry of Economic Development and the Antitrust Authority), in compliance with the Competition Act.

With **Resolution 77/2018/R/com dated 08.02.2018** - *Reform of the switching process in the natural gas retail market* - ARERA established, with regard to the gas sector, the implementation of switching, contract termination and activation of Last resort services through the SII; with reference to the electricity sector, the same measure also amends Resolution 487/2015/R/eel with regard to the obligations imposed by the current legislation on the verification of end customer data and titles on the property for which the supply is requested. Specifically, the provision:

a) confirmed the guidelines outlined in the Consultation Document 544/2017/R/COM with reference to the implementation within the SII of the following procedures: switching, updating of the commercial counterparty, activation of Last resort services, detection and provision of metering data in case of supplier change;

b) made the current regulation on the termination of the distribution contract in the gas sector consistent with that in force in the electricity sector, except for any differences justified by specific needs and peculiarities of the sector;

c) maintained the current provision according to which the starting date of the switching must coincide with the first day of the month and the request must be submitted by the 10th day of the previous month; the procedures that allow switching on any day of the month will be defined in subsequent resolutions.

Finally, pursuant to the provision, since 1st November 2018 the reformed transactions and processes are managed exclusively and officially within the SII.

Subsequently, with **Resolution 684/2018/R/com dated 18.12.2018** - *Adaptation of the provisions of the TIRV as a result of the reform of the withdrawal and switching processes in the electricity and natural gas retail markets* - ARERA adjusted the provisions of the TIRV relating, on the one hand, to the regulations governing withdrawal, set forth in resolution 783/2017/R/com, common to both sectors, with particular reference to the provision according to which the request for switching to the SII coincides with the exercise of the withdrawal due to supplier change and, on the other hand, to the switching procedure, set out in resolution 77/2018/R/com, aimed at the centralised management of the entire process within the SII starting from 1st November 2018 as concerns the natural gas sector.

With **Resolution 89/2018/R/com dated 15.02.2018 -** *Approval of the general supply conditions forms of the Free-Price and Equivalent Protection Conditions offers (P.L.A.C.E.T. offers). Amendments to the Authority's resolution 555/2017/R/com* - ARERA approved the four benchmark forms of the general supply conditions for PLACET offers, divided by market segment (gas and electricity) and by type of customer (household and non-household). In line with the provisions of the Competition Act, with this resolution ARERA postponed the entry into force of the obligation to offer PLACETs to 1st March 2018.

With the **2018 Budget Law** (in particular, article 1, paragraphs 4 and 5) the legislator intended to define specific forms of protection for end customers against the risk of being charged amounts which are much higher than usual (so-called maxi-bills). The concrete protection of customers involves making them aware of this right, of how they must exercise it and of the conducts to be avoided so as to be able to exercise such right.

With **Resolution 97/2018/R/com dated 22.02.2018 -** *Urgent implementation of the provisions of Law 205/2017 on invoicing and metering in the electricity retail market and launch of a procedure for the complete implementation of the aforementioned provisions in the electricity and natural gas sectors* - ARERA defined the measures for the first implementation of the 2018 Budget Law on invoicing and metering for the power sector (so as to guarantee the effective operation of the measures commencing 1st March) and initiated a procedure for the complete implementation of the provisions of the aforementioned law in the natural gas and electricity sectors.

In the event of electricity bills due after 1st March, in cases of significant delays in billing by the providers or in the invoicing of adjustments due to the lack of actual data for a particularly long period, the customer may challenge the so-called "short" limitation period (which has been reduced from 5 to 2 years) and only pay the last 24 months invoiced. The seller will be required to inform the customer of this possibility together with the issuance of an invoice with these characteristics and in any case at least 10 days before the expiry of the payment terms. Furthermore, in the event of delay of the seller in invoicing the adjustments (even if the latter has been provided in a timely manner with the adjustment metering data) for consumptions referred to periods exceeding two years, the customer is entitled to suspend the payment, subject to a complaint to the vendor and if the Antitrust Authority (AGCM) has opened a proceeding against the latter, and will also have the right to receive a refund of the payments made if the AGCM procedure ascertains a violation.

According to the resolution, the two-year limitation period prescribed by the 2018 Budget Law starts when the sellers are required to issue the invoicing document, as identified by the current regulation.

Considering the effect of the Budget Law on the regulatory system of the Authority, in order to complete the definition of the electricity sector and the gas sector, at the same time as the Resolution, a procedure for identifying a set of organic rules to be applied to the entire supply chain was also launched.

With **Resolution 264/2018/R/com dated 11.04.2018 -** *Urgent actions on transitional measures as regards invoicing and metering in the electricity retail market, adopted with Resolution of the Authority 97/2018/R/com* - ARERA, in order to implement urgent measures to allow the efficient operation of the transitional regulatory framework adopted in implementation of the 2018 Budget Law, defined urgent interventions on the transitional measures subsequent to resolution 97/2018/R/com for the management of invoicing and payments of the transport service in the cases of exception to the limitation period raised by the end customer for reasons attributable to the distribution company. Specifically, the provision states that the seller, in the case of non-collection of a payment due to an exception to the limitation period raised by the end customer and for the cases concerning the adjustments deriving from a correction attributable to the distribution company, is entitled to demand that the distribution company redetermine the amounts, reverse the relevant invoices and return any sums paid in excess.
Subsequently, with **Resolution 569/2018/R/com dated 13.11.2018 -** *Provisions for strengthening the safeguards for the benefit of end customers when amounts related to consumptions dating back to more than two years are invoiced* - ARERA, taking into consideration the Consultation Document 408/2018/R/com, approved the measures for strengthening the safeguards in the event of billing containing amounts relating to consumptions dating back to more than two years with reference to the measures introduced by the 2018 Budget Law; in particular, the provision: identified the subjective perimeter to which the measures for strengthening the safeguards apply; defined the sellers' information obligations and the forms of presentation and management of any claims by the end customers; chose the *pro-die* criterion as a way to correctly allocate these consumptions over the entire period.
These provisions apply to invoices issued commencing 1st January 2019.
Finally, with **Resolution 683/2018/R/com dated 18.12.2018** - *Additional urgent provisions regarding the invoicing of amounts related to consumptions dating back to more than two years in the natural gas and electricity sectors* - ARERA, awaiting the final provision arising from the consultation stated in DCO 570/2018/R/com, defined the urgent measures concerning the management of invoicing and payments of the distribution service in the cases of exception to the limitation period raised by the end customer for reasons attributable to the distribution company.
For both sectors, when the seller does not cash in a payment, regardless of the annual natural gas consumption of the end user and the voltage of the grids to which the electricity end customer is connected, the seller can ask the distributor to repay the sums paid in excess and the distributor can decide to fulfil the obligation by offsetting against subsequent payments to the distributor; the possibility - initially envisaged - of reversing invoices is therefore eliminated.
In the provision, the Authority also confirms the application of the *pro die* criterion (already envisaged by resolution 569/2018/R/com) for the allocation of actual consumptions on a daily basis in the case of consumptions dating back to more than twenty-four months.
Finally, ARERA entitled the sellers, in the transitional phase, to adopt specific and differentiated ways for managing the cases of invoicing of amounts referred to consumptions dating back to more than two years, provided that these methods are sufficient to make the customer aware of his/her right to exercise the limitation period and to guarantee the exercise of the safeguard established by the 2018 Budget Law, in compliance with the criteria underlying the resolution 569/2018/R/com.

With **Resolution 98/2018/E/com dated 01.03.2018 -** *Termination of the fact-finding inquiry into the disclosure requirements on the activation and availability of out-of-court dispute resolution procedures for sellers in the electricity and natural gas sectors, started with Resolution of the Authority 504/2017/E/com* - ARERA ordered the termination of the fact-finding investigation into the information obligations on the activation and the availability of out-of-court dispute resolution procedures for sellers in the electricity and natural gas sectors (pursuant to articles 3, paragraph 3.5 and 11, paragraph 11.1, letter j), of the Code of Commercial Conduct).
In conclusion, the inquiry showed that the information that must be disclosed in the website and the general contract conditions is still incomplete and not very clear.

With **Resolution 168/2018/R/com dated 29.03.2018 -** *Price communication obligations of the end sellers of electricity and natural gas* - ARERA reviewed the obligations concerning the communication of data relating to the average prices charged to end customers, for the purpose of implementing the new 2016/1952 Regulation on European statistics of natural gas and electricity prices, which entered into force on 7th December 2016.
In particular, with reference to the collection of data relating to the average quarterly prices of gas and electricity on the end market, starting from the data pertaining to the first half of 2019, ARERA has scheduled two collections per year - every six months - (instead of the current quarterly collections), within 45 days of the end of each semester. Upon first application, the transmission of data relating to the average prices of electricity and natural gas on the end market for the period 1st January – 30th June 2019 must be sent by 2nd September 2019.

With **Resolution 288/2018/R/com dated 17.05.2018 -** *Obligations of sellers for the purpose of monitoring Free-Price and Equivalent Protection Conditions offers (PLACET offers)* - ARERA, in order to monitor the trend of the PLACET Offers pursuant to resolution 848/17, established the obligations for the transmission of the data required for monitoring: the SII Manager must send ARERA the prices of the PLACET offers as part of the reporting activity stated in resolution 848/17 and the sellers required to fulfil the obligations set out in the TIMR (with at least 50,000 points served) must transmit the information relating to the execution of PLACET contracts.

**Resolution 355/2018/R/com dated 28.06.2018 -** *Efficiency improvement and harmonisation of the regulatory framework regarding out-of-court dispute resolution procedures between customers or end users and operators or providers in the sectors regulated by the Authority - Integrated Settlement Text (TICO)* - complements the first-level dispute management regulatory framework already introduced by the TIQV (Resolution 413/2016/R/com), as regards the claims of the end customers supplied at low pressure (gas sector) and/or low and medium voltage (electricity sector).
By this provision, ARERA has introduced, also taking into account the observations presented in the Consultation Document 199/2018/R/com, the following measures for improving efficiency and harmonisation:
- a so-called “Transitory” TICO regulatory framework effective 1st July 2018, which amends the TICO previously in force, introducing in particular (i) the elimination of the reference to the “controversial points” in the minutes signed before the Conciliation Service, (ii) the obligation of the Conciliator to compile the non-appearance report and consequently to close the procedure, not only when the activating party does not appear at the first meeting but at any meeting of the same procedure, (iii) the provision to the parties, also upon request to the Conciliation Service, of the data and documents relating to the specific conciliation procedure;
- a so-called “Permanent” TICO regulatory framework effective 1st January 2019, which amends the TICO introducing, *inter alia*, (i) the definition of “Multi-site end customer”, (ii) the specification of the subjective scope of application of the TICO, (iii) the amendment of the provisions on the obligatory nature of the attempt at conciliation and on the conciliation application by the end customer, (iv) measures for improving the efficiency of the mechanism for summoning the distributor for technical support.

With **Resolution 366/2018/R/com dated 28.06.2018 -** *Harmonisation and simplification of the comparability sheets for household end customers of the Code of Commercial Conduct* - ARERA standardised the criteria for calculating the annual expense of the comparability sheets of the Code of Commercial Conduct with those of the Offers Portal and simplified the structure of such sheets in order to increase the end customer’s awareness.
The resolution, with effect commencing 1st October 2018, envisages, in particular:
the entry into force of the new Code of Commercial Conduct (Annex A to the resolution) - with the simultaneous repeal of Resolution ARG/com 104/10 - amended, essentially, as regards the rules applicable to the criteria for disclosing information relating to the total expense (art. 6), to the cases of automatic compensation (art. 14), to the comparability sheets (articles 15-22), for the adoption of the new formats concerning the Comparability Sheets and the new format relating to the Information Note.

With **Resolution 406/2018/R/com dated 26.07.2018 -** *Entry into force of the regulatory framework of the indemnity system within the Integrated Information System (SII), for the electricity and natural gas sectors* - ARERA identified the dates of entry into force of the regulations on the indemnity system in force, separately for the electricity (from

1st December 2018) and natural gas sectors (from 1st June 2019), starting from which the transactions and the related processes are exclusively managed under the SII.
By this resolution, then, ARERA has decided to amend art. 12.5 of the TISIND, stating in particular that the outgoing commercial counterparty, in the event of payment of the indemnity by Cassa per i servizi energetici e ambientali (CSEA) and in cases where: the cancellation is notified by the SII Manager for non-compliance with the conditions for the payment of the indemnity, the end customer settles his/her entire debt, as required by the previous version of the aforementioned article, the credit of the outgoing commercial counterparty is fully and otherwise repaid in a definitive manner: returns to the end customer the indemnity (within 10 days of the notification of the cancellation or the verification of the repayment of the credit); notifies the SII Manager of the return, including through the outgoing user, if different (within 2 days of return).

With **Resolution 416/2018/R/com dated 02.08.2018 -** *Amendments to article 1 of the Unified Text for governing the quality of electricity and natural gas sales services* - ARERA amended article 1 of the TIQV (Annex A to resolution 413/2016/R/com) with reference to the type of gas end customers supplied at low pressure for the purposes of the obligations set out in articles 34 and 35 of the same Unified text.
The amendment, aimed at improving the efficiency and comparability of the various retail market monitoring systems adopted in the various provisions in force, consists in replacing the generic type "natural gas end customer at low pressure" with the following four definitions: 1) natural gas end customer at low pressure, household; 2) condominium with household use at low pressure; 3) low pressure public service activities; 4) natural gas end customer at low pressure, for different uses. The amendment, therefore, simply details each type, maintaining the reference, on the one hand, to low-pressure supplies only, and, on the other hand, to any level of consumption; the entry into force of this amendment is set for 1st January 2019.

With **Resolution 623/2018/R/com dated 05.12.2018 -** *Provisions on indicators and comparative publication for the purposes of the annual report on the handling of complaints and the resolution of disputes, pursuant to Article 39 of the TIQV* - ARERA approved, subsequent to the consultation stated in the document 493/2018/R/com, some provisions regarding indicators and the comparative publication of data pertaining to written complaints and written requests for information received by the sellers for the purposes of the annual Report on the handling of complaints and the resolution of disputes pursuant to Article 39 of the TIQV.
The provision confirms the previous consultation regarding the comparative publication of the four quantitative indicators (i.e. complaint indicator, information request indicator, complaint response capacity indicator and information request response indicator) as well as the satisfaction index.
Specifically, with reference to the 2017 year data, no individual indicators will be published comparatively (however, a description of the overall results will be included in the Report - for homogeneous groups of companies), whereas, commencing 2018, a comparative publication will be issued not through an individual ranking, but through the definition of clusters, not anonymous, which group operators with similar performances based on the various indicators.

With **Resolution 712/2018/R/com dated 27.12.2018 -** *Interventions in the wake of the provisions of law 205/2017 on electronic invoicing concerning Bolletta 2.0, the Standard network code for the electricity transport service and the Standard network code for the distribution of natural gas* - ARERA enacted the first provisions on the summary bill for end customers and on the accounting documents of electricity transport and natural gas distribution, needed to coordinate the current regulations of the Authority with the legislative innovations on electronic invoicing stated in the 2018 Budget Law. The provision is aimed at ensuring that the contents of the document "bolletta sintetica" ("summary bill") and the accounting documents of electricity transport and natural gas distribution are consistent with the contents of electronic invoicing, as governed by the provision dated 30th April 2018 and the related technical specifications.

**Natural gas sector**

With **Resolution 72/2018/R/gas dated 08.02.2018** - *Reform of the gas settlement regulatory framework* - ARERA approved some provisions relating to the new gas settlement regulatory framework contained in the "Unified text of

the provisions for governing physical and economic items of the natural gas settlement service (TISG)", in particular by establishing that:
1. the Settlement regulatory framework will be effective commencing 1st January 2020, without any transitory stages;
2. the SII will be used for numerous activities and processes;
3. the Settlement Manager will procure the difference between the quantities injected into the city gate and the sum of the expected withdrawals relating to the total balancing users active on them;
4. the Rank rule will be eliminated commencing 1st October 2018.

With **Resolution 223/2018/R/gas dated 05.04.2018** - *Provisions regarding the determination of the deviation fees for the 2013-2019 period* - ARERA established the redetermination and the adjustment of the fees paid for deviations from the transportation capacity, regardless of whether the fee is due to a measurement error or a clerical error by the distribution company, as part of the adjustment sessions for the previous period, i.e. from the year 2013 until the entry into force of the new gas settlement regulatory framework, scheduled for 1st January 2020.

With **Resolution 336/2018/R/gas dated 14.06.2018** - *Start of a procedure for the definition of the amendments to the regulatory framework applicable to last resort services in the natural gas sector* - ARERA initiated a procedure for the adoption of appropriate measures for defining the regulatory framework for the completion of public tenders for identifying the suppliers of Last resort services (FUI and default distribution), commencing 1st October 2018 and any amendments to the regulations applicable to such services in order to increase their efficiency and encourage participation in the tenders invited for selecting the suppliers.

With **Resolution 407/2018/R/gas dated 26.07.2018 -** *Public tenders for identifying the suppliers of last resort services and the default distribution service as of 1st October 2018* - ARERA defined the criteria and procedures, implemented by Acquirente Unico S.p.A., for identifying the next providers of last resort services commencing 1st October 2018 and updated the discipline of the aforesaid services, intervening on the discipline of TIVG. Among the main changes, the resolution reduced the duration of provision of the services to the thermal year (from 1st October 2018 to 30th September 2019), confirmed the current economic conditions (represented by the reference to the protected price plus a single parameter consisting of the winner's bid and the INAUI fee in the case of customers who cannot be disconnected), confirmed the possibility of dividing the current Area 7 (Lazio and Campania) into two distinct areas, modified the calculation of financial charges.

With **Resolution 488/2018/R/gas dated 27.09.2018** - *Provisions regarding the centralised management of metering data within the Integrated Information System (SII), with reference to the gas sector* - ARERA, with reference to the gas sector, enacted provisions for the centralised management of metering data within the SII, which becomes the only common interface between the distribution companies and their users in making the metering data available, specifically as concerns periodic data and the related adjustments, as well as the metering data in the case of switching and transfer. This process came into effect starting from the metering data made available by the distribution companies in November 2018, using the existing computer tools (the distribution companies are allowed not to close their channels for making available the data up to 30th April 2019.

With **Resolution 548/2018/R/gas dated 30.10.2018** - *Provisions to Cassa per i servizi energetici e ambientali (CSEA) for the purpose of paying amounts relating to the results of the first adjustment session performed pursuant to the Authority's resolution 670/2017/R/gas* - ARERA, in compliance with the provisions of the Network Code, authorised the CSEA to pay Snam Rete Gas S.p.a., in its capacity as the Settlement Manager, the amounts relating to the results of the first adjustment session performed pursuant to resolution 670/2017/R/gas, by 12th November 2018, in order to ensure complete payment to users within the established times.

With **Resolution 601/2018/R/gas dated 27.11.2018** – *Definition of the $C_p$ component to cover the costs arising from the insurance in favour of gas end users effective from 1st January 2019* - ARERA determined, with effect from 1st January 2019, the value of the $C_p$ fee to cover the costs deriving from the insurance in favour of gas end customers, pursuant to the provisions of article 8, paragraph 8.1 of Annex A to resolution 223/2016/R/gas. Specifically, the $C_p$ fee will be 0.45 €/PDR/year, down as compared to the previous value set by resolution 678/2016/R/gas (equal to 0.50 €/PDR/Year).

With **Resolution 631/2018/R/gas dated 05.12.2018** - *Adoption of the Unified text for monitoring the natural gas wholesale market (TIMMIG)* - ARERA issued some provisions for the adoption of the Unified text of the natural gas wholesale market, aimed at strengthening the monitoring function of the natural gas wholesale market, identifying the following areas relevant to the events being monitored: the functioning of system balancing, the adequacy of the infrastructural system and the supply/demand balance, the flexibility margins of procurement sources, wholesale bargaining in order to determine anomalous conducts and prevent trading of privileged information and/or information that could manipulate the market and finally the competitive level of the market.
For 2018 alone, the final costs relating to the monitoring activities performed by GME are paid by the CSEA by 31st July 2019, based on the costs actually incurred by GME; for the year 2019 alone, for the purpose of covering monitoring costs, the major transport company will transmit the Activity Plan (stated in Article 5, paragraph 3, TIMMIG) and the corresponding cost estimate, by 31st January 2019.

With **Resolution 676/2018/R/gas dated 18.12.2018** - *Provisions regarding the methods and timing for paying the adjustment amounts relating to the deviation fees determined as a result of the settlement sessions* - ARERA approved further provisions regarding the methods and timing for paying the adjustment amounts relating to the deviation fees determined as a result of the first adjustment session. In fact, the activities for redefining the deviation fees for the years 2013-2016, as concerns the transport users who submitted an explicit request (pursuant to resolution 223/2018), showed that the amount to be paid as an adjustment equals Euro 2,700,117.75; the transport companies, without prejudice to the provisions of the network codes to protect their credit, must therefore pay the transport users the amounts relating to the adjustment of the deviation fees determined in application of resolution 223/2018.
With regard to the determination of the transport tariffs of the years 2020 and 2021 respectively, the revenues deriving from the application of the deviation fees in 2018 and 2019 will be considered net of the amounts relating to the adjustments determined as a result of the settlement sessions whose outcome is provided in the same year.

**Electricity Sector**

With **Resolution 50/2018/R/eel dated 01.02.2018 -** *Provisions relating to the recognition of charges that could not otherwise be recovered due to the failure to collect general system charges* - ARERA, taking into account the guidelines expressed in DCO 597/2017/R/eel dated 3rd August 2018, defined the mechanism for reinstating the general system charges paid but not collected by the distribution companies. In a subsequent Press Release of 14th February 2018, ARERA deemed it appropriate to specify that the provision concerned only a particular set of cases, and only a part of the general system charges required by law: the charges already paid by the distributors but not collected by those sellers with which, due to the non-fulfilment of the latter, the distributors have interrupted the related energy transport contract, thus suspending for these subjects the possibility of operating in the energy market. A partial and limited mechanism, aimed at ensuring the receipt of the system charges to be guaranteed by law, which the Authority has structured in this way in order to fulfil a series of administrative justice decisions that have annulled the previous provisions of the Authority in this matter.

With **Resolution 318/2018/R/eel dated 07.06.2018 -** *Changes and additions to the TIT and TIME for the implementation of the provisions of the Authority's resolution 237/2018/R/eel concerning the criteria for the recognition of costs relating to the services of electricity distribution and metering for the distribution companies serving up to 100,000 withdrawal points* - ARERA, in order to implement the provisions of resolution 237/2018/R/eel concerning the criteria for the recognition of costs for the electricity distribution and metering services for the purpose of determining the reference tariffs for companies serving up to 100,000 withdrawal points, approved the new version of Annex A to Resolution 654/2015/R/eel, containing the "Unified text of the provisions of the electricity transmission and distribution services (TIT)" and Annex B to the same Resolution 654/2015/R/eel, containing the "Unified text of the provisions for governing the electricity metering activity (TIME)".

With **Resolution 449/2018/R/eel dated 13.09.2018 -** *Completion of the regulatory framework of Tutela SIMILE: PLACET offer to be applied to customers under Tutela SIMILE upon renewals subsequent to the first* - ARERA, in order to complete the regulatory framework governing Tutela Simile, identified for all the admitted suppliers, as the offer to be applied 24 months after the date of activation of the Tutela Simile supply, in the absence of a different choice by the end customer, the fixed-price *PLACET* offer marketed by the supplier at the time of communication.

With **Resolution 485/2018/R/eel dated 27.09.2018 -** *Review of the tender procedures for assigning the electricity protection service for the two-year period 2019-2020, as well as amendments to the regulatory framework of the same service and changes to the TIV* – ARERA regulated the tender procedures relating to the protection service commencing 1st January 2019 and updated the regulatory framework for governing the provision of such service, modifying some provisions of the TIV, in particular, introducing *ex novo* article 31-*bis* relating to the "Mechanism for the reinstatement of non-recoverable charges connected to customers in the protected service who cannot be disconnected".

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

- the 2008 and 2009 objectives were reviewed in the light of an excess of offer of energy efficiency equities 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 who, as of 31st 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 electric energy distributors, set out by the Decree of 20th July 2004, integrated by the Decree of 21st 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 20th July 2004, integrated by the Decree of 21st 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 the Electrical Market Administrator (GME).

With Decree dated 28th 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 28th 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 11th January 2017, published in the Official Gazette no. 78 dated 3rd 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

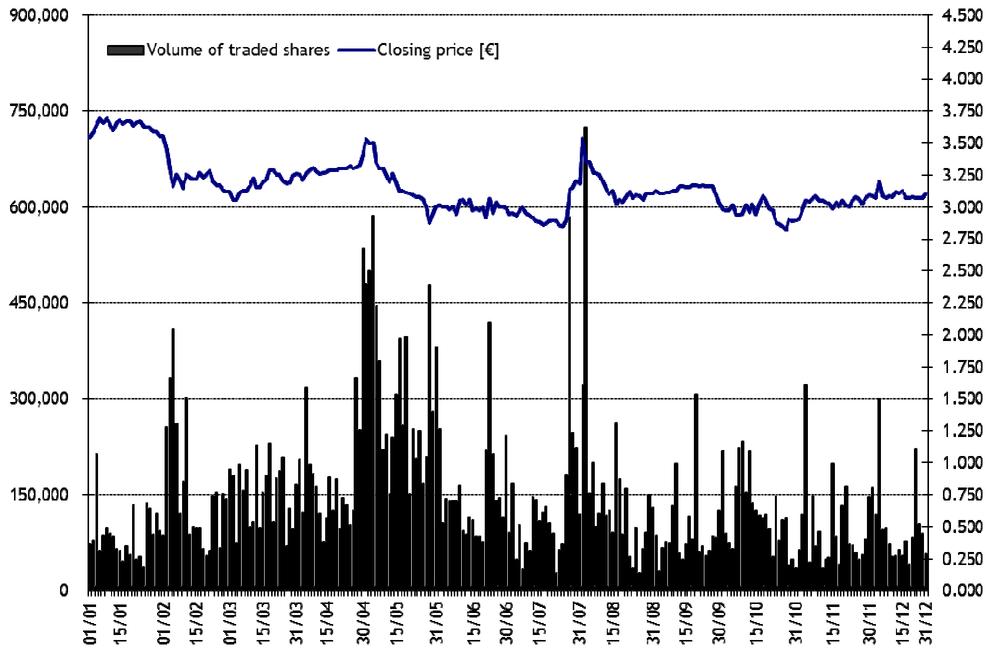
Furthermore, the decree dated 11th January 2017 defines the new guidelines for presenting energy efficiency projects: the old mechanism was reviewed by eliminating the "tau" coefficient, the useful life of projects was extended and the standardised forms were eliminated.

The companies of the Ascopiave S.p.A. Group and Unigas Distribuzione S.r.l., are subject to the obligations set out in Decrees dated 20th July 2004, 21st December 2007 and 28th 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 the Electric Market Administrator (GME), of all certificates received and the outcome of the inspections.
If a distributor does not meet the agreed objective, it could be subjected to an administrative penalty imposed by the Authority, implementing Law no. 481 dated 14th November 1995 and to the indications of decree dated 28th 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 28th December 2018, the Ascopiave share registered a quotation of Euro 3.110 per share, marking a decrease of 12.3 percentage points as compared to the listing at the beginning of 2018 (Euro 3.548 per share, referred to the quotation of 2nd January 2018).

Capitalisation of the Stock Exchange as at 28th December 2018 was equal to Euro 725.08 million[2] (Euro 840.37 million as at 29th December 2017).




During 2018, the quotation of the shares shows a negative performance (-12.3%), but still better than the FTSE Italia All Share index (-16.7%) and the FTSE Italia Star index (-16.9%). However, the sectorial index FTSE Italia Servizi di Pubblica Utilità shows a better performance (-1.1%).

In the following table, we report the main shares and stock-exchange data as of 31st December 2018:

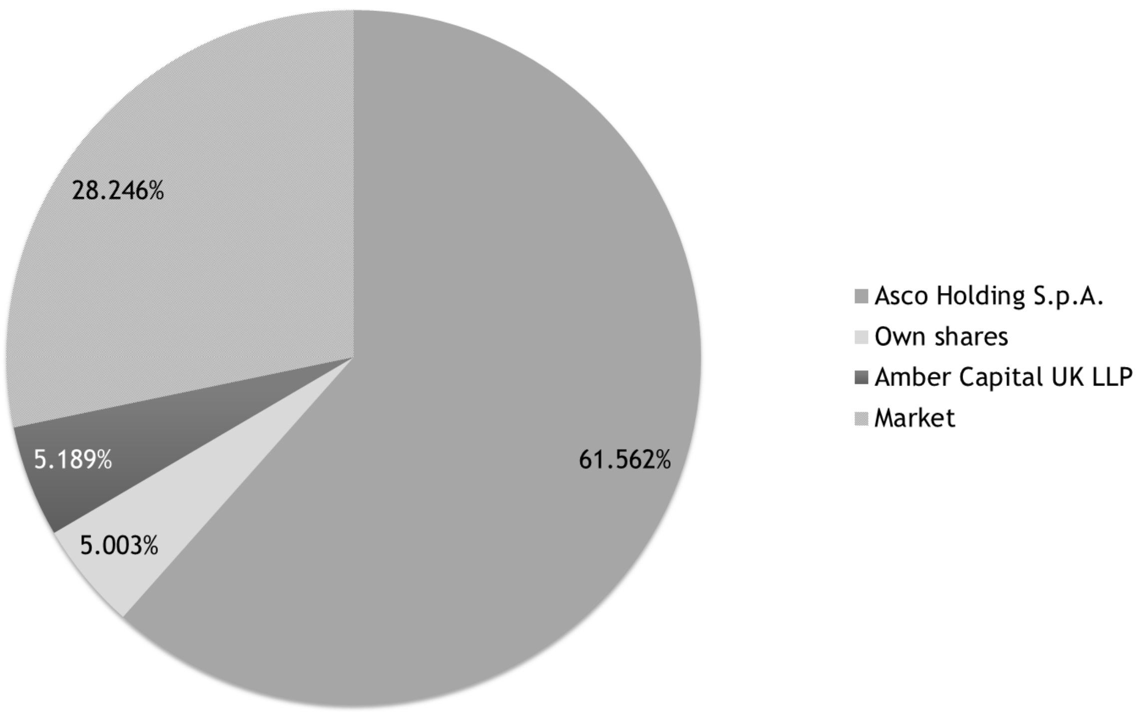
| Share and stock-exchange data | 28.12.2018 | 29.12.2017 |
|---|---|---|
| Earning per share (Euro) | 0.21 | 0.22 |
| Net equity per share (Euro) | 1.91 | 1.92 |
| Placement price (Euro) | 1.800 | 1.800 |
| Closing price (Euro) | 3.110 | 3.546 |
| Maximum annual price (Euro) | 3.690 | 3.828 |
| Minimum annual price (Euro) | 2.820 | 2.710 |
| Stock-exchange capitalization (Million of Euro) | 725.08 | 840.37 |
| No. of shares in circulation | 222,683,966 | 222,310,702 |
| No. of shares in share capital | 234,411,575 | 234,411,575 |
| No. of own share in portfolio | 11,727,609 | 12,100,873 |

[2] The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 28th December 2018 equalled Euro 14.5 billion. Official data from Borsa Italiana (www.borsaitaliana.it).

## Control of the Company

As of 31st December 2018, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital.

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 2018 Ascopiave S.p.A. 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 Audit services, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for the drafting of financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

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

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

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

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

The 231 Model and the Code of Ethics are available in the corporate governance section at www.gruppoascopiave.it.

## 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.;
- ✓ Purchase of materials for the production process and maintenance services from the associate company SEVEN CENTER S.r.l., in liquidation;
- ✓ Credit transactions in favour of ASM Set S.r.l., jointly controlled company;
- ✓ Administrative services for ASM Set S.r.l., jointly controlled company;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l., in liquidation;
- ✓ Administrative and staff services from Unigas Distribuzione S.r.l., jointly controlled company;
- ✓ Expenses from participation in national tax consolidation with Asco Holding S.p.A.;

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

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

Relationships deriving from tax consolidation with Asco Holding S.p.A.:
Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and Asco Energy S.p.A. have also adhered to the consolidation of tax relations held by the Parent company Asco Holding S.p.A., highlighted in the current assets and liabilities.

We would like to point out that these relations are characterised by the highest transparency and are performed on an arm's length basis. As regards each relationship, please see the Explanatory Notes.
The table below shows the economic and financial nature of the transactions described above:

| (Thousands of Euro) | Trade receivables | Other receivables | Trade payables | Other payables | Costs | | | Revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Goods | Services | Other | Goods | Services | Other |
| *Parent company* | | | | | | | | | | |
| Asco Holding S.p.A. | 42 | 3,034 | 0 | 512 | 0 | 0 | 15,845 | 0 | 101 | 1,879 |
| **Total parent company** | **42** | **3,034** | **0** | **512** | **0** | **0** | **15,845** | **0** | **101** | **1,879** |
| *Affiliated companies* | | | | | | | | | | |
| Asco TLC S.p.A. | 63 | 0 | 176 | 0 | 0 | 717 | 0 | 81 | 110 | 279 |
| Seven Center S.r.l. in liquidazione | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 |
| **Total affiliated companies** | **63** | **0** | **176** | **0** | **0** | **717** | **0** | **81** | **119** | **279** |
| *Subsidiary companies* | | | | | | | | | | |
| Estenergy S.p.A. | 64 | 0 | 17 | 7 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASM Set S.r.l. | 1,912 | 844 | 414 | 291 | 0 | 138 | 6 | 7,515 | 472 | 72 |
| Unigas Distribuzione S.r.l. | 29 | 0 | 2,170 | 4,341 | 0 | 9,114 | 1 | 108 | 78 | 1 |
| Sinergie Italiane S.r.l. in liquidazione | 21 | 7,510 | 3,165 | 6,330 | 67,182 | 61 | 0 | 0 | 53 | 0 |
| **Total subsidiary companies** | **2,027** | **8,354** | **4,904** | **10,373** | **67,182** | **9,313** | **7** | **7,623** | **603** | **73** |
| **Total** | **2,131** | **11,388** | **4,728** | **10,885** | **67,182** | **10,030** | **15,852** | **7,704** | **824** | **2,232** |

## Significant events during FY 2018

**Unsecured syndicated loan**
On 25th January 2018, the Parent Company Ascopiave S.p.A. took out a 12-year unsecured syndicated loan to the amount of Euro 10,000 thousand with Cassa Centrale Banca and Banca di Credito Cooperativo delle Prealpi, to which a 1.83% fixed rate is applied. The loan does not envisage the verification of financial covenants.

**Reform of the gas settlement regulatory framework with Resolution 72/2018/R/GAS dated 8th February 2018**
By Resolution 72/2018/R/GAS dated 8th February 2018, the Regulatory Authority for Energy, Networks and the Environment approved the reform of the gas settlement regulatory framework, which will take effect commencing 1st January 2020. By this measure, the Authority simplified the procedures for determining the items attributable to the settlement entity, which will be required to supply the REMI with the quantities determined according to the actual measurements for the redelivery points of the distribution network based on monthly measurements or daily details of the expected consumptions, and on the basis of the application of the expected withdrawal profile with climate correction for the withdrawal points measured less frequently than once a month. The Authority also entrusted the settlement manager with the task of supplying the difference between the quantities withdrawn at the REMIs and the sum of the expected consumptions attributable to the settlement entities for the REMIs served and assigned the SII (Integrated Information System) the responsibility of making available to the settlement manager the withdrawal data of the PDR (Redelivery Points for end customers). In June, Snam Sete Gas published the data on the adjustment sessions for the years 2013-2016.

**Ascopiave S.p.A.'s Shareholders' Meeting dated 26th April 2018**
The Shareholders' Meeting of Ascopiave S.p.A. convened in ordinary session on 26th April 2018, chaired by Mr Nicola Cecconato.
The Shareholders' Meeting approved the financial statements for the year 2017 and resolved to distribute a dividend of Euro 0.18 per share. The dividend was paid on 9th May 2018, with ex-dividend date on 7th May 2018 (record date on 8th May 2018).

Furthermore, the Shareholders' Meeting approved the Remuneration Policy, compiled in accordance with art. 123-*ter* of the Unified Finance Law and removed partially the lock-up restriction on the stock-based bonus, for an amount sufficient to pay the withholding taxes and contributions due by the beneficiary, with reference to the Information Document - compiled pursuant to art. 84-*bis* of Consob Issuers' Regulations - "2015-2017 long-term share-based incentive plan".
The Shareholders' Meeting, in addition, approved a Long-term share-based incentive plan for the three-year period 2018-2020 for executive directors and some managers of Ascopiave S.p.A. and its subsidiaries.
Finally, the Meeting approved a new purchase and sale plan of treasury shares under the terms of articles 2357 and 2357-*ter* of the Italian Civil Code, to replace and revoke the previous authorisation dated 28th April 2017.

**Anita and Ascopiave sign a letter of intent for the development of a future business combination**
On 4th June 2018 Anita and Ascopiave signed a letter of intent in which they identify the guidelines and principles of a process aimed at combining their gas distribution businesses by merging Anita into Ascopiave.
The agreement, which envisages a period of mutual exclusivity in the negotiations to expire on 31st December 2018, defines the applicable assumptions, the details and the process that the Parties will initiate in order to finalise the operation by the end of the year.

**Announcement by Asco Holding S.p.A.**
On 8th June 2018, the Board of Directors of Asco Holding resolved to convene the Shareholders' meeting on 20th July 2018 on first call and on 23rd July 2018 on second call, in order to propose the adoption of some amendments to the current articles of association, aimed at ensuring greater governance cohesion and stability. Any shareholders of Asco Holding who do not participate in the adoption of the Shareholders' Meeting resolution for the approval of the new articles of association (because they oppose, are absent or abstain), may exercise the right of withdrawal pursuant to the Italian Civil Code, for all or part of their shares, within the fifteenth day subsequent to the registration of the Shareholders' resolution in the Register of Companies, since the amendments to the articles of association proposed by the Board of Directors include, *inter alia*, the introduction of restrictions on the transfer of shares. The methods for paying the liquidation value to the withdrawing shareholders include: (i) the attribution of shares in the subsidiary Ascopiave, up to a maximum limit of 27,000,000 shares, representing 11.52% of Ascopiave's share capital, so that Asco Holding will in any case retain more than 50% of Ascopiave's share capital; and (ii) the use of cash resulting from an extraordinary dividend (the company plans to ask Ascopiave to distribute such dividend, by means of a formal request to convene the Shareholders' Meeting), up to a maximum amount of Euro 77 million, subject to the approval of the amendments to the articles of association by the Shareholders' Meeting of Asco Holding.
The resolution approving the new articles of association shall be considered revoked if a number of shareholders above a certain threshold exercise the right of withdrawal or if the distribution of the aforementioned extraordinary dividend is not approved by the Shareholders' Meeting of Ascopiave.
The withdrawal procedure, whose deadline was originally scheduled for the end of October 2018, is still underway, as the liquidation value has been challenged.

**Reform of the gas settlement regulatory framework by Resolution 72/2018/R/GAS dated 8th February 2018**
On 6th July, Snam Rete Gas S.p.A. announced that the balancing deadlines are extended in order to acknowledge any reports from the balancing users until 24th July 2018. Any such reports did not produce changes with respect to the volumetric data being processed, which, at the current date, are confirmed.

**Information on the termination of the existing employment relationship with Mr Roberto Gumirato**
On 8th August 2018, Ascopiave S.p.A. announced that an agreement was reached with Mr Roberto Gumirato, General Manager, which envisages the consensual termination with effect from 15th November 2018 of the existing employment relationship between the parties. In accordance with the agreement, again with effect from 15th November 2018, Mr Gumirato shall resign as the Chairman and member of the Board of Directors of AP Reti Gas S.p.A., a company controlled directly by Ascopiave S.p.A., and renounce the proxies granted by Ascopiave S.p.A. as well as by Asco TLC S.p.A. and Bim Piave Nuove Energie S.r.l., companies belonging to the Group.
The Board of Directors of Ascopiave S.p.A. thanked Mr Gumirato for his commitment and the results achieved in these years of work.

In compliance and consistent with the remuneration policy approved by the Company's Board of Directors on 14th March 2018, Mr Gumirato shall receive a gross amount of Euro 695,018, corresponding to 2 years of fixed salary, as an incentive to redundancy, a gross amount of Euro 532,000 as an extraordinary bonus for managing successfully the turnaround of Sinergie Italiane S.r.l., implementing the resolutions of the Board of Directors of Ascopiave S.p.A. dated 27th February 2014, a gross amount of Euro 90,000 as an MBO bonus for the year 2018 calculated pro-rata temporis until the date of termination of the relationship, and a gross amount equal to Euro 10,000 in consideration of the waivers of Mr Gumirato to any requests or claims deriving from the previous employment relationship and the relationship as a member of the Board of Directors.
Mr Gumirato shall comply with the non-compete obligations set forth in the agreement signed with Ascopiave S.p.A. on 15th March 2016, which will therefore be effective from 16th November 2018 to 15th May 2022, and will receive, in accordance with the aforementioned agreement and in consideration of the non-compete obligations, a gross amount of Euro 547,327.
All the above amounts will be paid to Mr Gumirato within 10 days from the repetition of the agreement in one of the circumstances under articles 2113, Italian Civil Code, and 410 *et seq.*, Italian Code of Civil Procedure.
Lastly, the agreement envisages mutual waivers to any requests or claims deriving from the previous employment relationship and the relationship as a member of the Board of Directors, obviously with the exception, as regards the waivers in favour of Mr Gumirato, of cases of wilful misconduct or gross negligence.
Due to the overall consideration, the agreement qualifies as a related party transaction, to which the Procedure adopted by Ascopiave S.p.A. on the matter does not apply, because, on the one hand, it is consistent with the remuneration policy and with the existing agreements and, on the other hand (for the portion concerning the consideration in favour of Mr Gumirato, equal to Euro 10,000 gross, for the waivers set forth in the agreement), its value is low. The transaction, before being approved by the Company's Board of Directors, was however examined by the Remuneration Committee – an internal committee of the Board of Directors composed of independent directors – which expressed its justified opinion in favour of the conclusion of the agreement.
The Board of Directors immediately started the search for the new General Manager.

**Announcement by Asco Holding S.p.A.**
On 13th August 2018, Asco Holding S.p.A. announced that the period for exercising the right of withdrawal for Asco Holding shareholders who, on 23rd July, did not approve the resolution concerning certain amendments to the Articles of Association, including the extension of the term of the company and the introduction of restrictions to the transfer of shares, expired on 10th August 2018, pursuant to art. 2437 of the Italian Civil Code.
According to the communications received by the Company, the right of withdrawal was exercised for 37,464,867 shares (the "Withdrawal Shares"), representing 26.76% of Asco Holding's share capital, for a total equivalent value of Euro 140,493,251.25 calculated at the liquidation value of Euro 3.75 (three/75) for each share, established in compliance with art. 2437-ter of the Italian Civil Code. The payment of such amount was requested in cash for 13.96% of Asco Holding's share capital and through the allocation of shares in the subsidiary Ascopiave S.p.A. for 12.80%.
Since the number of the Withdrawal Shares is less than 38.48% of Asco Holding's shares and the number of the withdrawing shareholders who asked to receive the liquidation value of the shares for which the right of withdrawal in cash was exercised represents a percentage of the capital lower than 23.05%, on the basis of the data currently available, the conditions for revoking the resolution approving the amendments to the Articles of Association are not met.
12,611,081 Withdrawal Shares, other than the 24,853,786 shares held by some withdrawing shareholders who challenged the liquidation value, will be offered with pre-emption rights, pursuant to Article 2437-quater of the Italian Civil Code, to Asco Holding shareholders other than those who exercised their right of withdrawal, from 13th August 2018 to 11th September 2018, included, in proportion to the number of shares held by them (the "Rights Offering").
Asco Holding shareholders who exercise the first option to buy as part of the Rights Offering will have a right of pre-emption to purchase any Withdrawal Shares remained unsubscribed as part of said offer, provided that such shareholders formulate a specific request simultaneously with the exercise of the right of pre-emption.
If, as a result of the Rights Offering, any further Withdrawal Shares remain unsubscribed, Asco Holding shall repurchase such shares.

The Rights Offering Notice was filed with the Register of Companies of Treviso - Belluno, pursuant to art. 2437-quater, paragraph 2, Italian Civil Code, on the same date.

**Announcement by Asco Holding S.p.A.**

On 6th September 2018, Asco Holding S.p.A. announced that, on the basis of the communications of the shareholders received after the date of the last press release (13th August 2018) but validly sent within the final deadline for exercising the right of withdrawal of the shareholders who did not participate in the adoption of the resolution of the Shareholders' Meeting convened on 23rd July 2018 (i.e., within 10th August 2018), the final results relating to the exercise of the right of withdrawal are as follows:

(i) the right of withdrawal was exercised for a total of 41,945,221 shares, representing 29.96% of Asco Holding's share capital, for a total equivalent value of Euro 157,294,578.75 calculated at the liquidation value of Euro 3.75 (three/75) for each share, established by the Board of Directors in compliance with art. 2437-ter of the Italian Civil Code;
(ii) the payment of the liquidation value was requested in cash for 15.78% of Asco Holding's share capital and through the allocation of shares in the subsidiary Ascopiave S.p.A. for 14.18%.

14,007,435 Withdrawal Shares, other than the 27,937,786 shares held by some withdrawing shareholders who challenged the liquidation value, will be subjected to a new Rights Offering, filed today with the Register of Companies of Treviso - Belluno, replacing entirely the previous subscription right offering filed on 13th August 2018.

**Ascopiave S.p.A., already owner of 80% of Amgas Blu's share capital, buys the remaining 20% of the stock from Amgas S.p.A., becoming the sole shareholder of the company**

On 18th September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu S.r.l..
The equivalent amount disbursed for the purchase, amounting to Euro 3.8 million, corresponds to Amgas Blu S.r.l. enterprise value of Euro 19.5 million.
In 2017, Amgas Blu S.r.l. served about 48,800 customers, of which 46,100 in the gas sector and 2,700 in the electricity segment. Revenues amounted to Euro 19.3 million. EBITDA, in the same period, was Euro 2.5 million.

**Resignation of Cristiano Belliato, CFO, Ascopiave Group**

On 28th September 2018, Ascopiave S.p.A. ("Ascopiave" or the "Company") announced that Mr Cristiano Belliato, Chief Financial Officer, Ascopiave Group, resigned to pursue a new career path.
Mr Belliato maintained his duties and responsibilities as the Executive in charge of compiling Ascopiave's accounting and corporate documents, as the Chief Financial Officer and as the strategic manager of the Ascopiave Group until 30th October 2018.
Mr Belliato shall comply with the non-compete obligations set forth in the agreement signed with Ascopiave on 15th March 2016, which therefore shall be effective from 1st November 2018 to 1st May 2021, and has received, pursuant to the aforementioned agreement and in consideration of the non-compete obligations, a gross amount equal to Euro 213,558. Consistent with the remuneration policy approved by the Company's Board of Directors on 14th March 2018 and with the existing agreements, such consideration qualifies as a related party transaction to which the Procedure adopted by the Company on the matter does not apply.
In compliance with the requirements of the Instructions for the Rules of the Markets organised and managed by Borsa Italiana, we inform you that on 28th September 2018 Mr Belliato held 33,737 ordinary shares in Ascopiave.

**Riccardo Paggiaro appointed as CFO and Executive in Charge of the Ascopiave Group**

Ascopiave S.p.A.'s Board of Directors, which convened on 15th October 2018, advised by the Board of Auditors, subsequent to verifying that the requirements of integrity and professionalism stated in the Articles of Association are fulfilled, appointed, effective 31st October 2018, Mr Riccardo Paggiaro as the Chief Financial Officer, the Executive in charge of compiling accounting and corporate documents pursuant to article 154-*bis* of Italian Legislative Decree 58/98, and the strategic manager of the Ascopiave Group.

Mr Paggiaro, Chartered Accountant and Auditor, graduated in Economics and Commerce at the University Ca' Foscari of Venice in 2001. He has been specialising for years in tax matters and corporate finance at leading consulting and auditing companies, which has enabled him to gain significant experience in administration, finance and control.
Since 2011, he has been serving as the Finance and Treasury Manager of the Ascopiave Group and as the Administrative Manager of the subsidiaries; he also held other positions in Group companies.

A summary of Mr Paggiaro's CV is available in the Corporate Governance section of the website www.gruppoascopiave.it.

As required by the Instructions for the Rules of the Markets organised and managed by Borsa Italiana, we inform you that Mr Paggiaro does not hold ordinary shares in Ascopiave S.p.A..

**Press release of Ascopiave S.p.A.**
On 15th October 2018, Ascopiave S.p.A.'s Board of Directors approved the launch of the first stage of a process aimed at (i) enhancing its activities in the gas sales sector and (ii) strengthening and consolidating its presence in the distribution sector, in both cases also through one or more strategic partnerships, appointing leading financial and legal consultants to this end.
Ascopiave will keep the market informed about any subsequent developments of such process.

**Reform of the gas settlement regulatory framework by Resolution 72/2018/R/GAS dated 8th February 2018**
On 6th November 2018, the Group's main shipper issued the certificates related to the volumetric adjustments for the years 2013-2016 due to the updating of the data used for the first allocation with the closure of the station.
On 7th November 2018, Snam Rete Gas published the non-definitive data on the adjustment sessions for the year 2017. The data received as concerns the volumetric adjustments due to the updating of the data used for the first allocation with the closure of the station, as well as the economic impacts deriving from the ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, were estimated by the Group's sales segment and recorded in the fourth quarter of the year.

## Other important events

### Sale of natural gas and electricity

The Group sells gas and electricity through the companies Ascotrade S.p.A., ASM Set S.r.l., Estenergy S.p.A., Blue Meta S.p.A., Asco Energy S.p.A. (former Veritas Energia S.p.A.), Ascopiave Energie S.p.A. (former Pasubio Servizi S.r.l.), Etra Energia S.r.l. and Amgas Blu S.r.l..
The companies ASM Set S.r.l. and Estenergy S.p.A. are consolidated with the equity method.

**The Gas and Electricity market**
The latest report on retail monitoring made available by the Regulatory Authority for Energy, Networks and the Environment (ARERA) shows that the process for exiting the protected market for gas and electricity supplies continued. In 2017, the end customers with supplies on the free market were around 39% for electricity and about 44% for gas; 68% of customers switched to the free market with their historical supplier. At the same time, the range of offers on the free market is more and more extensive, and there is a preference for fixed-price offers.
Precisely in order to favour the transition towards full liberalisation, as a safeguard for end customers, the Regulatory Authority for Energy, Networks and the Environment has identified a series of technical, financial and professional requirements for the inclusion of electricity suppliers in the "Electricity sellers" list and the creation of a portal, managed by Acquirente Unico, for comparing the offers on the electricity and gas retail market where the commercial proposals are published so that the end customer can subsequently compare such offers.
The end of the protected market, originally scheduled for 1st July 2019, was postponed to 1st July 2020 (law 108 dated 21st September 2018), and in this delicate stage of transition to the free market the Authority for Competition and the Market is carefully monitoring the situation in order to ensure competitiveness. Some companies have already been

sanctioned for abusing their dominant position in the electricity sales markets, for using information on protected market customers in the past thanks to the vertical integration with sales in the greater protection market and in some cases also with distribution, with the aim of favouring the transit of customers to the free market sales company of the same Group.
Companies in the sector are increasingly using digital channels to promote offers to household end customers in the electricity market; this medium is increasingly appreciated by customers and is going to be even more popular in the coming years; price remains always one of the most important elements in the choice of the supply, although alternative energy services and new innovative products are also establishing themselves.
In the near future, the customer's needs will be fulfilled insofar as the potential of the new technologies is unlocked; the latter, focusing on the customer and customer data, will indicate the needs of the customer, and not only energy needs, in an ever more detailed way.
The blockchain technology, even if it cannot be implemented in the short run, is an example of how utilities will be able to enter a market that could be revolutionised by a disintermediation logic which will entail economic advantages for prosumers and consumers and offer new business opportunities to the utilities themselves through the diversification and innovation of the offer.
The utilities will have to adapt quickly to a new energy system that is advancing ever faster and that will lead to a progressive establishment of electric vehicles, exchanges of energy between end customers, new systems for managing household consumption, increasingly massive use and management of renewable energy.
The Group continues to pay attention to environmental and social issues with the aim of improving the quality of the services offered in the area served.

**Price trend**

As compared to 2017, 2018 saw an increase in prices in the main European hubs, with a drop in the last quarter of the year. TTF spot prices rose by approximately 32% compared to the previous year, while spot prices at the Italian VTP rose on average by 23% (Day-Ahead Heren index average).
The value of TTF DA MID Heren also grew from 20.75 €/MWh in December 2017 to 23.73 €/MWh in December 2018 (reaching 27.64 €/MWh in September, the highest figure since December 2013).
As for the VTP DA MID Heren, it decreased from 25.81 €/MWh in December 2017 (which takes into account the accident in Baumgarten on 12th December) to 25.23 €/MWh in December 2018, reaching the highest value in September with 28.98 €/MWh.
In 2018 also electricity prices showed an increase as compared to the PUN trend of 2017 (approximately +13.6%), mainly attributable to the appreciation of the price of natural gas, the highest since 2014, and mitigated by a good availability of renewable electricity. On the other hand, there was a reduction in traditional sources, especially coal-based ones.
Furthermore, the Authority, in compliance with the decision of the Council of State 4825/2016 for the annulment of resolution ARG/GAS 89/10, intervened with Resolution 737/2017/R/gas to determine the value of the raw material gas for the period October 2010 - September 2012.
By Resolution 89/10, the Authority had redetermined the value of the raw material component by introducing the de-multiplication coefficient K which reduced the procurement costs recognised in the tariff. By this resolution, the Authority updated the K value bringing it to an amount higher than those previously defined, introducing an increase in the raw material component recognised in the tariff.
With Resolution no. 32/2019/R/GAS, the Authority defined the procedures through which the sales companies can obtain the refund of the additional costs incurred in 2010/2012 due to the regulatory changes introduced by the Authority on the raw material gas. Specifically, such companies may submit an application to Cassa per i servizi energetici ambientali (CSEA) by May 2019, accompanied by the documentation required to prove and obtain the amounts due. The CSEA will open an account to which, commencing 1st April, a specific distribution tariff component that will be charged to all customers whose annual consumption is less than 200,000 Scm will be credited. The amounts recognised will be paid in three stages from April 2020 until 31st December 2021.

**Ascopiave Group: performance of volumes of natural gas and electricity sold**

The volumes of gas sold to the end market in 2018 by 100% consolidated companies are equal to 781.4 million cubic metres, marking a decrease of 2.8% as compared to 2017 (803.8 million cubic metres as of 31st December 2017). To these volumes, we must sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and

ASM Set S.r.l.), which in 2018 in total sold 259.4 million cubic metres of gas marking a decrease of 5.8% compared to the previous year (275.2 million cubic metres as of 31st December 2017).
Regarding the electricity sale activity, in 2018 the amount of electricity sold by the 100% consolidated companies was equal to 392.7 GWh, marking an increase of 2.4% as compared to 2017 (383.4 GWh as of 31st December 2017). To these volumes, we must sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and ASM Set S.r.l.), which in 2018 in total sold 131.4 GWh, marking an increase of 12.7% as compared to 2017 (116.6 GWh as of 31st December 2017).

**Ascopiave Group: performance of the gas and electricity customer portfolio**
As of 31st December, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 537.5 thousand customers and recorded a decrease of 9.1 thousand units compared to the previous year (546.6 thousand as of 31st December 2017). The companies consolidated using the equity method (Estenergy S.p.A. and ASM Set S.r.l.) at the end of the year, and proportionate to the Group's stake in the companies, had a portfolio of 107.1 thousand customers, registering a decrease of 6.2% compared to the previous year (114. million units as of 31st December 2017).
The decrease in the gas portfolio was more than offset by the increase in electricity customers which, at the end of the year, for the companies consolidated on a line-by-line basis, recording 82.4 thousand customers, showed an increase of 14.2 thousand units. The companies consolidated using the equity method, at the end of the period considered, had an electricity customer portfolio of 16.6 thousand units, proportionate to the Group's stake in the companies, recording an increase of a 4.4 thousand units.

## 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. and Unigas Distribuzione S.r.l.. The company Unigas Distribuzione S.r.l. is consolidated with the equity method.

**Natural gas distribution activity**

**Companies consolidated on a line-by-line basis**
The Ascopiave Group manages concessions for the gas distribution service in 198 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 2018 and provides a comparison with 2017 data:

| | Full Year | |
|---|---|---|
| | 2017 | 2018 |
| Volumes of gas distributed (scm/mln) | 1,024 | 1,014 |
| Length of distribution network (km) | 9,240 | 9,269 |
| new cutlery/replaced networks (km) | 32.7 | 69.5 |
| Total active Flowmeters (n.) | 489,217 | 491,722 |
| Total Smart meters G4/G6 (n.) | 152,965 | 254,361 |
| Average arrival time on site (minutes) | 37.4 | 40.7 |
| Network inspected (%) | 76.0% | 80.5% |

The planned inspection of the network in 2018, 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:

| | target ARERA | Full Year 2016 | Full Year 2017 | Full Year 2018 |
|---|---|---|---|---|
| Network in high and medium pressure inspected on the total (100% inspection obligation in 3 years) | > 100% in 3 years | 84.30% | 76.10% | 80.20% |
| Low pressure network inspected over the total (100% inspection obligation in 4 years) | > 100% in 4 years | 83.60% | 75.60% | 80.70% |

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 prefixed by ARERA.

| | Full Year 2017 | Full Year 2018 |
|---|---|---|
| Respect for the time set for the execution of the services subject to specific commercial quality standards | 99.5% | 99.6% |

In 2018, 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 6,068 interventions, and the arrival time was on average (40.7 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 2018, 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.
The main IT and management systems were upgraded: in particular, the software for assigning and accounting for works was completely 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.

**Companies consolidated with the equity method**
In 2018, the investments made by Unigas Distribuzione S.r.l. for the extension, upgrade and maintenance of distribution network have been significant. They involved 4.8 km of distribution network, enhancing, renovations and new extensions.
The activity of maintenance of the distribution network and of the plants in order to maintain proper levels of safety, quality and continuity in the service, is partly performed through the intervention of internal personnel and partly using other companies.
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 prefixed by the Authority. In 2018, 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 throughout the territory managed, performed 879 interventions, and the arrival time was on average largely less than the 60 minutes envisaged by the Authority. In total the calls received by the call centre were 3,100 (an increase of about 5% compared to the previous year).
Over the course of 2018, inspection of approximately 54% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration or damage to the systems. The inspection

programme carried out exceeds the minimum standards required by the Authority for distribution systems, and demonstrates the attention paid by Unigas Distribuzione Gas S.r.l. to the safety of its services.
In particular, 595 Km of medium- and low-pressure distribution network were inspected, and 40 leakages were removed on the networks.
Proper odorization of the gas is monitored in two sessions, one in summer and one in winter, via a third party; all measurements were compliant with the current technical regulations.
The activities carried out on the counting metres, supplied exclusively by the accredited trading companies, are subject to the specific standards identified in the Service Charter and are the following: new activations, transfers, cancellations, suspensions for arrears, reactivations. The services supplied in 2018 are in line with those supplied in the previous years. The services were carried out pursuant to the standards identified in the corporate Service Charter.
During the year, the adjustment of the G10 calibre metres continued pursuant to 631/13 Resolution, by installing equipment and systems with remote reading and dedicated, battery powered modems. As for G4/G6 metres, in 2018 about 10,300 units were installed. Overall, about 16,600 electronic metres with class up to G6 are installed to date, a result that exceeds the minimum target of 10,500 metres to be installed by 31st December 2018.

**Ascopiave Group: performance of the volumes of natural gas distributed and network extension**
In 2018, the volumes of natural gas distributed through the networks managed by the Group were 1,086.7 million cubic metres, of which 82.0 million cubic metres pertaining to the extension of the scope of consolidation to the company Ap Reti Gas Vicenza S.p.A. (1,020.4 million cubic metres in 2017, +6.5%), and 72.5 million cubic metres relating to Unigas Distribuzione S.r.l. The gas volumes of the latter are proportional to the share interest of the company of which the Group owns a share equal to: 48.86%.
The distribution network in 2018 has an extension of 9,809 km (over 9,780 km in 2017).

**Ascopiave Group: number of redelivery points managed**
As of 31st December, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 491.7 thousand and records an increase of 2.5 thousand units compared to the previous year (491.8 thousand as of 31st December 2017). The number of redelivery points managed by the companies consolidated using the equity method (Unigas Distribuzione S.r.l.), proportionate to the Group's stake in the company, at the end of 2018 were 46.3 thousand (46.2 at the end of 2017).

## Co-generation

In 2018, the co-generation activity of the Ascopiave Group S.p.A. was carried out by the Research and Development Department of the Ascopiave Group on behalf of Veritas Energia S.p.A., now Asco Energy S.p.A.
As far as the activity of heat generation plants in co-generation is concerned, in 2018 four 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 118% to 123%. A lease agreement was active on the plant, paid off at the end of 2018. 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 saturation for the connected household clients of the plant "Cà Tron a Dolo (VE)" increased from 35% to 37%. It is however specified that 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;
- The plant "Ponte Tresa a Ponte Tresa (VA)" did not register significant variations in saturation for the connected household clients. The co-generation group has been operating at full capacity, working in winter to provide

heating for connected customers. This facility was managed until October 2018, when the current agreement for the management of the plant expired.

As far as the activities on thermal plants are concerned, in 2018 the Group managed 5 plants, as the agreement of one plant expired in April.

### Energy efficiency and saving

As concerns the Group's distribution companies, which are fully consolidated, as at 31st May 2018, the minimum targets for the year 2017 were achieved with a residual quota of 13% for AP Reti Gas S.p.A. and 39% for AP Reti Gas Vicenza S.p.A.. For both companies, the residual quotas of the previous years were cancelled.

By resolution dated 29th January 2018, the Authority defined the 2018 targets of the companies, amounting to 78,513 TEE for AP Reti Gas S.p.A. and 19.504 TEE for AP Reti Gas Vicenza S.p.A..

As regards the 2018 target, AP Reti Gas delivered approximately 40% of the target at the end of November and at the end of 2018 already has enough certificates to almost attain the 2018 minimum target with delivery at the end of May 2019.

As far as Unigas Distribuzione S.r.l. (consolidated with the equity method) is concerned, the GSE quantified the 2017 target in 15,354 TEE, of which 60% were delivered before 31st May 2018. The 2016 and 2015 targets were completely achieved.

By resolution dated 29th January 2018, the Authority defined the 2018 target of the company, amounting to 16.103 TEE, of which 3,406 TEE were delivered in late November 2018.

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

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

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

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

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

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

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

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

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. The lack of such agreements in the past 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 29th August 2011.
The expert has written a report (made available on 15th 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 2nd 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 31st 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;

were paid for a total amount of Euro 40,495 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 31st 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 31st 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 31st December 2018 the following are pending:

**MUNICIPALITY OF COSTABISSARA:**
An arbitration is pending before the Court of Appeal of Venice filed by the Municipality of Costabissara. The Municipality, by a deed notified on 12th December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19th May 2016, the Court scheduled the pre-trial hearing for 7th March 2019. The Arbitration Commission

ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interests at the date of filing the Award.
It appears that the Parties have reached an agreement on the global amount of Euro 3,000 thousand. Contacts are underway to prepare a settlement agreement.

**LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS**
As of 31st December 2018 the following are pending:

**MUNICIPALITY OF SANTORSO:**
An arbitration is pending between Ascopiave S.p.A. and the Municipality of Santorso for the establishment of the residual industrial value of the distribution plants (delivered in 2007 to the new operator).
On 20th April 2017, following the filing of the Statements of Defence and their counter-argument, the last oral hearing was held.
By Court Order dated 2nd May 2017, the Panel rejected the application for document submission relating to the RAB filed by the Company.
By final award dated 18th July 2017, the Panel 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.
The Municipality filed an appeal.
Upon the hearing before the Court of Appeal of Venice which was held on 9th January 2019, the Court set the hearing for the clarification of the conclusions on 27th May 2021.

**ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS**
As of 31st December 2018 the following are pending:

**GUIDELINES – MINISTERIAL DECREE 22nd MAY 2014**
An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgment no. 10341 dated 17th October 2016, by which the Regional Administrative Court of Latium rejected the main appeal against Ministerial Decree 22nd 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 20th May 2015, amending Ministerial Decree 226/2011.
As concerns the appeal filed by Ascopiave, the merit hearing was scheduled for 20th Septemeber 2018.
As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity) were raised.
In this regard, please note that, compared to a similar appeal filed by other distribution companies, 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, thereby agreeing on the fact that such matter is not irrelevant/ungrounded.
Also as regards the aforementioned ruling, Ascopiave's lawyers submitted an application to the judge in order to advance the discussion, subsequent to which the hearing for the discussion was scheduled for 20th September 2018.
As foreseen and as already happened in the past, the Council of State referred the matter to the European Court of Justice. The Company's lawyers have already made contacts to unify the judgments deriving from the aforementioned referrals.

**ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014**
An appeal to the Regional Administrative Court of Lombardy – Milan against the ARERA, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.
Resolutions 310 and 414 were formally repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. Ascopiave, therefore, together with other appellants, in order to avoid the declaration stating that the appeal would in any case be of no benefit to the claimants, appealed Resolution 905/2017 with "additional

grounds". To date, there are no further procedural records.

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

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 10th 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 9th 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 2nd 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 3rd April 2017 Ascopiave stipulated a sale agreement to purchase the share interest of Pasubio Group, becoming its sole shareholder.

The discussion on the substance of the appeal is yet to be scheduled.

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

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

Article 177 of Legislative Decree 50/2016 establishes that, from 18th 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 2nd 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 is scheduled for 22nd May 2019.

**ATEM VI3 INVITATION TO TENDER**

Although not pending as of 31st December 2018, AP Reti Gas S.p.A. and AP Reti gas Vicenza S.p.A. filed an appeal before the Regional Administrative Court for Veneto, notified on 16th January 2019, for the cancellation of the Call for tenders published in the Official Gazette on 17th December 2018.

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

**CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS**

As of 31st December 2018 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 22nd 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 29th 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 7th 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 28th 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:

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

- 200 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 (including Unigas Distribuzione S.r.l.). 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 31st December 2018, 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 187 thousand. For the other companies of the Group these costs amount approximately to Euro 112 thousand (Euro Unigas Distribuzione S.r.l. costs).

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

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

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

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

Ascotrade S.p.A. filed a precautionary appeal against this Order so as to obtain appropriate protection before the Council of State.

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

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

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

Since 2008, these companies are subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008.

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

With reference to the outcome of the pending litigations, the first degree of judgment is favourable to Agenzia delle Entrate: therefore, the companies decided to file an appeal against the judgement of the provincial tax commission.

## 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 19th 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 18th 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 21st 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 23rd May 2000 (the so-called Workforce Protection Decree);
3. with Decree no. 226 issued by the Ministry for Economic Development on 12th 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 21st June 2013, no. 69, converted, with amendments, by Law dated 9th 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 21st June 2013, no. 69, converted, with amendments, by Law dated 9th 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 12th 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 6th June 2014 the Decree of the Minister of Economic Development dated 22nd 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 12th 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 21st May 2014 (and as a consequence the Guidelines) before the administrative court (Regional Administrative Court of Latium). As part of the said proceedings, the issue of constitutional legitimacy and/or preliminary ruling was raised relating to the interpretation (mainly retrospective) of the new rules on the deduction of private contributions set forth by Law 9/2014.

Lastly, by Resolution 310/2014/R/gas - “Provisions for determining the reimbursement value of natural gas distribution networks”, published on 27th 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 23rd December 2013, no. 145, converted with amendments by Law dated 21st 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 11th August 2014 (converted with amendments to law decree 24th 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 20th and 29th May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1st 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 12th November 2011 no. 226, that is to say before 12th 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 14th July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20th May 2015 was published in the Official Gazette, amending the decree dated 12th 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 4th 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 7th 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 27th 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 22nd 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. The hearing for the discussion of the merits is scheduled for 8th May 2019.

## Distribution of dividends

On 26th April 2018, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.18 per share with dividend date on 7th May 2018, record date on 8th May 2018 and payment on 9th May 2018.

## Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31st December 2018 the value of own shares held by the company is equal to Euro 16,981 thousand (Euro 17,521 thousand as of 31st December 2017), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

## Outlook for the Year

As far as the gas distribution activities are concerned, in 2019 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The Group will also participate in the tenders invited, if any, for the award of the Minimum Territorial Areas in which it is interested. Most Towns currently managed by the Group belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders has expired. If the tender authorities issue calls for tenders in 2019, 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 2019.

Thus, the activity perimeter of the Group will likely not change compared to today, even if we assume the possibility of winning the tender for the assignment of the natural gas distribution service in the Minimum Territorial Area of Belluno, provided that the winner is selected by the end of 2019. Indeed, the transfer of the management of the plants from the previous operators is believed to require a considerable period of time; therefore, according to reasonable estimates, such process could be completed after 31st December 2019.

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

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

As far as gas sale is concerned, assuming normal weather conditions, trade margins are expected to decrease compared to 2018, despite the cessation of the non-recurring overall negative impact on profit and loss due to the application of the gas settlement regulation for the years 2013-2017 recorded in 2018, because of the competitive pressure in the retail market and the possible increase in the cost of gas procurement for the next thermal year (effective from 1st October 2019). The Group is also exposed to the positive or negative economic impact deriving from the effects related to the gas settlement regulation for the year 2018.

As regards electricity sales, the fiscal year 2019 could record results in line with 2018.

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

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

## Goals and policies of the group and risk description

**Credit and liquidity risk**

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas and electricity delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 4.8% (6.8% as of 31st December 2017) of the total gross receivables from third parties for invoices issued. Significant commercial operations take place in Italy.

Regarding the company financial management, the administrators consider it appropriate to generate a cash flow suitable for covering its needs.

The main payment obligations opened as of 31st December 2018 are associated with contracts for natural gas supply.

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

As of 31st December 2018 the Ascopiave Group holds a portfolio of 230 (230 as of 31st December 2017) natural gas distribution concessions. . 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 19th January 2011 and 18th 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 12th 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 previously 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 21st June 2013, no. 69, converted, with amendments, by Law dated 9th 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 12th November 2011 no. 226 establishes that the new operator acquires the property of the plant by paying the redemption value to the outgoing operator, except for any portion of it owned by the municipality.

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

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

On 3rd August 2017, the Authority presented, with DCO 590/2017, the final guidelines on possible amendments and additions to the regulations in force governing Settlement, aimed at simplifying the doctrine and overcoming some of the issues emerged.
By resolutions 670/2017/R/GAS dated 5th October 2017 and 782/2017/R/GAS dated 23rd November 2017, the Authority for Energy, Networks and the Environment approved the provisions on gas settlement with specific reference to the methods to be used for the determination of the physical and economic adjustment items for the previous period, from 2013 until the coming into effect of the new regulations. In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply with the closure of the station.
The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas).
On 18th June 2018, Snam Rete Gas published the non-definitive data on the adjustment sessions for the years 2013-2016. The data received have allowed the directors to make estimates on the economic effects of the higher volumes allocated at the end of the process. The estimates were performed considering the various types of volumetric adjustments communicated by Snam Rete Gas consistent with the evolution of the regulatory framework. With regard to the volumetric adjustments due to the updating of the data used for the first allocation with the closure of the station, with the application of the original algorithms, the Group's sales segment estimated that the economic adjustments related to the greater quantities of gas withdrawn would amount to Euro 2,668 thousand. The higher costs recorded are related to revenues already accrued in the same period of time vis-à-vis the end customers to the tune of Euro 3,565 thousand. The current initial recognition of both higher costs and higher revenues is explained by the fact that in the years in question, since the annual adjustment sessions were not held, it was deemed appropriate to balance the cubic metres sold with the cubic metres allocated by the settlement manager.
Subsequent to receiving the volumetric data from Snam, it was also possible to conduct the first estimate of the economic impact of ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, net of an allowance of 0.4%. The communication of the adjustment sessions for the years 2013-2016, enabled the definition of the volumetric input data for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the end consumers. The directors have quantified the in-output volumetric data updated by the Settlement Manager. The amounts relating to higher costs for gas purchase that we might have to pay to the shippers due to the provision are equal to Euro 8,529 thousand. The negative effect of higher costs was partially offset by the margin accrued on the sale, which had already occurred, of these volumes to the tune of Euro 5,078 thousand. The accrual of the margin was affected by the reception of the updated data for the greater volumes allocated by the Settlement Manager. The net impact of the in-output component is negative for Euro 3,451 thousand.
The overall effect of the volumetric updates received until 2016 is therefore negative for Euro 2,504 thousand.
In November, Snam Rete Gas provided the new volumetric allocations and the delta in-output relating to the 2017 financial year. The data received made it possible to estimate the economic adjustments related to the volumetric differences arising from the adjustment sessions as well as the economic effects related to the delta in-output. The Group's sales segment has estimated the economic adjustments of the purchase costs related to the greater quantities of gas withdrawn at Euro 184 thousand. Considering the volumetric data updated by the Settlement Manager on the subject of in-output, the economic adjustments of the purchase costs are estimated at Euro 856 thousand.
The overall effect of the volumetric updates received for 2017 is consequently negative for Euro 1,040 thousand, while the effect of the entire five-year period concerned is negative for Euro 3,544 thousand.
At the reporting date, the shippers issued invoices for Euro 10,326 thousand, of which Euro 2,708 thousand related to the adjustment sessions and Euro 7,619 thousand related to the delta in-output. The remainder is therefore subject to

an estimate.
The volumetric differences for the 2018 financial year, which will be announced in 2019 and cannot be estimated at the reporting date, will be recognised in the current year, determining a negative or positive change for the same amount on the company's margins.
As concerns the second component with an economic impact explained above (in-output), the Group has undertaken remedial legal actions as better explained in the paragraph "Litigations" of this Report.

## Human resources

As of 31st December 2018, the Ascopiave Group had a workforce of 678 employees [3], divided in the various companies as follows:

| Companies consolidated with full consolidation method | 31.12.2018 | 31.12.2017 | Var. |
|---|---|---|---|
| Ascopiave S.p.A. | 93 | 91 | 2 |
| Ap Reti Gas S.p.A. | 171 | 166 | 5 |
| Ascotrade S.p.A. | 91 | 87 | 4 |
| Ap Reti Gas Rovigo S.r.l. | 18 | 18 | 0 |
| Edigas Esercizio Distribuzione S.p.A. | 25 | 27 | -2 |
| Ascopiave Energie S.p.A. | 55 | 15 | 40 |
| Etra Energia S.r.l. | 6 | 6 | 0 |
| Asco Energy S.p.A. | 0 | 44 | -44 |
| Blue Meta S.p.A. | 26 | 25 | 1 |
| Ap Reti Gas Vicenza S.p.A. | 47 | 47 | 0 |
| Amgas Blu S.r.l. | 9 | 8 | 1 |
| **Total companies consolidated with full consolidation method** | **541** | **534** | **7** |
| Companies consolidated with net equity consolidation method | 31.12.2018 | 31.12.2017 | Var. |
| Estenergy S.p.A. | 83 | 81 | 2 |
| ASM Set S.r.l. | 11 | 11 | 0 |
| Unigas Distribuzione Gas S.r.l. | 43 | 45 | -2 |
| **Total companies consolidated with net equity consolidation method** | **137** | **137** | **0** |
| **Ascopiave Group** | **678** | **671** | **7** |

Compared to 31st December 2017, the workforce of the Ascopiave Group grew by 7 units, because of new recruitments mainly in Ap Reti Gas S.p.A. and Ascotrade S.p.A.. During the year, subsequent to the partial demerger that affected Asco Energy S.p.A. (formerly Veritas Energia S.p.A.) and the beneficiary company Ascopiave Energie S.p.A. (formerly Pasubio Servizi S.r.l.), the existing employment relationships were transferred with the company divisions.

[3] The data concerning the proportionally consolidated companies, i.e. Estenergy (48.999%), ASM Set (49%) and Unigas Distribuzione (48.86%), are represented at 100%.

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

| Companies consolidated with full consolidation method | 31.12.2018 | 31.12.2017 | Var. |
|---|---|---|---|
| Executives | 17 | 17 | 0 |
| Office workers | 406 | 393 | 13 |
| Manual workers | 118 | 124 | -6 |
| **Companies consolidated with full consolidation method** | **541** | **534** | **7** |
| Companies consolidated with net equity consolidation method | 31.12.2018 | 31.12.2017 | Var. |
| Executives | 3 | 3 | 0 |
| Office workers | 117 | 116 | 1 |
| Manual workers | 17 | 18 | -1 |
| **Companies consolidated with net equity consolidation method** | **137** | **137** | **0** |
| Ascopiave Group | 31.12.2018 | 31.12.2017 | Var. |
| Executives | 20 | 20 | 0 |
| Office workers | 523 | 509 | 14 |
| Manual workers | 135 | 142 | -7 |
| **Ascopiave Group** | **678** | **671** | **7** |

## Research and Development

**IT systems**

In 2018, the upgrade of the information systems of the Group's gas distribution companies began. The first project launched involved the complete renovation of the companies' work management process, entailing changes to the process of estimation, assignment, work reporting and creation of new assets, if any, understood as new constructions and extraordinary maintenance of the gas networks. This project aims to implement application solutions that can automate and make the entire management of the activities more efficient and effective. A second project, launched in the second half of 2018 through the publication of a specific call for tenders, concerned the choice of the user management system which will support the business processes of the Group's gas distribution companies in the coming years.

During the year, the activities to allow dialogue with the integrated information system (SII) continued, especially as concerns ARERA resolution 77/2018/R/com (switch management), the Nextcloud management, the creation of a communication port according to the specifications issued by Acquirente Unico, and the changes to the current systems needed to fulfil the regulatory updates and the need to improve internal processes.

During the year, the process for preparing the entire information chain (migration of management system and accounting data, CRM, updating of websites, etc.) of the company Ascopiave Energie S.p.A to which the gas and electricity sales units were transferred from Asco Energy S.p.A. (to date, Veritas Energia S.p.A.), was realised.

Intended for the Group's sales companies, the suite supporting the ETRM management was substantially completed on the SAP BPC infrastructure, in particular with modules dedicated to accounting activities, control of counterpart exposure, use of meteorological data and integration with an advanced reporting tool. In addition, a centralised application was created for sending REMIT communications and, again on the BPC platform, the module for the management of the first electricity margin and the renewal of treasury management are being developed. In this area, in particular, the project to update the PITECO system and the management of the intercompany treasury was completed.

The development of the CRM system continued, in particular with features dedicated to the management of appointments at the local offices and for business accounts, the introduction of the “Punti per Te” loyalty programme dedicated to free market customers and the implementation of the commercial initiative “Porta un amico”.
The data standardisation for the bill delivery addresses for all the Group companies was completed and, through in-house development, a system was implemented to receive the date and geolocation information of bills delivered by the external delivery companies and Poste Italiane, making this information available to users through existing management solutions. A programme to support the document management of the forms for the Group’s sales companies was also produced internally, and the multi-channel bill delivery system (e-mail, PEC, CRM) was perfected, with the management of a “Web” connection for the PDF invoice attachment that makes the delivery process more efficient and secure.
As regards the management software of the sales companies, an important technological revamping project began with the aim of making available to end customers, through the online office application and the mobile app, a series of operations which so far could only be performed from a call centre or a local office. The first additional activities, made available during the year, relate to the possibility of modifying payment methods or bank details, entering or modifying land registry data and the possibility, for independent workers and companies, of entering the recipient code for electronic invoicing.
Again for the Group’s sales companies, a dashboard for managing the flows that are currently exchanged with the integrated information system via a communication port was created, ensuring better automation and control of exceptions and anomalies. In addition, the management of Placet offers was completed and a new SDD processing system was introduced. Furthermore, the management software was upgraded to comply with regulatory changes, specifically as concerns the management of electronic invoices issued, and with the resolutions enacted by the Authority.

In support of the introduction of electronic invoicing, with regard to the purchasing cycle, a system for managing electronic fuel invoices was created in the first half of the year, with the aim of obtaining an automatic registration of the incoming documents in the SAP ECC ERP system, previously checking the analytical data made available by suppliers on specialised portals. In the second half of the year, the insourcing project for exchanging information with the SDI, the central system for exchanging electronic invoices and the main additions was completed to automate the registration of the various types of flows. This system is being extended to other types of invoices that include analytical data not attached to the xml electronic invoice coming from the Exchange System, such as telephone bills.

As regards the security of the Group’s IT systems, a project was implemented to improve the management of access profiles to the SAP system, keeping in mind in particular the issues of internal control such as restricted access and segregation of duties, with the aim of guaranteeing greater protection against unauthorised access; the policies implemented on the firewalls were then reviewed and reorganised with a more efficient logic, allowing better management. Still with regard to the security of IT systems, the rules for managing accesses by programmers and consultants to the company’s systems were redefined. Remote access to the company’s network was redefined and simplified and a structured system was created for applying security updates to the corporate Windows platforms and for upgrading the versions of client platforms. With regard to infrastructural activities, the project to upgrade and update the headquarters’ data network continued with the introduction of a series of separate VLANs for different services and companies, with the aim of simplifying management, control and improving performance.

## Additional information

### Seasonal nature of the activity

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

### Remuneration given to the managing and controlling organs, managing directors and directors with strategic responsibilities and stakes held

For further information pertaining remuneration members of administration and auditing bodies, general directors and executives with strategic responsibilities and their share participation please refer to the Remuneration Report drafted pursuant to Art. 123 – third paragraph of the Legislative Decree 58/1998 (Unified Finance Law), approved by the Board of Directors on 16th March 2015.

The aggregated remuneration to Directors, Auditors and Top Executives of the Group in 2018 amounts to Euro 1,042 thousand or Directors, Euro 287 thousand for Auditors and Euro 3,312 thousand for Top Executives, totalling Euro 4,641 thousand compared to Euro 1,803 thousand in the previous year. The change is mainly due to the recognition of the fees paid to the Group's General Manager and Chief Financial Officer upon the termination of their employment relationships. The agreements signed with them, better described in "Significant events during the year", led to the recognition of greater costs totalling Euro 2,411 thousand.

It is noted that no advance payments or credits have been issued to Directors or Auditors and no letters of credit in their favour have been granted.

### 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 30th June 2003 because of the amendments introduced by Law Decree 9th February 2012, no. 5, converted into Law no. 35 of 4th 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 30th June 2003

The Chairman of the Board of Directors, as the person responsible for the treatment of the personal data of the Company, states the adequacy of the Privacy Policy set forth in Legislative Decree no. 196 dated 30th June 2003 and subsequent amendments, 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 2018 Financial Report.

## List of Company Headquarters

### Owned offices

| Entity | Intended use | District | Municipality | Street |
|---|---|---|---|---|
| AP RETI GAS VICENZA SPA | Building hosting company and warehouse | Vicenza | Schio | Via Cementi, 37 |
| ASCO ENERGY SPA | Technical plant of di Dolo | Venezia | Dolo | Via Cà Tron |
| ASCO ENERGY SPA | Technical plant of Mira | Venezia | Mira | Via Papa Giovanni XXIII |
| ASCO ENERGY SPA | Technical plant of Mirano | Venezia | Mirano | Via del Minatore |
| ASCO ENERGY SPA | Technical plant of Mirano | Venezia | Mirano | Via Vittoria |
| ASCO ENERGY SPA | Technical plant of Mirano | Venezia | Mirano | Via Antonio Gramsci |
| ASCOPIAVE SPA | Building hosting warehouse and workshop | Piacenza | Castel San Giovanni | Via Borgonovo, 44/A |
| ASCOPIAVE SPA | Building hosting warehouse and gas cabin | Pordenone | Cordovado | Via Teglio |
| ASCOPIAVE SPA | Building hosting company officies and representation | Milano | Milano | Via Turati, 6 |
| ASCOPIAVE SPA | Building hosting company officies and representation | Milano | Milano | Via Turati, 8 |
| ASCOPIAVE SPA | Building hosting company offices | Treviso | Pieve di Soligo | Via Verizzo, 1030 |
| ASCOPIAVE SPA | Building leased to Asco TLC S.p.A. | Treviso | San Vendemiano | Via Friuli |
| ASCOPIAVE SPA | Building hosting warehouse and workshop | Vicenza | Sandrigo | Viale Galileo Galilei, 25-27 |
| ASCOPIAVE SPA | Operational headquarters of Treviso | Treviso | Treviso | Piazza delle Istituzioni, 34/A |
| EDIGAS DG SPA | Building hosting warehouse | Biella | Salussola | Via Stazione, 38 |

### Rented offices

| Entity | Intended use | District | Municipality | Street |
|---|---|---|---|---|
| AMGAS BLU SPA | Operational headquarters of Foggia | Foggia | Foggia | Viale Manfredi |
| AMGAS BLU SPA | Front office of Lucera | Foggia | Lucera | Via Porta Foggia, 72 |
| AP RETI GAS SPA | Operational headquarters of Castelfranco | Treviso | Castelfranco V.to | Via della Cooperazione, 8 |
| AP RETI GAS SPA | Operational headquarters of Marchirolo | Varese | Marchirolo | Via Cavalier Busetti, 7H |
| AP RETI ROVIGO SRL | Operational headquarters of Rovigo | Rovigo | Rovigo | Viale della Tecnica, 7 |
| ASCOPIAVE ENERGIE SPA | Front office of Marcon | Venezia | Marcon | Via Mattei, 99 |
| ASCOPIAVE ENERGIE SPA | Front office of Mirano | Venezia | Mirano | Via Macello, 6 |
| ASCOPIAVE ENERGIE SPA | Operational headquarters of Mestre | Venezia | Venezia-Mestre | Via Cappuccina, 36/38/40 |
| ASCOTRADE SPA | Front office of Camposampiero | Padova | Camposampiero | Piazza Castello n.37 |
| ASCOTRADE SPA | Front office of Casteggio | Pavia | Casteggio | Via Anselmi, 33 |
| ASCOTRADE SPA | Front office of Castel San Giovanni | Piacenza | Castel San Giovanni | Corso Matteotti, 67 |
| ASCOTRADE SPA | Covered parking of Castelfranco V.to | Treviso | Castelfranco V.to | Piazza Serenissima, 80 |
| ASCOTRADE SPA | Front office of Castelfranco | Treviso | Castelfranco V.to | Piazza Serenissima, 34 |
| ASCOTRADE SPA | Front office of Conegliano | Treviso | Conegliano | Via S. Giuseppe, 38/A |
| ASCOTRADE SPA | Front office of Lavena Ponte Tresa | Varese | Lavena Ponte Tresa | Via Valle, 3 |
| ASCOTRADE SPA | Front office of Lentate sul Seveso | Monza Brianz | Lentate sul Seveso | Via Padova, 35 |
| ASCOTRADE SPA | Front office of Oderzo | Treviso | Oderzo | Via C.Battisti, 7/A |
| ASCOTRADE SPA | Front office of Pordenone | Pordenone | Pordenone | Viale Michelangelo Grigoletti, 2 |
| ASCOTRADE SPA | Front office of Porto Viro | Rovigo | Porto Viro | Piazza della Repubblica,14 |
| ASCOTRADE SPA | Front office of Portogruaro | Venezia | Portogruaro | Viale Trieste, 31 |
| ASCOTRADE SPA | Front office of Vicenza | Vicenza | Vicenza | Corso SS. Felice e Fortunato, 203 |
| BLUEMETA SPA | Front office of Albenga | Savona | Albenga | Via Papa Giovanni XXIII, 160 |
| BLUEMETA SPA | Operational headquarters of Bergamo | Bergamo | Bergamo | Via Galimberti, 6 |
| BLUEMETA SPA | Front office of Bergamo | Bergamo | Bergamo | Via Camozzi, 92 |
| BLUEMETA SPA | Flat of Farra di Soligo | Treviso | Farra di Soligo | Via Cal della Madonna n°1/D |
| BLUEMETA SPA | Flat of Pieve di Soligo | Treviso | Pieve di Soligo | Via Cal Bruna n°2/10 |
| BLUEMETA SPA | Front office of Santhià | Vercelli | Santhià | Corso Santo Ignazio, 25/A |
| EDIGAS SPA | Operational headquarters of Marcaria | Mantova | Marcaria | Viale Mons. Benedini, 28-30 |
| EDIGAS SPA | Operational headquarters of Salussola | Biella | Salussola | Via Stazione, 38 |
| EDIGAS SPA | Operational headquarters of Villanova di Albenga | Savona | Villanova di Albenga | Via Roma, 238 |

| Entity | Intended use | District | Municipality | Street |
|---|---|---|---|---|
| AP RETI VICENZA SPA | Front office of Montecchio Maggiore | Vicenza | Montecchio Maggiore | Largo Boschetti, 19 |
| AP RETI VICENZA SPA | Front office of Thiene | Vicenza | Thiene | Piazza Cesare Battisti n°13 |
| AP RETI VICENZA SPA | Front office of Valdagno | Vicenza | Valdagno | Galleria Dante n°12 |
| ASM SET SRL | Front office of Adria | Rovigo | Adria | Via Arzeron, 22 |
| ASM SET SRL | Front office of Castelnovo Bariano | Rovigo | Castelnovo Bariano | Via Argine Po, 4939 |
| ASM SET SRL | Front office of Lendinara | Rovigo | Lendinara | Via G.Garibaldi, 8 |
| ASM SET SRL | Front office of Rovigo | Rovigo | Rovigo | Via Dante Alighieri, 4 |
| ASCOTRADE SPA | Front office of Agordo | Belluno | Agordo | Via IV Novembre, 2 |
| ASCOTRADE SPA | Front office of Belluno | Belluno | Belluno | Via Tiziano Vecellio, 27/29 |
| ASCOTRADE SPA | Front office of Feltre | Belluno | Feltre | Via C. Rizarda, 21 |
| ASCOTRADE SPA | Front office of Pieve di Cadore | Belluno | Pieve di Cadore | Via degli Alpini, 28 |
| ASCOTRADE SPA | Front office of Montebelluna | Treviso | Montebelluna | Via Schioavonesca Priula, 86 |
| ASCOTRADE SPA | Front office of Vittorio Veneto | Treviso | Vittorio Veneto | Viale Vittorio Emanuele II |
| ASCOTRADE SPA | Front office of Trebaseleghe | Padova | Trebaseleghe | Piazza P. di Piemonte |
| BLUEMETA SPA | Front office of Albino | Bergamo | Albino | Piazza Libertà, 1 |
| BLUEMETA SPA | Front office of Alzano Lombardo | Bergamo | Alzano Lombardo | Via Mazzini, 69 |
| BLUEMETA SPA | Front office of Caravaggio | Bergamo | Caravaggio | Piazza Garibaldi, 9 |
| BLUEMETA SPA | Front office of Clusone | Bergamo | Clusone | Largo Locatelli, 5 |
| BLUEMETA SPA | Front office of Leffe | Bergamo | Leffe | Via Papa Giovanni XXIII, 8 |
| BLUEMETA SPA | Front office of Nembro | Bergamo | Nembro | Via Roma, 13 |
| BLUEMETA SPA | Front office of Sotto il Monte | Bergamo | Sotto il Monte | Via Giudici Falcone Borsellino |
| BLUEMETA SPA | Front office of Spirano | Bergamo | Spirano | Largo Europa |
| BLUEMETA SPA | Front office of Treviglio | Bergamo | Treviglio | Via dei Mille, 4 |
| BLUEMETA SPA | Front office of Valbrembo | Bergamo | Valbrembo | Via Roma, 65 |
| BLUEMETA SPA | Front office of Marcaria | Mantova | Marcaria | Viale Mons. Benedini, 28-30 |
| BLUEMETA SPA | Front office of Sabbioneta | Mantova | Sabbioneta | Piazza Ducale, 2 |
| BLUEMETA SPA | Front office of Salussola | Biella | Salussola | Via Stazione, 38 |
| ETRA SRL | Front office of Asiago | Vicenza | Asiago | Via F.lli Rigoni Guido e Vasco, 19 |
| ETRA SRL | Front office of Bassano del Grappa | Vicenza | Bassano del Grappa | Via C.Colombo, 90 |
| ASCOPIAVE ENERGIE SPA | Front office of Malo | Vicenza | Malo | Via San Bernardino, 19 |
| ASCOPIAVE ENERGIE SPA | Front office of Montecchio Maggiore | Vicenza | Montecchio Maggiore | Via P. Ceccato, 88 |
| ASCOPIAVE ENERGIE SPA | Front office of Thiene | Vicenza | Thiene | Via San Giovanni Bosco, 77/B |
| ASCOPIAVE ENERGIE SPA | Front office of Valdagno | Vicenza | Valdagno | Zona Ind.le di Piana, 2/B |
| ASCOPIAVE ENERGIE SPA | Front office of San Pietro in Gù | Padova | San Pietro in Gù | Via Cavour, 1 |
| ASCO ENERGY SPA | Front office of Chioggia | Venezia | Chioggia | Viale P.E. Venturini, 111 |
| ASCO ENERGY SPA | Operational headquarters of San Donà di Piave | Venezia | San Donà di Piave | Via Nazario Sauro, 21 |
| ASCO ENERGY SPA | Front office of Cavallino-Treporti | Venezia | Cavallino-Treporti | Via Fausta, 71/A |
| ASCO ENERGY SPA | Front office of Mogliano Veneto | Treviso | Mogliano Veneto | Via Pia, 1 |
| ASCO ENERGY SPA | Front office of Dolo | Venezia | Dolo | Via Carducci, 5 |
| ASCO ENERGY SPA | Front office of Mestre | Venezia | Venezia-Mestre | Via Dante, 5 |
| ASCO ENERGY SPA | Front office of Mestre | Venezia | Venezia-Mestre | Santa Croce, 489 |

## Comments on the economic-financial results of the year 2018

### Performance indicators

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

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

## General operational performance and indicators

| NATURAL GAS DISTRIBUTION | Full Year 2018 | Full Year 2017 | Var. | Var. % |
|---|---|---|---|---|
| **Companies consolidated with full consolidation method** | | | | |
| Number of concessions | 198 | 198 | 0 | 0.0% |
| Length of distribution network (km) | 9,269 | 9,240 | 29 | 0.3% |
| Number of POD | 491,722 | 489,217 | 2,505 | 0.5% |
| Volumes of gas distributed (scm/mln) | 1,014.2 | 946.9 | 67.3 | 7.1% |
| **Companies consolidated with net equity consolidation method** | | | | |
| Number of concessions | 32 | 32 | 0 | 0.0% |
| Length of distribution network (km) | 1,105 | 1,105 | 0 | 0.0% |
| Number of POD | 94,671 | 94,640 | 31 | 0.0% |
| Volumes of gas distributed (scm/mln) | 148.4 | 150.5 | -2.1 | -1.4% |
| **Ascopiave Group*** | | | | |
| Number of concessions | 214 | 214 | 0 | 0.0% |
| Length of distribution network (km) | 9,809 | 9,780 | 29 | 0.3% |
| Number of POD | 537,978 | 535,458 | 2,520 | 0.5% |
| Volumes of gas distributed (scm/mln) | 1,086.7 | 1,020.4 | 66.3 | 6.5% |

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

| NATURAL GAS SALES TO FINAL MARKET | Full Year 2018 | Full Year 2017 | Var. | Var. % |
|---|---|---|---|---|
| **Companies consolidated with full consolidation method** | | | | |
| Number of custumers | 537,483 | 546,608 | -9,125 | -1.7% |
| Volumes of gas sold (smc/mln) | 781.4 | 803.8 | -22.4 | -2.8% |
| **Companies consolidated with net equity consolidation method** | | | | |
| Number of custumers | 218,670 | 233,227 | -14,557 | -6.2% |
| Volumes of gas sold (smc/mln) | 259.4 | 275.2 | -15.9 | -5.8% |
| **Ascopiave Group*** | | | | |
| Number of custumers | 644,629 | 660,887 | -16,258 | -2.5% |
| Volumes of gas sold (smc/mln) | 908.5 | 938.7 | -30.2 | -3.2% |

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

| SALE OF ELECTRIC POWER | Full Year 2018 | Full Year 2017 | Var. | Var. % |
|---|---|---|---|---|
| **Companies consolidated with full consolidation method** | | | | |
| Number of POD | 82,443 | 68,259 | 14,184 | 20.8% |
| Volumes of electricity sold (GWh) | 392.7 | 383.4 | 9.3 | 2.4% |
| **Companies consolidated with net equity consolidation method** | | | | |
| Number of POD | 33,773.0 | 24,880.0 | 8,893 | 35.7% |
| Volumes of electricity sold (GWh) | 131.4 | 116.6 | 14.8 | 12.7% |
| **Ascopiave Group*** | | | | |
| Number of POD | 98,991.5 | 80,450.0 | 18,541 | 23.0% |
| Volumes of electricity sold (GWh) | 457.1 | 440.5 | 16.6 | 3.8% |

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

| NATURAL GAS SALES ON TRADING ACTIVITIES | Full Year 2018 | Full Year 2017 | Var. | Var. % |
|---|---|---|---|---|
| Volumes of gas sold (smc/mln) | 37.5 | 19.9 | 17.6 | 88.6% |

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

As far as the activity of gas distribution is concerned, in 2018 the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 1,014.2 million cubic metres (of which 82.3 million cubic metres pertaining to the extension of the scope of consolidation to Ap Reti Gas Vicenza S.p.A.), marking an increase of 7.1% compared to the previous year. The company Unigas Distribuzione S.r.l., consolidated through the equity method, distributed 148.4 million cubic metres, marking a decrease of 1.4% as compared to 2017.
As of 31st December, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 491.7 thousand and showed an increase of 0.5 thousand units compared to the previous year (489.2 thousand as of 31st December 2017). The points managed by the companies consolidated with the equity method (Unigas Distribuzione S.r.l.) must be added to these units; at the end of 2018, the latter company managed 94.7 thousand redelivery points (94.6 at the end of 2017).

In 2018, the volume of gas sold by the fully consolidated companies amounted to 781.4 million cubic metres, marking a decrease of 2.8% compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 259.4 million cubic metres of gas (in line with the value of the previous year).
In 2018, the volume of electricity sold by the fully consolidated companies was equal to 392.7 GWh, marking an increase of 2.4% compared to the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 131.4 GWh of electricity (+12.7% compared to the previous year).
As of 31st December 2018, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 537.5 thousand customers and recorded a contraction of 9.1 thousand units as compared to 31st December in the previous year (546.6 thousand units as of 31st December 2017). The customers of the companies consolidated with the equity method (Estenergy S.p.A. and ASM Set S.r.l.) must be added to these units; at the end of the period considered, the latter companies had a portfolio consisting of 218.6 thousand customers, recording a decrease of 6.2% compared to the previous year (233.2 thousand units as of 31st December 2017).
The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the period, the companies consolidated on a line-by-line basis recorded an increase of 14.2 thousand units, serving 82.4 thousand customers. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 33.8 thousand customers, showing a growth of 8.9 thousand units.

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

| | Full Year | | | |
|---|---|---|---|---|
| (Thousands of Euro) | 2018 | % of revenues | 2017 | % of revenues |
| Revenues | 581,652 | 100.0% | 532,792 | 100.0% |
| Total operating costs | 501,616 | 86.2% | 448,382 | 84.2% |
| **Gross operative margin** | **80,036** | **13.8%** | **84,409** | **15.8%** |
| Amortization and depreciation | 22,972 | 3.9% | 22,585 | 4.2% |
| Provision for risks on credits | 1,964 | 0.3% | 1,885 | 0.4% |
| **Operating result** | **55,101** | **9.5%** | **59,939** | **11.3%** |
| Financial income | 322 | 0.1% | 287 | 0.1% |
| Financial charges | 1,101 | 0.2% | 755 | 0.1% |
| Evaluation of subsidiary companies with the net equity method | 8,553 | 1.5% | 7,398 | 1.4% |
| **Earnings before tax** | **62,875** | **10.8%** | **66,869** | **12.6%** |
| Taxes for the period | 16,376 | 2.8% | 17,617 | 3.3% |
| **Net result for the period** | **46,499** | **8.0%** | **49,252** | **9.2%** |
| Group's Net Result | 44,625 | 7.7% | 47,135 | 8.8% |
| Third parties Net Result | 1,874 | 0.3% | 2,117 | 0.4% |

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

In 2018, the Group incomes amounted to Euro 581,652 thousand, marking an increase of 9.2% compared to the previous year. The following table reports the details of income.

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Revenues from gas transportation | 38,958 | 34,084 |
| Revenues from gas sale | 422,436 | 382,951 |
| Revenues from electricity sale | 70,567 | 56,840 |
| Revenues from connections | 289 | 200 |
| Revenues from heat supply | 21 | 42 |
| Revenues from distribution services | 7,473 | 6,949 |
| Revenues from services supplied to Group companies | 1,262 | 3,663 |
| Revenues from ARERA contributions | 25,253 | 39,496 |
| Revenues for forward sales of raw materials | 9,490 | 1,941 |
| Other revenues | 5,902 | 6,625 |
| **Revenues** | **581,652** | **532,792** |

**Revenues from gas sale** increased from Euro 382,951 thousand to Euro 422,436 thousand, recording an increase of Euro 39,485 thousand (+10.3%). The increase is mainly explained by the growing trend of the price basket to which the sales tariff of the raw material is adjusted and, in part, to the recognition of the sales revenues of the raw material related to gas settlement (Euro 8,737 thousand). The decrease in the natural gas volumes sold during the year partially offset the growth in revenues described above. More details can be found in paragraph "Evolution of the adjustment sessions of natural gas allocations" herein).

**Revenues from electricity sales** increased from Euro 56,840 thousand to Euro 70,567 thousand, recording an increase of Euro 13.727 thousand (+24.2%). The increase is mainly explained by the trend in the market prices of the raw material as well as by the greater quantities of GWh sold during the year. The item was partly positively affected by invoices issued for Euro 2,053 thousand, an amount which exceeds the estimates made in the previous years. Sales estimates are based on data communicated by the operators of national and local distribution networks. The verification of the actual consumption of the customers can determine corrections and consequent adjustments up to the fifth successive year. Finally, at the end of the year, the item was positively influenced by the first registration of revenues related to the DispBT component for Euro 1,323 thousand.

**Revenues from forward sales of raw materials**, relating to contracts for the purchase and sale on the PSV Italian market and VTP Austrian market, for the transport and export capacity from the Austrian raw material market, amounted to Euro 9,490 thousand. They are not very significant at the end of 2018 as the trading activities started in September 2017.

The **operating result** in 2018 amounted to Euro 55,101 thousand, recording a decrease of Euro 4,839 thousand (-8.1%) compared to the previous year.

The worsening is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 3,485 thousand (of which Euro 2,885 thousand due to the extension of the scope of consolidation in 2017);
- decrease in the first margin on the activity of gas sales, equal to Euro 2,579 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 927 thousand;
- negative change in other items of cost and revenues, equal to Euro 6,671 thousand (of which Euro -2,754 thousand due to the extension of the scope of consolidation in 2017).

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 69,836 thousand to Euro 73,321 thousand) is mainly explained by the extension of the consolidation scope which determined the recognition of higher revenues for 2,885 thousand.

The decrease in the **first margin on the activity of gas sale** (from Euro 60,748 thousand to Euro 58,264 thousand), was mainly determined by the effects of the so-called gas settlement for Euro -3,544 thousand as better explained in the paragraph “Evolution of the adjustment sessions of natural gas allocations” herein.

The **first margin** resulting from **gas trading** at the end of the period was negative for Euro 32 thousand, a decrease of Euro 95 thousand compared to the previous year.
The margin represents the economic effects deriving from the contracts signed for the purchase and sale on the PSV Italian market and Austrian VTP market, as well as the transport and export capacity from the Austrian raw material market. The revenue and cost components related to physical deliveries during 2018 as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period January - March 2019 and to the transport service for the period January – September 2019, since these are forward transactions, at the end of the financial year were booked at current value.

The increase in the **first margin on the activity of electricity sales**, from Euro 6,175 thousand to Euro 7,102 thousand is mainly explained by the higher volumes of electricity sold during the financial period, due to the higher number of customers.

The negative variation in the item **other costs and revenues**, amounting to Euro 6,671 thousand, is due to:

- extension of the scope of consolidation: negative change amounting to Euro 2,754 thousand;
- lower other revenues for Euro 18,913 thousand, mainly connected to the trend of energy efficiency certificates (Euro -14,243 thousand);
- lower material and service costs and other charges equalling Euro 15,920 thousand (mainly connected to the trend of energy efficiency certificates - Euro -13,475 thousand);

- an increase in personnel cost for Euro 919 thousand, mainly explained by the amounts disbursed to strategic executives who ceased their employment relationship with the Parent Company (Euro 2,411 thousand). This amount was partially offset by higher capitalisations for Euro 1,459 thousand and the lower cost recorded for long-term incentive plans to the tune of Euro 828 thousand;
- a decrease in amortisation and depreciation of fixed assets for Euro 72 thousand;
- higher bad debts provisions for Euro 78 thousand.

The **net consolidated profit** in 2018 amounts to Euro 46,499 thousand, thus recording a decrease of Euro 2,753 thousand (-5.6%) compared to the previous year.
This change is due to the following factors:
- decrease in the operating result, as previously stated, for Euro 4,839 thousand;
- higher result of companies consolidated through the equity method for Euro 1,154 thousand;
- an increase in financial revenues for Euro 35 thousand;
- an increase in financial charges for Euro 346 thousand;
    - a decrease in taxes for Euro 1,242 thousand, due to the lower taxable income in the period in question.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, increases from 29.6% in 2017 to 30.1%.

## 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 28th July 2006:

| | (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| A | Cash and cash equivalents on hand | 18 | 17 |
| B | Bank and post office deposits | 66,632 | 15,538 |
| C | Titoli detenuti per la negoziazione | | |
| **D** | **Liquid assets (A) + (B) + (C)** | **66,650** | **15,555** |
| E | Current financial assets | 981 | 0 |
| F | Payables due to banks | (123,031) | (70,123) |
| G | Current portion of medium-long-term loans | (8,014) | (10,181) |
| H | Current financial liabilities | (115) | (480) |
| **I** | **Current financial indebtedness (F) + (G) + (H)** | **(131,159)** | **(80,785)** |
| **J** | **Net current financial indebtedness (I) - (E) - (D)** | **(63,528)** | **(65,230)** |
| K | Medium- and long-term bank loans | (55,111) | (54,360) |
| L | Non current financial assets | 1,122 | |
| M | Non-current financial liabilities | 0 | (277) |
| **N** | **Non-current financial indebtedness (K) + (L) + (M)** | **(53,989)** | **(54,637)** |
| **O** | **Net financial indebtedness (J) + (N)** | **(117,517)** | **(119,867)** |

*In accordance with CONSOB resolution no. 15519 dated 27th 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 decreased from Euro 119,867 thousand as of 31st December 2017 to Euro 117,517 thousand as of 31st December 2018, reporting a decrease of Euro 2,350 thousand.

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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Net financial position | (117,517) | (119,867) |
| Non-current assets from derivative instruments | (1,122) | 0 |
| **Posizione finanziaria netta ESMA** | **(118,639)** | **(119,867)** |

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Net Income | 46,499 | 49,252 |
| Depreciations and amortizations | 22,972 | 22,585 |
| Provisions | 1,964 | 1,885 |
| **(a) Self financing** | **71,435** | **73,722** |
| **(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:** | **(2,745)** | **(23,174)** |
| **by operating activities = (a) + (b)** | **68,690** | **50,549** |
| **by investing activities** | **(32,084)** | **(39,276)** |
| **(e) Other financial position changes** | **(34,256)** | **(37,020)** |
| **Net financial position changes = (c) + (d) + (e)** | **2,350** | **(25,748)** |

The cash flow generated by the operating management (letters a + b), equal to Euro 68,690 thousand, was mainly due to self-financing for Euro 71,435 thousand and other financial negative variations amounting to Euro 2,745 thousand, mainly related to the management of the net circulating capital for Euro 5,808 thousand and to the assessment of companies consolidated through the equity method for Euro -8,558 thousand.
The management of net circulating capital generated financial resources amounting to Euro 5,808 thousand and was influenced mainly by the positive variation in VAT allocation, which generated financial resources for Euro 6,804 thousand, by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which generated financial resources for Euro 3,288 thousand; the variation in the net operating capital used financial resources for Euro 4,594 thousand. They are partially offset by the requirements generated by the variation in the overall balance with Ufficio Tecnico Imposte di Fabbricazione e Regioni which used resources for Euro 10,662 thousand.

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Inventories | (1,947) | ,411 |
| Trade receivables and payables | 1,506 | (7,650) |
| Operating receivables and payables | 5,036 | 10,826 |
| Severance pay and other funds | (1,324) | (,750) |
| Current taxes | 16,376 | 17,617 |
| Taxes paid | (12,549) | (29,097) |
| Tax receivables and payables | (1,289) | (6,760) |
| **Change in net working capital** | **5,808** | **(15,403)** |

Investment activities generated a net cash requirement of Euro 32,084 thousand, of which Euro 28,306 thousand in tangible and intangible assets and Euro 3,778 thousand in shareholdings. The investments made in 2017 included Euro 16,300 thousand of investments in shareholdings. Investments in shareholdings made during 2018 relate entirely to the purchase of the remaining 20% of Amgas Blu S.r.l.'s capital shares.
Additional variations in the Net financial position concern dividends received from the companies consolidated with the equity method, which generated resources for Euro 7,274 thousand, and the distribution of dividends for Euro 42,070 thousand. During the year, own shares were distributed to employees and directors totalling Euro 540 thousand in accordance with the incentive plans.

The following table shows in detail the other changes in the financial position during 2018:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Sale of own shares | ,540 | ,0 |
| Dividends paid to Ascopiave S.p.A. shareholders | (40,016) | (40,016) |
| Dividends paid to minority interest | (2,054) | (3,237) |
| or jointly controlled companies | 7,274 | 6,706 |
| Net change in short-term bank loans | ,0 | ,648 |
| Expansion of the consolidation perimeter | ,0 | (1,121) |
| **Other changes in financial position** | **(34,256)** | **(37,020)** |

### General operational performance - Investments

During the year, the Group made investments in tangible and intangible assets for Euro 29,545 thousand, an increase as compared to the same period in the previous year of Euro 5,959 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +5,353 thousand) and the increase in other investments (Euro +606 thousand).

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 27,810 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 9,782 thousand, the creation of connections for Euro 5,655 thousand and the installation of metres for Euro 12,374 thousand.

| | Full Year | |
|---|---|---|
| INVESTMENTS (Thousands of Euro) | 2018 | 2017 |
| Connecting a gas users | 5,655 | 4,837 |
| Expansions, reclamations and network upgrades | 7,465 | 4,117 |
| Flowmeters | 12,374 | 9,407 |
| Maintenance | 2,317 | 2,181 |
| Other assets in raw material (gas) investments | 0 | 0 |
| Investments of new companies acquired | 0 | 1,916 |
| **Raw material (gas) investments** | **27,810** | **22,458** |
| Land and buildings | 412 | 486 |
| Industrial and commercial equipment | 65 | 37 |
| Forniture | 104 | 21 |
| Vehicles | 229 | 251 |
| Hardware e Software | 868 | 149 |
| Other assets | 58 | 16 |
| Investments of new companies acquired | 0 | 169 |
| **Other investments** | **1,735** | **1,129** |
| **Investments** | **29,545** | **23,587** |

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

| (Thousands of Euro) | 31.12.2018 Groups' operating result | 31.12.2018 Total net equity | 31.12.2017 Groups' operating result | 31.12.2017 Total net equity |
|---|---|---|---|---|
| **Net equity and results for the year as recorded in the statutory financial statements of the parent company** | 41,979 | 400,131 | 43,618 | 398,437 |
| **Net equity and results for the year obtained by subsidiary companies net of the book values of the shareholdings** | 47,612 | (22,812) | 49,203 | (20,675) |
| **Variations** | | | | |
| Goodwill | (0) | 56,176 | (0) | 56,176 |
| Trade relation value, net of tax effects | (1,399) | 2,784 | (1,488) | 4,183 |
| Appreciation of gas distribution network, net of tax effects | (892) | 8,954 | (891) | 9,846 |
| Elimination of infra-group dividends | (42,608) | (0) | (42,939) | (0) |
| Effects of the evaluation of companies consolidated with the net assets method | 1,046 | (2,895) | 564 | (3,941) |
| Effects of the evaluation of joint companies consolidated with the net assets method | 238 | 4,659 | 128 | 5,514 |
| Other effects | 523 | 872 | 1,057 | 960 |
| **Total variations, net of tax effects** | **(43,092)** | **70,550** | **(43,568)** | **72,738** |
| **Net Shareholders' equity and resul t for the period as recorded in the consolidated financial statement** | **46,499** | **447,869** | **49,252** | **450,500** |
| **Minority interests and results** | **1,874** | **4,303** | **2,117** | **4,989** |
| **Operating result and net equity for the period as recorded in the consolidated financial statement** | **44,625** | **443,567** | **47,135** | **445,511** |

# NON-FINANCIAL ANNUAL DISCLOSURE

# 2018

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

## Message from the Chairman

Again in 2018, through the Non-financial disclosure, the Ascopiave Group intends to present its economic and social performance, a clear and transparent way to express the Group's intention to always support the community in which it operates and produce added value for its stakeholders.
The results achieved, among the best in the sector, demonstrate the Ascopiave Group's ability to realise the planned strategic intents and highlight the quality and commitment of all the resources involved in the evolution of the business and in the improvement of the technical and organisational processes. Relying on the dedication of the people who work with us, the professionalism of our executives, the proximity to the territory and the economic-financial solidity of the Group, we proceed confidently in the development of strategies for strengthening internal and external lines, supporting, with a long-term vision, the creation of value for our shareholders, which repays the trust they place in our company.
These results are important if we consider that we operate in a very competitive environment, in an economic context that is already difficult in itself.
The world of gas and the world of energy are changing rapidly; actually, it is the world in general that is changing, and it is up to us to keep certain values intact, to fight climate change, to ensure sustainability which is synonymous with business, development, employment, well-being, which supports the territory, gives a horizon of a certain future.
Throughout our history which, handed over by those who preceded us, is more than sixty years old, we have played a fundamental role as an active presence alongside the Municipalities and the citizens and, even after being listed on the stock exchange, our sense of belonging and desire to work responsibly, with consistency and balance, respecting our principles, listening to our stakeholders and satisfying our shareholders, are unchanged.
We are looking ahead, to our future challenges, and we do this with the awareness of seeking results and objectives in accordance with our path because we want to continue to grow and give opportunities to the territory we represent.
The non-financial disclosure reflects who we are, what we have built and represented in a year, 2018, but is also the result of a long journey where you can read an ethical, social and economic dimension that constitutes our corporate identity.
We hope that this document will enable us to get to know each other better and can contribute to fostering an open dialogue with all our stakeholders.

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 30th 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 2018 (from 1st January to 31st December). Specifically, the aspects which are relevant to the Group and its stakeholders were defined on the basis of a structured materiality analysis process.

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.
Please note that, as compared to the 2017 NFD, the mandatory transition from the Sustainability Reporting Guidelines (G4 version) to the new GRI Standards was implemented.

In order to compare data over time and assess the performance of the Group's activities, a comparison with the previous year is shown, where possible.
Furthermore, 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.

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 31st December 2018.

The scope of the **social and environmental data** and information extends over the companies belonging to the Ascopiave Group as at 31st December 2018 which are consolidated on a line-by-line basis within the Group's Consolidated Financial Statements and, to the extent needed to ensure the understanding of the Group's business, its performance and results and the impact exerted, over those consolidated using the equity method (Estenergy S.p.A., ASM SET S.r.l. and Unigas Distribuzione Gas S.r.l.).

With regard to the significant changes in the ownership structure that occurred during 2018, please note that:
- on 1st October 2018, Ascopiave Energie, a sales company for the Ascopiave Group's energy products, was established from the demerger between two historical companies of the group, Veritas Energia S.p.A. and Pasubio Servizi S.r.l.; the data of the respective companies are included in this document.

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.

In order to better monitor the risks associated with sustainability issues, in 2019 the Group undertakes to expand and improve the mapping of ESG risks performed in 2018, in order to scrutinise and evaluate the management systems related to the same issues, appropriately complementing them with additional risk monitoring tools.

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.

With reference to the dialogue with and involvement of the stakeholders, in 2019 the Group undertakes to progressively expand the engagement activities and update its materiality analysis.

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.

The verification and update process for all 231 Organisational Models of the Ascopiave Group is expected to be completed in 2019.

Subsequent to the updates and the strategic projects of the Group currently in progress, Ascopiave will assess the need to adopt a Group policy on anti-bribery.

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 employees.

The Group has also envisaged the implementation of a system for collecting information on training provided to its personnel, in order to monitor the management of planned courses, which will be fully operational in 2019.

Ascopiave's Non-Financial Disclosure is compiled annually: this 2018 NFD was approved by the Board of Directors of Ascopiave S.p.A. on 11th March 2019.

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 published in the "Investor Relations" section of the Company's website www.gruppoascopiave.it.

## IDENTITY AND RESPONSIBILITY

### 2018 HIGHLIGHTS

**1996** establishment of Azienda Speciale Consorzio del Piave (A.S.CO. Piave)

**2001** A.S.CO. Piave changed its name to Ascopiave S.p.A.

**14** Companies through which the Group operates

**2006** the company was listed on the Milan Stock Exchange, STAR segment

**678** employees (541 employed by the companies consolidated on a line-by-line basis)

**908.5 million m3** gas sold

**1.086,7 million m3** of gas distributed

**About 10,000 km:** extension of the distribution network

**Over one million** citizens served

**Integrated and certified systems** UNI EN ISO 9001 Quality certification, UNI EN ISO 14001 Environmental certification, OHSAS 18001 Occupational Health and Safety Assessment

## Local presence of the Ascopiave group

The Ascopiave Group, thanks to successive company mergers, has increased the geographical areas in which it operates and is now present in **7 regions totalling over 60 operational business offices.**

In 2018, the business offices assisted the citizens with **71,104 hours of service to the public,** also considering outsourcing hours.

The distribution companies of the Ascopiave Group, with operational headquarters in Pieve di Soligo (Treviso), offer an Emergency Service in order to solve issues related to the supply of gas on the networks managed, such as leaks or seepage, interruptions or irregularities in the supply and damages 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.

## Mission, values and strategic objectives

### Mission

The Ascopiave Group intends to maintain leadership in North-Eastern Italy, while retaining its position as a major player at national level, in the sectors of natural gas distribution and sales, in addition to other sectors related to the core business, such as the sale of electricity and cogeneration.
The Group pursues a twofold objective: the increase in the company's economic value and social and environmental sustainable development, with the aim of triggering the development of the area it serves, while respecting the environment and responding to social needs, in order to enhance the context in which it operates.
The Group's strategy is focused on the satisfaction of its stakeholders, on maintaining the levels of excellence of the services offered and on an effective and flexible organisation of managerial and technical skills, whose enhancement and growth are constantly monitored.
By using efficient technologies, the Group guarantees service quality, continuity and safety to its customers.

## Values

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

- Customer satisfaction
- Protection of the environment and rational use of energy
- Sustainable development and cooperation with the community
- Safety in the workplace and workers' health
- Continuous improvement of processes and systems
- Respect and personal development of people
- Innovation and change

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.

## 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 6 areas of intervention: culture, community and assistance, sports, emergencies, health and prevention, and environment (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 programs 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 31st December 2018 | |
|---|---|
| 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 31st December 2018** | |
| 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.
Furthermore, the Code of Ethics of the Ascopiave Group states that under no circumstances can the corporate assets and, in particular, its computer and network resources, be used for purposes contrary to mandatory provisions of law, public order or morality, as well as for committing crimes, such as child pornography, or inducing third parties to commit crimes or otherwise incite racial hatred, exalt violence or violate human rights.
With regard to the respect for and development of people, the Code of Ethics states that *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 Investor Relator is the person in charge of managing relations with investors and intermediaries and represents, together with the Chairman and Managing Director, the Ascopiave Group before the national and international financial community: this figure is indispensable for maintaining and nurturing the trust of the stakeholders towards the company.
In 2018, 20 press releases were issued by Ascopiave S.p.A.'s Information Officer, in compliance with corporate disclosure obligations, and the listed company Ascopiave S.p.A. participated in 7 events dedicated to meetings with investors.

## 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.
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 disaffection by customers of sales companies.

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:

- **231 Model:** Ascopiave S.p.A. and all the subsidiaries have adopted an Organisation, Management and Control Model, pursuant to Italian Legislative Decree dated 8th June 2001 no. 231, 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.
  No offenses were reported during 2018.

  *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.*

- **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.*

- **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 be active during 2019.

- **Health and Safety Management System**, in compliance with the standard BS OHSAS 18001, common to the parent company and certified subsidiaries (Ascopiave has been certified since 12th March 2018, AP Reti Gas and AP Reti Gas Vicenza have their own certification, while the other distribution companies have adopted practices and procedures in compliance with Italian Legislative Decree 81/08 and a model pertaining to the two certified Distribution companies). 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.

- Formalised policies and procedures such as the "**Management and control of energy risks**" policy which aims to contain the volatility produced by energy risks (variability of gas and electricity prices on the market, variability of gas and electricity volumes negotiated upon purchase and/or sale, etc.) on the overall margins so as to guarantee the stability of the cash flows. In this regard, the **Energy Risks Committee**, assisted by the Risk Control Unit, assesses and identifies, on an annual basis, the risk thresholds to be attributed in the following calendar year to the Commercial Portfolio and the Trading Portfolio to be approved by the Board of Directors which monthly checks it for compliance.

- **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.

- **Management of the customers served:** the sales companies monitor customer satisfaction, compliance with the service quality and efficiency parameters issued by the relevant Authority, including the management of any complaints received and of call centres. The Group strives to draw up contracts that respect the consumer's rights.

- **Support for financially struggling families:** support for financially struggling families is a very important aspect for the Group and more details can be found in the dedicated paragraph (page 48).

  The access amounts and methods of customers to the discounted volumes are governed by the Agreement, signed with the Trade Unions, relating to the "Amici" initiative; customers can receive such benefits if they submit a specific request to the CAF, which must ensure that the applicant fulfils the necessary requirements and has an ISEE lower than the required income limit.

- **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 sales company is required to report quarterly to the parent company the sponsorships activated.

- **Integrated Quality and Environment Management System** compliant with the standards ISO 14001 and ISO 9001, common to the parent company and the certified subsidiaries (Ascopiave has been certified since 12th March 2018, AP Reti Gas and AP Reti Gas Vicenza have their own integrated certification, while the other distribution companies use practices and procedures of the two certified Distribution companies). 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.
Finally, all the Group's sales companies are ISO 900:2015 certified in relation to the commercial activities performed.

## Sustainability management system and technological innovation

**THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:**

**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 favor of not only the citizens and the Institutions served, but 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 31st December 2018 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 31st December 2018, associated with the individual Group companies:

| Type of certification | Group company | Scope | Expiration |
|---|---|---|---|
| UNI EN ISO 9001:2015 | Ascopiave S.p.A. | Provision of services for the Group companies | 11/03/2021 |
| UNI EN ISO 14001:2015 | Ascopiave S.p.A. | Provision of services for the Group companies | 11/03/2021 |
| BS OHSAS 18001:2007 | Ascopiave S.p.A. | Provision of services for the Group companies | 08/03/2021 |
| UNI EN ISO 9001:2015 | AP Reti Gas S.p.A. | Methane gas distribution | 07/06/2019 |
| UNI EN ISO 14001:2015 | AP Reti Gas S.p.A. | Methane gas distribution | 21/10/2020 |
| BS OHSAS 18001:2007 | AP Reti Gas S.p.A. | Methane gas distribution | 21/10/2020 |
| UNI EN ISO 9001:2015 | AP Reti Gas Vicenza S.p.A. | Methane gas distribution | 26/09/2019 |
| UNI EN ISO 14001:2015 | AP Reti Gas Vicenza S.p.A. | Methane gas distribution | 26/09/2019 |
| BS OHSAS 18001:2007 | AP Reti Gas Vicenza S.p.A. | Methane gas distribution | 03/12/2020 |
| UNI EN ISO 9001:2015 | UNIGAS Distribuzione S.r.l. | Methane gas distribution | 27/11/2019 |
| UNI EN ISO 9001:2015 | Ascotrade S.p.A. | Sale of gas and electricity | 06/06/2019 |
| UNI EN ISO 9001:2015 | Veritas Energia S.p.A. | Sale of gas and electricity | 06/06/2019 |
| UNI EN ISO 9001:2015 | Veritas Energia S.p.A. | Heat management/Energy services | 07/08/2020 |
| UNI CEI 11352:2014 | Veritas Energia S.p.A | ESCO Energy service supply | 15/10/2020 |
| UNI EN ISO 9001:2015 | Etra Energia S.r.l. | Sale of gas and electricity | 06/06/2019 |
| UNI EN ISO 9001:2015 | Blue Meta S.p.A. Unipersonale | Sale of gas and electricity | 06/06/2019 |
| UNI EN ISO 9001:2015 | Pasubio Servizi S.r.l. Unipersonale | Sale of gas and electricity | 06/06/2019 |
| UNI EN ISO 9001:2015 | AMGAS Blu S.r.l. | Sale of gas and electricity | 06/06/2019 |
| UNI EN ISO 9001:2015 | ASM SET S.r.l. | Sale of gas and electricity | 18/05/2020 |
| UNI EN ISO 9001:2015 | ESTENERGY S.p.A. | Sale of gas and electricity | 27/06/2021 |

As compared to the year 2017, the following new system certifications have been acquired and updated:

- New integrated certification (ISO 9001/14001, OHSAS 18001) for the Parent Company Ascopiave S.p.A.;
- New certification ISO 9001:2015 for the Sales Company ESTENERGY S.p.A.;
- Adaptation to ISO 9001 and ISO 14001 to the 2015 edition for the Company AP Reti Gas S.p.A.;
- Adaptation to ISO 9001 and ISO 14001 to the 2015 edition for the Company AP Reti Gas Vicenza S.p.A.;
- Adaptation to ISO 9001 to the 2015 edition for all the Group's sales companies.

Annotations for recent changes in sales companies: on 01/10/2018 Veritas Energia and Pasubio Servizi created a new company called Ascopiave Energie S.p.A., which took over all existing legal relationships, including the ISO 9001 certification, which therefore maintains its natural expiry on 06/06/2019.

## 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 2018 are listed below, with the respective categories of related stakeholders:

| Stakeholder | How we listened to and discussed with them |
| --- | --- |
| Shareholders and investors | Conferences, periodic meetings, road shows, interim reports |
| Staff (workers and their families, trade unions) | Corporate meetings, one-to-one meetings, Internal committees, training courses, interviews, evaluations, internal investigations, intranet |
| Institutions and Communities (e.g. Bodies, Associations, Schools etc.) | 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 |
| Customers (families and private citizens, Businesses, local authorities, Consumer and professional associations) | Call centre, meetings, service conferences, satisfaction surveys, focus groups, dedicated web sections, discussion with Representative committees and associations, Joint settlement processes |
| Suppliers (suppliers of raw materials, suppliers of goods and services, local suppliers, suppliers having social significance - Social cooperatives – other business partners) | Quality assessment dialogue, Regular meetings, audits at suppliers, E-procurement portal |

Press office activities continued in 2018 to support the various campaigns and initiatives launched for all the sales companies of the Group.

During the year, press conferences were held to present our commercial activities and were accompanied by the respective press releases, interviews and participations in TV programmes on local broadcasters (if any).

These tools are essential to keep the attention focused on our business activities and to communicate topics that are of interest to the community, also with details and specifications.

In 2018, 20 press releases were circulated by the Information Representative of Ascopiave S.p.A., in compliance with the corporate disclosure requirements, and the listed company Ascopiave S.p.A. attended 7 events dedicated to meetings with investors.

The Investor Relator is the person in charge of managing relationships with investors and brokers and represents, together with the General Manager, the Ascopiave Group before the national and international financial community: this figure is essential to maintain and nurture the trust that the stakeholders place in the company.

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, APCE, Federazione Italiana per l'uso razionale dell'energia, Anigas, Assolombarda, Assogas, Confservizi and Cispel Lombardia.

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

In order to identify the topics that are most relevant to both the Group's internal and external stakeholders, an analysis was conducted on the main sustainability issues, subsequent to which the materiality matrix was developed. This analysis highlights 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 adopted (GRI-G4) and comprised the following steps:

- Identification of the potentially relevant issues by analysing both internal and external sources;
- Evaluation of the relevance of each issue to the stakeholders and to the Ascopiave Group, based on interviews conducted with the internal stakeholders in charge of the issues being reported. The materiality of each issue included in the materiality matrix was calculated as the weighted average of the assessments of the internal and external stakeholders;
- Definition of the materiality threshold above which the material aspects for the Group and the internal and external stakeholders must be reported;
- Identification of 20 material issues divided into 5 macro areas: economic and business performance, social responsibility, responsibility towards human resources, product and customer accountability, environmental responsibility;
- Approval of the materiality analysis by the Ascopiave Group Board of Directors.

| Macro-area | Material Issues |
|---|---|
| **Economic and business performance** | Economic-financial performance |
| | Innovation, research and development |
| | Service efficiency |
| | Responsible management of the supply chain |
| **Human Resource accountability** | Employment |
| | Remuneration and incentive mechanisms |
| | Health and safety of workers |
| | Promotion of diversity and equal opportunities |
| | Training and skills development |
| | Corporate welfare |
| **Social responsibility** | Social commitment and positive impact on the territory |
| | Good governance and anti-bribery practices |
| | Emergency management |
| **Product liability and customer accountability** | Safety and reliability of gas and electricity services |
| | Support for financially struggling families |
| | Information on products and services, accessibility |
| | Customer satisfaction |
| | Protection of customer privacy |
| **Environmental responsibility** | Efficiency and energy saving |
| | Emissions in the atmosphere |

*The topic "Good governance and anti-bribery practices" includes several issues of major importance for the Group, such as: compliance with laws and regulations, competitive behaviour and respect for human rights.*

## ECONOMIC SUSTAINABILITY

### 2018 Highlights

**Euro 581.7 million:** revenues

**Euro 46.5 million:** net profit (-5.68% compared to 2017)

**Euro 29.5 million** in investments

**Euro 556.7 million:** added value

**1,659** suppliers and business partners

**57.4%** local suppliers

### Main operating results and cash flow data

**THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:**
**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.

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.
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.

Considering the above, the results of the Ascopiave Group in fiscal year 2018 are particularly positive, including a consolidated net profit of over Euro 46.5 million (-5.68% as compared to 2017).

| Main operating results (in millions of Euro) | 2017 | 2018 |
| --- | --- | --- |
| Revenues | 532.8 | 581.7 |
| Gross operating margin | 84.4 | 80 |
| Operating result | 59.9 | 55.1 |
| Earnings before taxes | 66.9 | 62.9 |
| Consolidated net profit | 49.3 | 46.5 |
| Group net profit | 47.1 | 44.6 |

**908.5** million $m^3$ of gas sold

**457.1** GWh of electricity sold

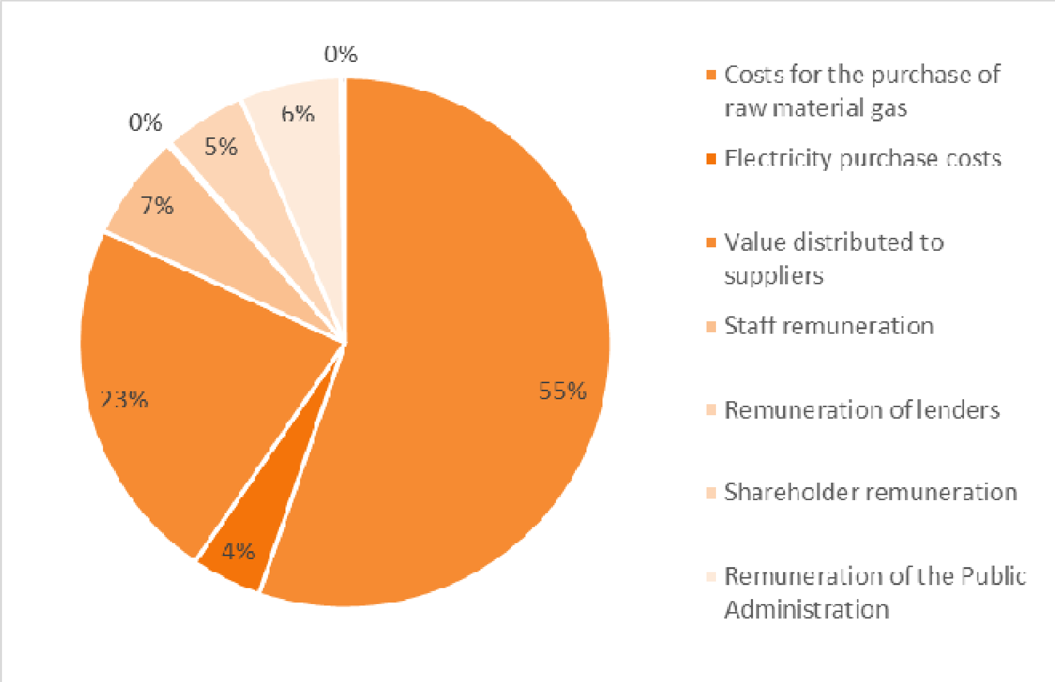
**1,086.7** million $m^3$ of gas distributed

The dividend that the Board of Directors has proposed is equal to Euro 0.125 per share.
These figures, together with the trend and excellent performance of the shares since listing, the trust that investors place in the Company and the low level of indebtedness testify to the fact that the Ascopiave Group, in addition to creating value and employment for the territory, also represents value for its shareholders. The results of operations allow the Group to seize the opportunity to perform extraordinary transactions in order to grow in the lower end of the supply chain through company mergers or the establishment of partnerships or joint ventures both in the distribution and the sale of natural gas, as well as by participating in the upcoming territorial tenders.

### 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 31st December 2018.

The economic value generated by the Ascopiave Group in 2018 amounted to Euro 591.7 million and was redistributed to the stakeholders as shown in the tables below:




*N.B.: the purchase items for the raw materials gas and electricity account for 59.6% of the distributed value.*

| Economic value directly generated and distributed (in thousands of Euros) | 2018 |
|---|---|
| **(A) Economic value directly generated** | **591,721** |
| **(B) Economic value distributed** | **556,674** |
| **(A-B) Economic value retained** | **35,047** |

| Breakdown of the economic value distributed (in thousands of Euros) | 2018 |
|---|---|
| Remuneration of employees | 35,993 |
| Purchase costs of raw material Gas | 307,586 |
| Purchase costs of Electricity | 23,929 |
| Remuneration of suppliers | 124,463 |
| Remuneration of lenders | 1,101 |
| Remuneration of shareholders | 27,835 |
| Remuneration of the Public Administration | 34,223 |
| Remuneration of the Community | 1,543 |
| **Total economic value distributed** | **556,674** |

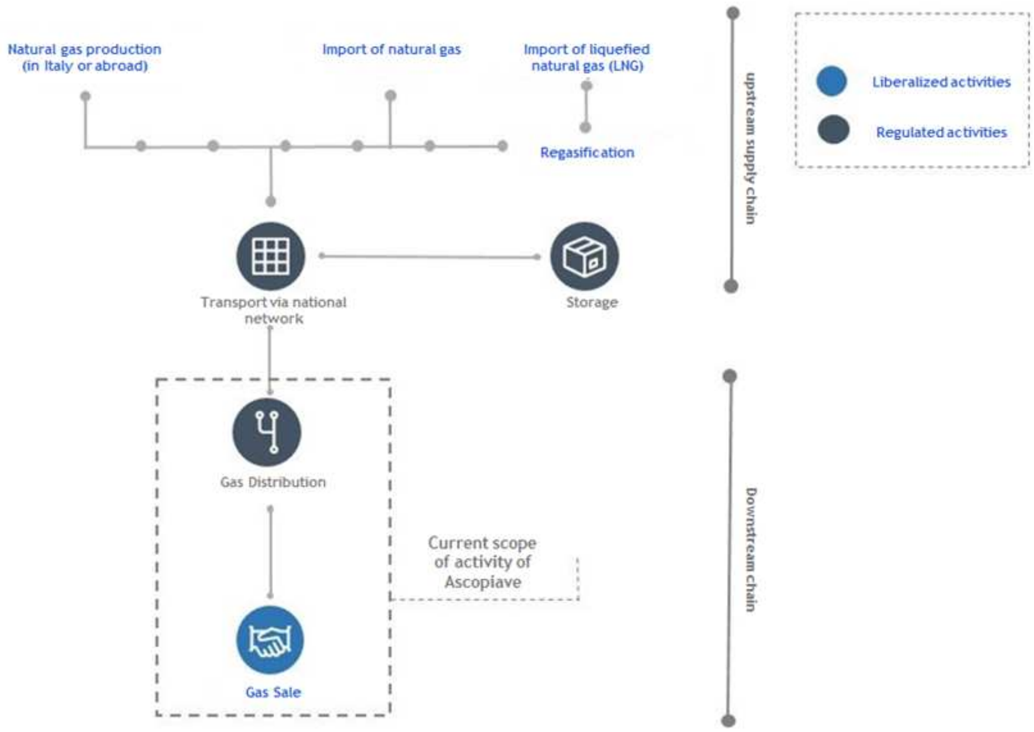
## Investments

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 2018 the Ascopiave Group made investments totalling Euro 29.5 million (23.6 million in 2017), mainly in the development, maintenance and renovation of gas distribution networks and plants and in the installation of metering equipment.

| 2018 | |
|---|---|
| Type of investment | Thousands of Euros |
| Connections | 5,655 |
| Expansions, remediation and upgrades of the network | 7,465 |
| Metres | 12,374 |
| Reduction facilities | 2,317 |
| **Methane investments** | **27,810** |
| Land and buildings | 412 |
| Equipment | 65 |
| Furniture | 104 |
| Vehicles | 229 |
| Hardware and software | 868 |
| Other investments | 58 |
| **Other investments** | **1,735** |
| **Total** | **29,545** |

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

Within the gas and energy supply chain, Ascopiave's business is positioned downstream, i.e. in the final part of the supply chain: Ascopiave does not produce and/or store gas and energy but only deals with distribution (for gas only) and sale.



Upon performing its activities of distribution and sale of gas and energy, 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.

| Number of certified suppliers | | |
|---|---|---|
| | 2017 | 2018 |
| ISO 9001 | 373 | 368 |
| ISO 14001 | 116 | 123 |
| OH SAS 18001 | 128 | 138 |

*The figure includes the Companies consolidated using the Equity method except UNIGAS Distribuzione S.r.l.*

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 2018 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 2018, 89 invitations to tender and 2 electronic auctions were published on the e-procurement portal for the purchase of goods, services and works for a total amount of approximately Euro 28.5 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 about 1,134 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 2018 the Ascopiave group collaborated with 1,676 suppliers, for a total of 5,605 purchase orders and about Euro 40 million invoiced, excluding purchases of gas and electricity.

Total of the Group

| Number of suppliers and purchase orders | 2017 | 2018 |
|---|---|---|
| Number of suppliers | 1,807 | 1,676 |
| Number of purchase orders | 4,901 | 5,605 |
| **Value of purchases** | **51,992,131** | **39,646,785** |

Companies consolidated on a line-by-line basis

| Number of suppliers and purchase orders | 2017 | 2018 |
|---|---|---|
| Number of suppliers | 1,302 | 1,221 |
| Number of purchase orders | 4,192 | 4,795 |
| **Value of purchases** | **39,234,418** | **28,333,693** |

Companies consolidated with the Equity Method

| Number of suppliers and purchase orders | 2017 | 2018 |
|---|---|---|
| Number of suppliers | 505 | 455 |
| Number of purchase orders | 709 | 810 |
| **Value of purchases** | **12,757,713** | **11,313,092** |

If we analyse the wealth distributed to suppliers in order to assess the impact on the local economy, we find that more than half of the value invoiced in 2018 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 2018, the Ascopiave Group in fact collaborated with 953 local suppliers, which account for 57.4% d of the total, for a total invoiced value of approximately Euro 20 million.

Total of the Group

| Number of suppliers by geographical area | 2017 | 2018 |
|---|---|---|
| North-Eastern Italy | 1,110 | 953 |
| North-Western Italy | 556 | 544 |
| Central Italy | 74 | 77 |
| Southern Italy and islands | 53 | 66 |
| Foreign countries | 13 | 19 |
| **Total** | **1,806** | **1,659** |

Companies consolidated on a line-by-line basis

| Number of suppliers by geographical area | 2017 | 2018 |
|---|---|---|
| North-Eastern Italy | 810 | 712 |
| North-Western Italy | 391 | 384 |
| Central Italy | 38 | 48 |
| Southern Italy and islands | 51 | 61 |
| Foreign countries | 12 | 16 |
| **Total** | **1,302** | 1,221 |

Companies consolidated with the Equity Method

| Number of suppliers by geographical area | 2017 | 2018 |
|---|---|---|
| North-Eastern Italy | 300 | 241 |
| North-Western Italy | 165 | 160 |
| Central Italy | 36 | 29 |
| Southern Italy and islands | 2 | 5 |
| Foreign countries | 1 | 3 |
| **Total** | **504** | **438** |

Total of the Group

| Purchases by geographical area (in thousands of €) | 2017 | 2018 |
|---|---|---|
| North-Eastern Italy | 30,755 | 19,963 |
| North-Western Italy | 14,508 | 11,111 |
| Central Italy | 5766 | 7,777 |
| Southern Italy and islands | 703 | 440 |
| Foreign countries | 259 | 378 |
| **Total** | 51,991 | **39,669** |

Companies consolidated on a line-by-line basis

| Purchases by geographical area (in thousands of €) | 2017 | 2018 |
|---|---|---|
| North-Eastern Italy | 23,592 | 12,732 |
| North-Western Italy | 10,596 | 8,414 |
| Central Italy | 4,237 | 6,557 |
| Southern Italy and islands | 550 | 276 |
| Foreign countries | 259 | 354 |
| **Total** | **39,234** | **28,333** |

Companies consolidated with the Equity Method

| Purchases by geographical area (in thousands of €) | 2017 | 2018 |
|---|---|---|
| North-Eastern Italy | 7,163 | 7,231 |
| North-Western Italy | 3,911 | 2,697 |
| Central Italy | 1,530 | 1,220 |
| Southern Italy and islands | 154 | 164 |
| Foreign countries | 0 | 24 |
| **Total** | **12,758** | **11,336** |

## SOCIAL SUSTAINABILITY

### 2018 Highlights

**678** employees (541 employed by companies consolidated on a line-by-line basis)

**99%** of employees are hired on permanent contracts

**30-50 years:** average age of employees

**7.4%** entry turnover rate

**6.8%** exit turnover rate

## The people of Ascopiave

### Staff policies

**THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:**
**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 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 labor, social security contributions, salary, taxes and insurance obligations, and on the prevention of and protection from accidents and occupational safety.

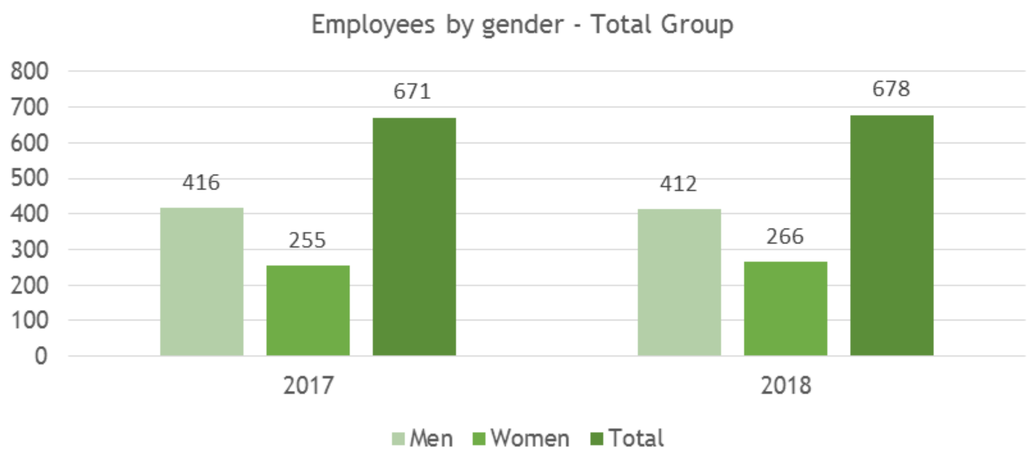
The Group undertakes to disseminate and consolidate the culture of safety at work and to raise awareness of risks by using the resources required to guarantee the health and safety of the recipients, the customers and the communities in which it operates.

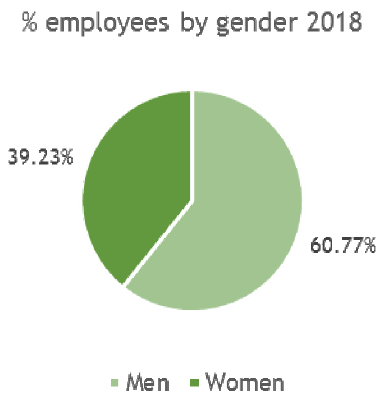
The employees, at every level, of Ascopiave and the Group companies are expected to collaborate in order to maintain within the company a climate of mutual respect for the dignity, honour and reputation of everyone.

### Staff characteristics

As of 31st December 2018, the human resources employed by the Ascopiave Group amounted to 678 units.

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.






| Companies consolidated on a line-by-line basis | 2017 | | 2018 | |
|---|---|---|---|---|
| | Men | Women | Men | Women |
| Employees | 343 | 191 | 343 | 198 |
| **Total** | **534** | | **541** | |

| Companies consolidated with the Equity Method | 2017 | | 2018 | |
|---|---|---|---|---|
| | Men | Women | Men | Women |
| Employees | 73 | 64 | 69 | 68 |
| **Total** | **137** | | **137** | |

99% of employees are employed on permanent contracts, confirming the Ascopiave 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, 86.7% of employees are employed full-time.

| Total of the Group | PERMANENT CONTRACT | | TEMPORARY CONTRACT | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Men | 411 | 411 | 5 | 1 |
| Women | 248 | 260 | 7 | 6 |
| **Total** | **659** | **671** | **12** | **7** |

| Companies consolidated on a line-by-line basis | PERMANENT CONTRACT | | TEMPORARY CONTRACT | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Men | 341 | 343 | 2 | 0 |
| Women | 187 | 195 | 4 | 3 |
| **Total** | **528** | **538** | **6** | **3** |

| Companies consolidated with the Equity Method | PERMANENT CONTRACT | | TEMPORARY CONTRACT | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Men | 70 | 68 | 3 | 1 |
| Women | 61 | 65 | 3 | 3 |
| **Total** | **131** | **133** | **6** | **4** |

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

As far as the geographical distribution of employees is concerned, 76% work at the Group's offices in Veneto (46.3% in the province of Treviso and 29.6% in the other provinces of Veneto), followed by Lombardy, Friuli-Venezia Giulia, Liguria, Piedmont, Emilia Romagna and Puglia.

| PROVINCE OF RESIDENCE/DOMICILE | No. of employees 2018 |
|---|---|
| Province of Treviso | 314 |
| Other offices in Veneto | 201 |
| Lombardy | 82 |
| Friuli-Venezia Giulia | 52 |
| Liguria | 12 |
| Puglia | 9 |
| Emilia Romagna | 7 |
| Piedmont | 1 |
| **Total** | **678** |

*The data above include Companies consolidated with the Equity Method*

As regards female presence within the Companies, most white-collar workers are women, whereas the small number of women (2) in blue-collar positions is explained by the specific nature of the sector and the activity performed.

| Total of the Group | Men | | Women | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Executives | 20 | 19 | 0 | 1 | 20 | 20 |
| Managers | 31 | 31 | 11 | 11 | 42 | 42 |
| White-collar workers | 225 | 229 | 242 | 252 | 467 | 481 |
| Blue-collar workers | 140 | 133 | 2 | 2 | 142 | 135 |
| **Total** | **416** | **412** | **255** | **266** | **671** | **678** |

| Companies consolidated on a line-by-line basis | Men | | Women | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Executives | 17 | 16 | 0 | 1 | 17 | 17 |
| Managers | 26 | 26 | 9 | 9 | 35 | 35 |
| White-collar workers | 178 | 185 | 180 | 186 | 358 | 371 |
| Blue-collar workers | 122 | 116 | 2 | 2 | 124 | 118 |
| **Total** | **343** | **343** | **191** | **198** | **534** | **541** |

| Companies consolidated with the Equity Method | Men | | Women | | TOTAL | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Executives | 3 | 3 | 0 | 0 | 3 | 3 |
| Managers | 5 | 5 | 2 | 2 | 7 | 7 |
| White-collar workers | 47 | 44 | 62 | 66 | 109 | 110 |
| Blue-collar workers | 18 | 17 | 0 | 0 | 18 | 17 |
| **Total** | **73** | **69** | **64** | **68** | **137** | **137** |

The average age of the workforce is medium-high, between 30 and 50 years in 61.2% of cases; employees under the age of 30 account for 5.9% of the workforce while 32.9% are over 50.

| Total of the Group | <30 | | 30-50 included | | >50 | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Executives | 0 | 0 | 6 | 7 | 13 | 13 |
| Managers | 0 | 0 | 22 | 22 | 16 | 20 |
| White-collar workers | 32 | 36 | 252 | 314 | 107 | 131 |
| Blue-collar workers | 8 | 4 | 78 | 70 | 56 | 61 |
| **Total** | **40** | **40** | **358** | **415** | **192** | **223** |

| Companies consolidated on a line-by-line basis | <30 | | 30-50 included | | >50 | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Executives | 0 | 0 | 6 | 6 | 11 | 11 |
| Managers | 0 | 0 | 20 | 20 | 15 | 15 |
| White-collar workers | 27 | 29 | 231 | 235 | 100 | 107 |
| Blue-collar workers | 6 | 3 | 66 | 58 | 52 | 57 |
| **Total** | **33** | **32** | **323** | **321** | **178** | **188** |

| Companies consolidated with the Equity Method | <30 | | 30-50 included | | >50 | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Executives | 0 | 0 | 0 | 1 | 2 | 2 |
| Managers | 0 | 0 | 2 | 2 | 1 | 5 |
| White-collar workers | 5 | 7 | 21 | 79 | 7 | 24 |
| Blue-collar workers | 2 | 1 | 12 | 12 | 4 | 4 |
| **Total** | **7** | **8** | **35** | **94** | **14** | **35** |

### 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 2018, the turnover rate was 7.5%.

In addition, the Ascopiave Group hired 57 people in 2018, reaching a recruitment rate of 8.4%. As far as age groups are concerned, mostly people between 30 and 50 years old were hired.

| Total of the Group | Recruitments in 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%** |

| Companies consolidated on a line-by-line basis | Recruitments in 2018 | | | |
|---|---|---|---|---|
| Age groups | M | F | Tot. | % tot. |
| <30 years | 10 | 8 | 18 | 56.3% |
| 30-50 years included | 15 | 7 | 22 | 6.9% |
| >50 | 1 | 0 | 1 | 0.5% |
| **Total** | **26** | **15** | **41** | **7.6%** |

| Companies consolidated with the Equity Method | Recruitments in 2018 | | | |
|---|---|---|---|---|
| Age groups | M | F | Tot. | % tot. |
| <30 years | 0 | 2 | 2 | 25.0% |
| 30-50 years included | 1 | 6 | 7 | 7.4% |
| >50 | 0 | 0 | 0 | 0.0% |
| **Total** | **1** | **8** | **9** | **6.6%** |

| Total of the Group | Terminations in 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% |
| **Total** | **35** | **11** | **46** | **6.8%** |

| Companies consolidated on a line-by-line basis | Terminations in 2018 | | | |
|---|---|---|---|---|
| Age groups | M | F | Tot. | % tot. |
| <30 years | 7 | 0 | 7 | 21.9% |
| 30-50 years included | 5 | 7 | 12 | 3.7% |
| >50 | 18 | 2 | 20 | 10.6% |
| **Total** | **30** | **9** | **39** | **7.2%** |

| Companies consolidated with the Equity Method | Terminations in 2018 | | | |
|---|---|---|---|---|
| Age groups | M | F | Tot. | % tot. |
| <30 years | 1 | 1 | 2 | 25.0% |
| 30-50 years included | 2 | 1 | 3 | 3.2% |
| >50 | 2 | 0 | 2 | 5.7% |
| **Total** | **5** | **2** | **7** | **5.1%** |

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

### Portion of senior managers hired locally

90% of the senior managers (executives) of the entire Group are employed from the local community.

| | 2018 |
|---|---|
| Total number of Group executives | 20 |
| Number of executives hired in the Italian region where they work | 18 |
| % of senior managers hired locally | 90% |

## Development and growth of human capital

The development of human resources is one of the fundamental objectives of the Ascopiave 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

| Total of the Group | | | |
|---|---|---|---|
| TRAINING HOURS 2018 | AVERAGE HOURS MEN | AVERAGE HOURS WOMEN | TOTAL AVERAGE HOURS |
| 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 |
| **Total** | **4.9** | **3.0** | **4.1** |

| Companies consolidated on a line-by-line basis | | | |
|---|---|---|---|
| TRAINING HOURS 2018 | AVERAGE HOURS MEN | AVERAGE HOURS WOMEN | TOTAL AVERAGE HOURS |
| Executives | 4.1 | 0.0 | 3.9 |
| Managers | 10.2 | 2.7 | 8.3 |
| White-collar workers | 4.0 | 3.1 | 3.6 |
| Blue-collar workers | 5.5 | 0.0 | 5.4 |
| **Total** | **5.0** | **3.0** | **4.2** |

| Companies consolidated with the Equity Method | | | |
|---|---|---|---|
| TRAINING HOURS 2018 | AVERAGE HOURS MEN | AVERAGE HOURS WOMEN | TOTAL AVERAGE HOURS |
| Executives | 4.3 | 0.0 | 4.3 |
| Managers | 5.9 | 14.8 | 8.4 |
| White-collar workers | 5.7 | 2.9 | 4.1 |
| Blue-collar workers | 0.0 | 0.0 | 0.0 |
| **Total** | **4.3** | **3.3** | **3.8** |

Particular attention is paid to constant training and refresher courses for employees and figures specifically dedicated to safety management (persons appointed and supervisors). In 2018, the total training hours (calculated as the sum of all the hours used by all workers) were around 2,800, with an average of 4.1 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 2019.

### 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 2015 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 "2015-2017 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.

| Total of the Group | |
|---|---|
| PROFESSIONAL CATEGORY | FEMALE/MALE PAY RATIO |
| Executives | 95% |
| Managers | 94% |
| White-collar workers | 89% |
| Blue-collar workers | 75% |

| Companies consolidated on a line-by-line basis | |
|---|---|
| PROFESSIONAL CATEGORY | FEMALE/MALE PAY RATIO |
| Executives | 92% |
| Managers | 93% |
| White-collar workers | 89% |
| Blue-collar workers | 74% |

| Companies consolidated with the Equity Method | |
|---|---|
| PROFESSIONAL CATEGORY | FEMALE/MALE PAY RATIO |
| Executives | - |
| Managers | 97% |
| White-collar workers | 88% |
| Blue-collar workers | - |

## 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 31st December 2018, 90 contracts had been activated (13.3% of total), requested in 91.1% 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 | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Men | 409 | 404 | 7 | 8 |
| Women | 171 | 184 | 84 | 82 |
| **Total** | **580** | **588** | **91** | **90** |

| Companies consolidated on a line-by-line basis | FULL TIME | | PART TIME | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Men | 338 | 337 | 5 | 6 |
| Women | 130 | 141 | 61 | 57 |
| **Total** | **468** | **478** | **66** | **63** |

| Companies consolidated with the Equity Method | FULL TIME | | PART TIME | |
|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 |
| Men | 71 | 67 | 2 | 2 |
| Women | 41 | 43 | 23 | 25 |
| **Total** | **112** | **110** | **25** | **27** |

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

In 2018, 24 parental leaves were granted, of which 91% to women. All employees returned to work at the expiration of the leave. Around 100% of those who returned to work were still employed by the company 12 months later.

| Total of the Group | | | | | | |
|---|---|---|---|---|---|---|
| PARENTAL LEAVES AND RE-ENTRY RATES | AS OF 31ST DECEMBER 2017 | | | AS OF 31ST DECEMBER 2018 | | |
| NO. OF EMPLOYEES | M | F | T | M | F | T |
| No. of employees entitled to parental leave | 416 | 255 | 671 | 412 | 266 | 678 |
| No. of parental leaves granted | 11 | 29 | 40 | 2 | 22 | 24 |
| No. of workers who returned to work after benefitting from the parental leave | 11 | 27 | 38 | 2 | 22 | 24 |

| Companies consolidated on a line-by-line basis | | | | | | |
|---|---|---|---|---|---|---|
| PARENTAL LEAVES AND RE-ENTRY RATES | AS OF 31ST DECEMBER 2017 | | | AS OF 31ST DECEMBER 2018 | | |
| NO. OF EMPLOYEES | M | F | T | M | F | T |
| No. of employees entitled to parental leave | 343 | 191 | 534 | 343 | 198 | 541 |
| No. of parental leaves granted | 7 | 19 | 26 | 2 | 15 | 17 |
| No. of workers who returned to work after benefitting from the parental leave | 7 | 17 | 24 | 2 | 15 | 17 |

| Companies consolidated with the Equity Method | | | | | | |
|---|---|---|---|---|---|---|
| PARENTAL LEAVES AND RE-ENTRY RATES | AS OF 31ST DECEMBER 2017 | | | AS OF 31ST DECEMBER 2018 | | |
| NO. OF EMPLOYEES | M | F | T | M | F | T |
| No. of employees entitled to parental leave | 73 | 64 | 137 | 69 | 68 | 137 |
| No. of parental leaves granted | 4 | 10 | 14 | 0 | 7 | 7 |
| No. of workers who returned to work after benefitting from the parental leave | 4 | 10 | 14 | 0 | 7 | 7 |

### Benefits granted to employees

The Ascopiave Group has defined, with the trade unions of the individual companies, 2nd 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 2018: approximately 25% of staff converted a portion of their 2017 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 – excluding AsmSet and Unigas – according to which employees can use their 2018 performance bonus, increased by 15%, for welfare services (complementary pension scheme, healthcare services, cultural services, baby-sitting, etc.).

## Occupational health and safety

**THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:**
**Workplace safety and workers' health**
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 2018. 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 2018, there were 10 workplace accidents in total involving operational staff. There were no commuting injuries. 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 not reflected this year by the data that we derive from the indexes below which, despite the efforts made, show a greater number of injuries as compared to 2017.

| Total of the Group | | | | |
|---|---|---|---|---|
| WORK DAYS LOST AND ACCIDENTS | 2017 | | 2018 | |
| Gender | M | F | M | F |
| No. of accidents at work | 5 | 0 | 10 | 1 |
| No. of commuting injuries | 1 | 0 | 0 | 0 |
| No. of deaths due to accidents | 0 | 0 | 0 | 0 |
| No. of cases of occupational diseases | 0 | 0 | 0 | 0 |
| (INAIL)* accident index | 7.21 | 0 | 13.97 | 2.6 |
| (INAIL)* severity index | 0.34 | 0 | 0.23 | 0.016 |
| Occupational disease rate | 0 | 0 | 0 | 0 |
| Absenteeism rate | 4.89% | | 5.81% | |

| Companies consolidated on a line-by-line basis | | | | |
|---|---|---|---|---|
| WORK DAYS LOST AND ACCIDENTS | 2017 | | 2018 | |
| Gender | M | F | M | F |
| No. of accidents at work | 5 | 0 | 10 | 0 |
| No. of commuting injuries | 1 | 0 | 0 | 0 |
| No. of deaths due to accidents | 0 | 0 | 0 | 0 |
| No. of cases of occupational diseases | 0 | 0 | 0 | 0 |
| (INAIL)* accident index | 8.00 | 0 | 16.61 | 0 |
| (INAIL)* severity index | 0.38 | 0 | 0.27 | 0 |
| Occupational disease rate | 0 | 0 | 0 | 0 |
| Absenteeism rate | 4.96% | | 5.66% | |

| Companies consolidated with the Equity Method | | | | |
|---|---|---|---|---|
| WORK DAYS LOST AND ACCIDENTS | 2017 | | 2018 | |
| Gender | M | F | M | F |
| No. of accidents at work | 0 | 0 | 0 | 1 |
| No. of commuting injuries | 0 | 0 | 0 | 0 |
| No. of deaths due to accidents | 0 | 0 | 0 | 0 |
| No. of cases of occupational diseases | 0 | 0 | 0 | 0 |
| (INAIL)* accident index | 0 | 0 | 0 | 11.22 |
| (INAIL)* severity index | 0 | 0 | 0 | 0.067 |
| Occupational disease rate | 0 | 0 | 0 | 0 |
| Absenteeism rate | 4.72% | | 6.21% | |

** 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 2018, the total training hours (calculated as the sum of all hours attended by all workers) were about 2,100, with an average of 5.14 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 2018 there were no cases of accidents on site.
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

### 2018 Highlights

**Over 740,000** customers served

**Over Euro 3 million** disbursed for gas and electricity bonuses

**8.5/10** customer satisfaction

**6,574** requests for gas and electricity

**1 in-house call centre**

**Over 310,000** contacts processed by the call centre

## 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.**

| Total of the Group | 2017 | 2018 |
|---|---|---|
| Million $m^3$ Gas sold | 938.7 | 908.5 |
| Million $m^3$ Gas distributed | 1,020.4 | 1,086.7 |
| GWh Electricity sold | 440.5 | 457.1 |

| Companies consolidated on a line-by-line basis | 2017 | 2018 |
|---|---|---|
| Million $m^3$ Gas sold | 803.8 | 781.4 |
| Million $m^3$ Gas distributed | 946.9 | 1,014.2 |
| GWh Electricity sold | 383.4 | 392.7 |

| Companies consolidated with the Equity Method | 2017 | 2018 |
|---|---|---|
| Million $m^3$ Gas sold | 134.9 | 127.1 |
| Million $m^3$ Gas distributed | 73.5 | 72.5 |
| GWh Electricity sold | 57.1 | 64.4 |

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.

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 Group owns concessions and direct assignments for the management of distribution activities in 230 Municipalities, supplying the service to a market segment of 1.5 million inhabitants, through a distribution network which spreads over 10,000 kilometres. The sale of natural gas is performed through different companies, some under joint control. Overall, in 2018, 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 2018, the Ascopiave Group served over 740 thousand users of gas and electricity services. 87% of customers use gas services, while 13% electricity services.

| Total of the Group | | | | |
|---|---|---|---|---|
| NO. OF CUSTOMERS | 2017 | | 2018 | |
| | GAS | ELECTRICITY | GAS | ELECTRICITY |
| Households | 616,020 | 64,553 | 602,551 | 81,916 |
| Other customers | 44,867 | 15,897 | 42,078 | 17,075 |
| **Total customers** | **660,887** | **80,450** | **644,629** | **98,991** |

| Companies consolidated on a line-by-line basis | | | | |
|---|---|---|---|---|
| NO. OF CUSTOMERS | 2017 | | 2018 | |
| | GAS | ELECTRICITY | GAS | ELECTRICITY |
| Households | 507,061 | 56,162 | 500,186 | 69,575 |
| Other customers | 39,547 | 12,097 | 37,297 | 12,868 |
| **Total customers** | **546,608** | **68,259** | **537,483** | **82,443** |

| Companies consolidated with the Equity Method | | | | |
|---|---|---|---|---|
| NO. OF CUSTOMERS | 2017 | | 2018 | |
| | GAS | ELECTRICITY | GAS | ELECTRICITY |
| Households | 108,959 | 8,391 | 102,365 | 12,341 |
| Other customers | 5,320 | 3,800 | 4,781 | 4,207 |
| **Total customers** | **114,279** | **12,191** | **107,146** | **16,548** |

### Code of business conduct

The liberalisation of the market has been accompanied by new forms of customer protection, especially as regards the transparency of commercial offers on the free market.
In particular, ARERA, by resolution 366/2018/R/com dated 28th June 2018, updated effective 1st October 2018, the Code of Business Conduct for the sale of electricity and natural gas to end user. Such Code, in accordance with the provisions of the Consumer Code and the Community directives on energy, sets out the rules that the operators of electricity and/or natural gas sales must observe upon their commercial relations with the end customers, households and small and medium enterprises.

The Code applies to supply contracts proposed and concluded with the end customers who use low voltage electricity and/or with end customers whose consumption of natural gas does not exceed 200,000 standard cubic metres/year. The control of service quality and the strict observance of the rules of conduct aimed at guaranteeing the transparency and correctness of the commercial offers in the free market and at preventing any improper commercial practices have always been key themes in the company's commercial policy.

All the external collaborators working on behalf of the Companies are trained and updated periodically by the internal staff and are provided with an identification badge, in order to make them immediately recognisable by the Customer.

The Group Sales Companies have also voluntarily adopted the reinstatement procedure set forth in ARERA Resolution 153/2012/R/com dated 19th April 2012 and subsequently the procedure set out in Resolution 228/2017/R/com dated 6th April 2017, undertaking, in the event of unsolicited contract or activation or disputed contact or activation, to provide the previous distributor and seller with all the useful information to restore, free of charge for the Customer, the previous conditions of supply

In 2018, thanks to the sensitivity and commitment of the Group Sales Companies, out of a few thousands of acquired customers, only 5 cases of disputed contracts occurred which were managed in compliance with the applicable legislation.

### Press releases

During 2018, the press office's activity intensified, supporting the various campaigns and initiatives launched for all the Group's sales companies. The press conferences presenting the commercial initiatives and the related press releases, the interviews and any participation in TV shows on the local broadcasters, were more numerous than in 2017.

Thanks to the press office, constant attention is paid to the company's activities, and the topics relevant to the community can be communicated, including details and specifications.

A total of 45 press releases were prepared for all Group sales companies. From the press releases, as many pieces of news were created for the corporate sites and the related web and social media promotion posts.

## Guide to consumer rights

The "Guide to consumer rights" is a document prepared with the associations Adiconsum and Federconsumatori. It aims to inform the customers of the peculiarities of the free market, which will soon incorporate the entire market of household supplies.


This guide explains the operation of the gas and electricity free market, informing the citizens about their rights and protections. It is a simple tool, able to guarantee clarity and transparency. The Guide starts with comics that concisely clarify the most common doubts and uncertainties of consumers. In the second part, it summarises in more detail, but always simply, the information regarding rights, protections and quality levels, with reference to the liberalisation of the energy market. Right from the explanation of the characteristics of the free market up to the Company's Code of Commercial Conduct, from the commercial quality of the sales service up to joint conciliation, an instrument developed in the cooperation with consumer associations, through which Ascotrade enables its customers to amicably resolve any disputes with the company, with the advice of the same associations.

This document is an important informative tool addressed to consumers and customers on their rights, protections and levels of service quality. The presence of consumer associations testifies to the appropriateness and quality of the company's choices.
For further information on the Code of Business Conduct, please refer to the section Customer Rights and Protections on the Website www.ascotrade.it

## Subsidies for financially struggling families

A close connection with the territory is one of the peculiarities that set the Group apart: concrete examples are the many initiatives implemented, in various forms, to support disadvantaged families.


Since 2010, subsequent to the first signs of the economic and financial crisis, the Group has developed a project, unparalleled in Italy, to support the most financially struggling families, as a complement to the "governmental gas bonus" established by the law and the possibility of deferring the bills and paying them in instalments. The "Friends" project stems from the agreement between the Ascopiave Group and the major trade unions in Veneto for collecting and submitting the applications for discounts in the gas bill for families in economic difficulty. The agreement involves, together with Ascotrade and Bim GSP and the other Ascopiave Group sales companies active in Veneto - Etra Energia, Pasubio Servizi, Veritas Energia -, the trade unions the trade unions - CGIL, CISL, UIL - of the provinces of Belluno, Padua, Rovigo, Treviso, Venice and Vicenza, the CAF CGN (tax assistance centers) of the self-employed workers of Veneto, the Caf Acli of Belluno, Padua, Treviso, Venice and Vicenza, CUPLA Veneto (Unitary Committee of Retired Self-employed workers) and UNSIC of Belluno (National Trade Union of Entrepreneurs and Farmers).
A social partnership based on the regional network of CAF, the tax assistance centres through which the customers of the Ascopiave Group, certifying their ISEE (equivalent financial situation index), can apply for the subsidies.

Details of the 2018 "Amici" initiative:
A discount of 15 eurocent/Scm will be granted to household customers with a gas contract active on the free market, and with an ISEE income up to Euro 18,000 per year.
If we assume the annual consumption of a typical household (consumption of 1,400 Scm/year), the discount on the bill guaranteed by the Ascopiave Group's sales companies will be 20%, which will result in a saving of Euro 210 per year.

The discounts will be paid up to the maximum amount of Euro 1 million and 200 thousand.
Finally, such benefits may also be enjoyed by those who already receive the Gas Bonus, the discount on the bill introduced by the Government and made operational by the Authority for Electricity, Gas and Water with the collaboration of the Municipalities, thus ensuring considerable savings for financially struggling families.

### Family discount and government bonus

| Year | Number of customers | Quantity of Scm | Amount € | Average *per capita* Quantity of Scm | Average *per capita* Amount€ |
|---|---|---|---|---|---|
| 2017 | 12.181 | 9.875.477 | 1.305.278 | 811 | 107 |
| 2018 | 9.779 | 6.394.713 | 920.461 | 654 | 94 |

The initiative called "Family discount" concerns entirely the companies consolidated on a line-by-line basis. Since 2010, the Ascopiave Group has invested in favour of financially struggling customers a total amount of Euro 7,028,077 against a total of 70,850 applications.
The company ASM SET has instead launched the initiative "Social Energy", which caters to households whose ISEE is less than Euro 15 thousand. In 2018, the company granted the discount to 1,005 customers for a total amount of Euro 73,685.
The discount established by the Group for families in difficulty, which in 2017 was divided into two segments, since 2018 involves one single segment: customers with ISEE up to € 18,000 €/Scm 0.15; this discount complements the social bonus introduced by the Government for holders of natural gas and/or electricity supply contracts in the house where they reside if their ISEE is less than or equal to € 8,107.50 or € 20,000 in the case of households with at least 4 dependent children.

Total of the Group

| | 2017 | | 2018 | |
|---|---|---|---|---|
| Gas BONUS | Number | Amount granted (€) | Number | Amount granted (€) |
| | 22,028 | 2,332,866 | 24,010 | 2,732,754 |
| Electricity BONUS | Number | Amount granted (€) | Number | Amount granted (€) |
| | 4,303 | 352,802 | 6,274 | 639,274 |
| TOTAL | Number | Amount granted (€) | Number | Amount granted (€) |
| | 26,331 | 2,685,668 | 30,284 | 3,372,028 |

Companies consolidated on a line-by-line basis

| | 2017 | | 2018 | |
|---|---|---|---|---|
| Gas BONUS | Number | Amount granted (€) | Number | Amount granted (€) |
| | 16,626 | 1,767,729 | 17,761 | 2,034,450 |
| Electricity BONUS | Number | Amount granted (€) | Number | Amount granted (€) |
| | 3,489 | 289,875 | 4,967 | 509,522 |
| TOTAL | Number | Amount granted (€) | Number | Amount granted (€) |
| | 20.,115 | 2,057,604 | 22,728 | 2,543,972 |

Companies consolidated with the Equity Method

| | 2017 | | 2018 | |
|---|---|---|---|---|
| Gas BONUS | Number | Amount granted (€) | Number | Amount granted (€) |
| | 5,402 | 565,137 | 6,249 | 698,304 |
| Electricity BONUS | Number | Amount granted (€) | Number | Amount granted (€) |
| | 814 | 62,927 | 1,307 | 129,752 |
| TOTAL | Number | Amount granted (€) | Number | Amount granted (€) |
| | 6,216 | 628,064 | 7,556 | 828,056 |

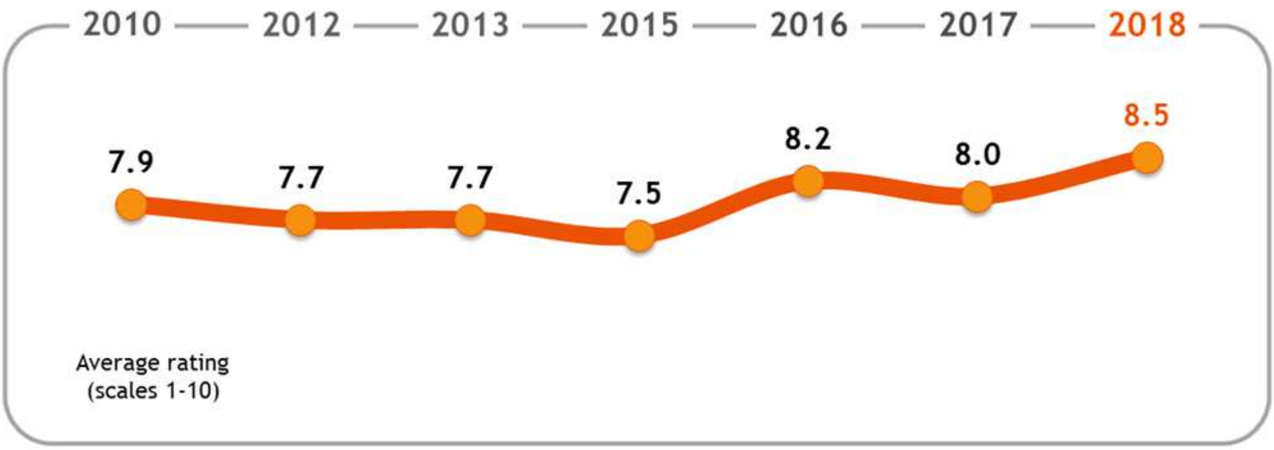
## Customer service and satisfaction

**THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:**
**Customer satisfaction**
Ascopiave provides public utility services according to high quality standards, with remarkable personnel skills and cutting-edge technologies and at competitive prices. Upon performing its activities, the offers are formulated to meet the needs and expectations of all stakeholders.

Customer service is a primary goal for the Ascopiave Group: the company consistently ranks in the top positions in the surveys that analyse the degree of satisfaction of the customers towards their company.

Year after year, the score of the overall judgment on the company's telephone services dedicated to customers is constantly increasing, as confirmed by the merit rankings regularly published by ARERA on the quality of services offered by the major national gas and electricity sales companies.

Furthermore, since 2010 the Group has been commissioning external companies specialised in the sector to conduct on a regular basis surveys aimed at evaluating customer satisfaction and corporate positioning in the reference market. In 2014, the Group also introduced focus groups for specific issues, with the aim of improving customer relations and being able to grasp the real needs of consumers in terms of services and products offered, in a customer-oriented perspective. In 2018, a Customer Journey survey was introduced to test customer satisfaction with the different points of contact. In line with the previous years' surveys, an overall satisfaction index of 8.5 points out of 10 was reached, on the rise compared to the previous year (Source: SWG).




*Values% - Data reported at 100 in the presence of non-responses*

### Management of complaints and issues reported

All complaints received by the company are collected, accepted and resolved. The complaints received and resolved are strictly monitored on a monthly basis, and specific reports are produced. In many cases, after analysing the complaint, specific improvement actions are applied to organisational or operational aspects in order to prevent the occurrence of anomalies and improve the service rendered to customers.

High levels of commercial quality of the natural gas sales service are currently assured, which far exceed ARERA standards, which establishes a 40-day deadline for a motivated response to written complaints, including applications for bill correction, 90 calendar days for correcting bills, 20 calendar days for correcting double bills and 30 calendar days for a motivated response to written requests for information.

In 2018, the average response time was 9.9 calendar days for complaints and 5.4 for requests for information, while the average time taken to correct bills was 31.9 days.

Total of the Group

| TYPES OF REQUEST (GAS + ELECTRICITY) | TOTAL REQUESTS | | NO. OF RESPONSES IN COMPLIANCE WITH THE STANDARD | | NO. OF CORRECTIONS IN COMPLIANCE WITH THE STANDARD | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Written complaints | 4,073 | 4229 | 4,058 | 4217 | 0 | 0 |
| Bill correction | 422 | 413 | 422 | 292 | 421 | 413 |
| Correction of double bills | 7 | 5 | 6 | 0 | 7 | 5 |
| Information | 2,622 | 1927 | 2,600 | 1916 | 0 | 0 |

Companies consolidated on a line-by-line basis

| TYPES OF REQUEST (GAS + ELECTRICITY) | TOTAL REQUESTS | | NO. OF RESPONSES IN COMPLIANCE WITH THE STANDARD | | NO. OF CORRECTIONS IN COMPLIANCE WITH THE STANDARD | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Written complaints | 691 | 692 | 686 | 687 | --- | --- |
| Bill correction | 282 | 286 | 282 | 285 | 281 | 286 |
| Correction of double bills | 0 | 0 | 0 | 0 | --- | --- |
| Information | 627 | 369 | 625 | 363 | --- | --- |

Companies consolidated with the Equity Method

| TYPES OF REQUEST (GAS + ELECTRICITY) | TOTAL REQUESTS | | NO. OF RESPONSES IN COMPLIANCE WITH THE STANDARD | | NO. OF CORRECTIONS IN COMPLIANCE WITH THE STANDARD | |
|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| Written complaints | 3382 | 3537 | 3372 | 3530 | 0 | 0 |
| Bill correction | 140 | 127 | 140 | 7 | 140 | 127 |
| Correction of double bills | 7 | 5 | 6 | 0 | 7 | 5 |
| Information | 1995 | 1558 | 1975 | 1553 | 0 | 0 |

### Call Centre

In 2018, the Group's Call Centre processed over 310,000 contacts from customers who had asked to speak with an operator (calls transferred to an operator), reaching a service level from a minimum of 89.71% to a maximum of 99.22%.

For 99.9% of the time when the Toll-free Numbers were active at least one line was free in order to allow customers to get in touch with the operators, and the average waiting time before starting the conversation was between 35.8 and 111.1 seconds.

These results place the Group above the minimum standards required by ARERA, which had set as the general call centre quality standards for 2018 a service level of at least 85%, a minimum value of 95% for accessibility to the service and a maximum waiting time of 180 seconds.

| | 2017 | 2018 | Benchmark |
|---|---|---|---|
| ACCESSIBILITY TO THE SERVICE<br>All the calls received and made by the Call Centre are analysed in the Log | 99.91% | 99.92% | Equal to or over 95% |
| AVERAGE WAITING TIME (sec.)<br>All the waiting seconds in the received call Log are counted | 67.06 | 62.34 | Less than or equal to 180 seconds |
| SERVICE LEVEL<br>All the calls received are counted, distinguishing between those with actual conversation with the Call Centre operator and those disconnected | 94.44% | 95.13% | Equal to or over 85% |

*Data do not include Companies consolidated with the Equity Method.*

### Protection of consumer privacy

The Ascopiave Group respects the privacy of customers and users of online services by ensuring that the data collected are processed in full compliance with the applicable code. Data are processed through automated tools (e.g. by using electronic procedures and media) and/or manually (e.g. on paper forms) for the time strictly necessary to achieve the purposes for which the data were collected; specific security measures are adopted to prevent data loss, illicit or incorrect use and unauthorised access.

Subsequent to the entry into force of the European Regulation 679/2016 (25th May 2018), the Group Sales Companies revised accordingly all the contractual documentation, updating the clauses contained therein regarding the protection of personal data, as well as the concerned sections of their websites and web services.

Thanks to the work performed and the attention dedicated by the Group's Sales Companies, during the year 2018 only one complaint was received regarding privacy.
This complaint was handled in accordance with applicable legislation.

### 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 grid inspected).

Below are the results considered satisfactory by the Ascopiave Group in 2018 for each of the quality indicators established:

| Service Quality Indicators in 2018 | |
|---|---|
| **Total of the Group** | |
| Indicator | % |
| Compliance with the maximum time set for rendering services under specific commercial quality standards | 99.55% |
| Punctuality in appointments agreed with the end customer | 99.99% |
| **Service Quality Indicators in 2018** | |
| **Companies consolidated on a line-by-line basis** | |
| Indicator | % |
| Compliance with the maximum time set for rendering services under specific commercial quality standards | 99.51% |
| Punctuality in appointments agreed with the end customer | 99.99% |

| Service Quality Indicators in 2018 | |
|---|---|
| **Companies consolidated with the Equity Method** | |
| Indicator | % |
| Compliance with the maximum time set for rendering services under specific commercial quality standards | 99.82% |
| Punctuality in appointments agreed with the end customer | 99.99% |

| Total of the Group | | |
|---|---|---|
| Electricity service interruptions | Unit of measure | 2018 |
| Time between disconnection and payment | | |
| <48 hours | no. | 347 |
| 48 hours - 1 week | no. | 72 |
| 1 week - 1 month | no. | 85 |
| 1 month - 1 year | no. | 1 |
| > 1 year | no. | 0 |
| **Time between payment and reconnection** | | |
| <48 hours | no. | 469 |
| 48 hours - 1 week | no. | 36 |
| 1 week - 1 month | no. | 0 |

| Companies consolidated on a line-by-line basis | | |
|---|---|---|
| **Electricity service interruptions** | **Unit of measure** | **2018** |
| **Time between disconnection and payment** | | |
| <48 hours | no. | 331 |
| 48 hours - 1 week | no. | 59 |

| | | |
|---|---|---|
| 1 week - 1 month | no. | 77 |
| 1 month - 1 year | no. | 0 |
| > 1 year | no. | 0 |
| **Time between payment and reconnection** | | |
| <48 hours | no. | 434 |
| 48 hours - 1 week | no. | 33 |
| 1 week - 1 month | no. | 0 |

| Companies consolidated with the Equity Method | | |
|---|---|---|
| Electricity service interruptions | Unit of measure | 2018 |
| **Time between disconnection and payment** | | |
| <48 hours | no. | 16 |
| 48 hours - 1 week | no. | 13 |
| 1 week - 1 month | no. | 8 |
| 1 month - 1 year | no. | 1 |
| > 1 year | no. | 0 |
| **Time between payment and reconnection** | | |
| <48 hours | no. | 35 |
| 48 hours - 1 week | no. | 3 |
| 1 week - 1 month | no. | 0 |

### Facility monthly 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 | | |
|---|---|---|
| Total of the Group | | |
| | 2017 | 2018 |
| No. of checks performed for odorization | 1,275 | 1,355 |
| % of high and medium pressure network inspected of total | 74.6% | 76.2% |
| % of low pressure network inspected of total | 72.4% | 78.5% |

| INSPECTIONS AND LEAKAGES OF THE GAS NETWORK | | |
|---|---|---|
| Companies consolidated on a line-by-line basis | | |
| | 2017 | 2018 |
| No. of checks performed for odorization | 1,041 | 1,105 |
| % of high and medium pressure network inspected of total | 75.7% | 80.2% |
| % of low pressure network inspected of total | 75.5% | 80.6% |

| INSPECTIONS AND LEAKAGES OF THE GAS NETWORK | | |
|---|---|---|
| Companies consolidated on a line-by-line basis | | |
| | 2017 | 2018 |

| | | |
|---|---|---|
| No. of checks performed for odorization | 234 | 250 |
| % of high and medium pressure network inspected of total | 58.0% | 16.8% |
| % of low pressure network inspected of total | 52.0% | 63.6% |

During 2018 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 | | |
|---|---|---|
| Companies consolidated on a line-by-line basis | | |
| | 2017 | 2018 |
| % of answers within 120 sec. | 99.82% | 99.7% |
| % of calls with intervention compliant with the standard* | 98.66% | 98.68% |
| Average time taken to arrive on site (minutes) | 37.5 | 40.3 |

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

| GAS EMERGENCY SERVICE | | |
|---|---|---|
| Companies consolidated with the Equity Method | | |
| | 2017 | 2018 |
| % of answers within 120 sec. | 99.83% | 99.84% |
| % of calls with intervention compliant with the standard* | 99.78% | 100% |
| Average time taken to arrive on site (minutes) | 30.9 | 31.6 |

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

### Emergency management plan

The Ascopiave 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 2018, the distribution company AP Reti Gas S.p.A. had to handle an emergency caused by the breakage of the water system of a user that determined the consequent infiltration of water in the internal system which then saturated important sections of the low pressure network of a municipality in the province of Treviso, causing a gradual interruption of the supply to the connected users. The emergency management structure promptly intervened and, after restoring the safe operation of the system, restarted the network and the connected users.
In 2018 there were no gas incidents.

## ENVIRONMENTAL SUSTAINABILITY

**2018 Highlights**

**ISO 14001 Certification** "Environmental Management Systems" since 2011

**28,000 $m^2$** of external green areas

**5** cogeneration thermal plants

**816 GJ** of energy produced by solar panels

## Environmental policy and management system

**THE VALUES OF ASCOPIAVE IN GROUP ACTIVITIES:**
**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"

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 1st July 2016 subsequent to the transfer of the business unit.

On 3rd 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 three (3) Distribution Companies of the Group: AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., UNIGAS Distribuzione S.r.l..

On 12th 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 limited environmental impact (soil, water, emissions, special waste, energy and fuel consumption).

**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 (integrated into Quality and Safety), adopted by the Parent Company and by two distribution companies, 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.

## Company's fleet

The Ascopiave Group has 316 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 373 thousand litres, recording a proportional increase in consumption, due to the acquisition of a new business unit (AP Rete Vicenza).

| Total of the Group | | |
|---|---|---|
| FUEL CONSUMPTION (IN THOUSANDS OF LITRES) | 2017 | 2018 |
| Gasoline | 17 | 13 |
| Diesel fuel | 329 | 377 |
| Bifuel | - | 3 |
| **Total** | **346** | **393** |

| Companies consolidated on a line-by-line basis | | |
|---|---|---|
| FUEL CONSUMPTION (IN THOUSANDS OF LITRES) | 2017 | 2018 |
| Gasoline | 13 | 10 |
| Diesel fuel | 294 | 329 |
| Bifuel | - | - |
| **Total** | **307** | **339** |

| Companies consolidated with the Equity Method | | |
|---|---|---|
| FUEL CONSUMPTION (IN THOUSANDS OF LITRES) | 2017 | 2018 |
| Gasoline | 4 | 3 |
| Diesel fuel | 35 | 48 |
| Bifuel | - | 3 |
| **Total** | **39** | **54** |

As far as the Group's fleet is concerned, in 2018 the portion of vehicles in the efficiency category EURO 6 increased by 17%, and the portion of EURO 5 and 4 vehicles remained unchanged, due to the acquisition of a new business unit, AP RETE Vicenza.

| Total of the Group | | | | |
|---|---|---|---|---|
| VEHICLE TYPE | NO. OF VEHICLES | % EURO CATEGORY | | |
| | | % EURO 6 | % EURO 5, EURO 4 | % EURO 3, 2, 1 and 0 |
| Diesel fuel | 287 | 34% (99 vehicles) | 63% (178 vehicles) | 3% (10 vehicles) |
| Gasoline | 12 | 17% (2 vehicles) | 58% (7 vehicles) | 25% (3 vehicles) |
| Bifuel | 17 | - | 100% (17 vehicles) | - |
| **Total** | **316** | | | |

| Companies consolidated on a line-by-line basis | | | | |
|---|---|---|---|---|
| VEHICLE TYPE | NO. OF VEHICLES | % EURO CATEGORY | | |
| | | % EURO 6 | % EURO 5, EURO 4 | % EURO 3, 2, 1 and 0 |
| Diesel fuel | 243 | 29% (70 vehicles) | 67% (163 vehicles) | 4% (10 vehicles) |
| Gasoline | 11 | 9% (1 vehicle) | 64% (7 vehicles) | 27% (3 vehicles) |
| Bifuel | 9 | - | 100% (9 vehicles) | - |
| **Total** | **263** | | | |

| Companies consolidated with the Equity Method | | | | |
|---|---|---|---|---|
| VEHICLE TYPE | NO. OF VEHICLES | % EURO CATEGORY | | |
| | | % EURO 6 | % EURO 5, EURO 4 | % EURO 3, 2, 1 and 0 |
| Diesel fuel | 44 | 66% (29 vehicles) | 34% (15 vehicles) | - |
| Gasoline | 1 | 100% (1 vehicle) | - | - |
| Bifuel | 8 | - | 100% (8 vehicles) | - |
| **Total** | **53** | | | |

## Energy management and emissions

In 2018, 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. 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: specifically, an obsolete heat generator was replaced. In 2018, the methane gas consumption of the technological systems was monitored, which allowed us to improve the efficiency of the regulation of the thermal stations that serve such systems. The equipment was adjusted in order to guarantee the proper functioning of the system and therefore the safety and continuity of the service. A further reduction in the consumption of pre-heating gas per unit of gas injected into the network was however recorded.

| Total of the Group | 2017 | 2018 |
|---|---|---|
| Natural Gas (GJ) | 116,837 | 99,901 |
| Car fuel - Diesel fuel (GJ) | 12,577 | 13,543 |
| Car fuel - Gasoline (GJ) | 644 | 496 |
| Electricity purchased (GJ) | 11,747 | 11,950 |
| Electricity produced by solar panels (GJ) | 835 | 816 |
| **TOTAL ENERGY CONSUMPTION (GJ)** | **142,640** | **126,706** |

| Companies consolidated on a line-by-line basis | 2017 | 2018 |
|---|---|---|
| Natural Gas (GJ) | 114,229 | 97,272 |
| Car fuel - Diesel fuel (GJ) | 10,540 | 11,813 |
| Car fuel - Gasoline (GJ) | 422 | 318 |
| Electricity purchased (GJ) | 10,340 | 10,547 |
| Electricity produced by solar panels (GJ) | 835 | 816 |
| **TOTAL ENERGY CONSUMPTION (GJ)** | **136,366** | **120,766** |

| Companies consolidated with the Equity Method | 2017 | 2018 |
|---|---|---|
| Natural Gas (GJ) | 2,609 | 2,630 |
| Car fuel - Diesel fuel (GJ) | 2,037 | 1,730 |
| Car fuel - Gasoline (GJ) | 222 | 178 |
| Electricity purchased (GJ) | 1,408 | 1,403 |
| Electricity produced by solar panels (GJ) | 0 | 0 |
| TOTAL ENERGY CONSUMPTION (GJ) | 6,276 | 5,941 |

### 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 2018, the amount of self-produced electricity was equal to 226 thousand kWh, a slight decrease as compared to 2017; self-consumption increased by 3%, thanks to the optimisation of the system.

| | 2017 | 2018 |
|---|---|---|
| Self-produced quantity | 835 GJ | 816 GJ |
| Self-consumed % | 95% | 98% |

### District heating/Cogenerators

In 2018, the total methane consumption for the Lavena Ponte Tresa (Varese) and Dolo/Mirano (Venice) plants amounted to approximately 387 thousand Sm3, producing 1,232 thousand kWh of electricity in total, and a total thermal production of 1,829 kWh. Despite a significant decrease in production due to the sale of the Lavena Ponte Tresa plant because of the expiry of the agreement, there was an increase in production efficiency, in high-efficiency cogeneration mode, of thermal and electrical energy, thus increasing the efficiency ratio of gas consumed to energy produced ≥ 80%.

| Methane consumption [GJ] | 2017 | 2018 |
|---|---|---|
| Cogenerator in Lavena Ponte Tresa (VA) | 4,583 | 635 |
| Cogenerators CA' TRON - Dolo (VE) | 2,644 | 1,833 |
| Cogenerators BELLA MIRANO - Mirano (VE) | 1,974 | 1,763 |
| Cogenerators LE CIME - Mirano (VE) | 9,377 | 9,413 |
| **Total methane consumption** | **18,578** | **13,643** |
| **Electricity produced [GJ]** | **2017** | **2018** |
| Cogenerator in Lavena Ponte Tresa (VA) | 1,487 | 184 |
| Cogenerators CA' TRON - Dolo (VE) | 817 | 554 |
| Cogenerators BELLA MIRANO - Mirano (VE) | 608 | 558 |
| Cogenerators LE CIME - Mirano (VE) | 3,218 | 3,164 |
| **Total electricity produced** | **6,131** | **4,460** |
| **Thermal energy produced [GJ]** | **2017** | **2018** |
| Cogenerator in Lavena Ponte Tresa (VA) | 1,858 | 234 |
| Cogenerators CA' TRON - Dolo (VE) | 1,357 | 698 |
| Cogenerators BELLA MIRANO - Mirano (VE) | 1,030 | 965 |
| Cogenerators LE CIME - Mirano (VE) | 4,082 | 4,417 |
| **Total thermal energy produced** | **8,327** | **6,584** |
| **Production efficiency [(kWhe+ kWht) / kWh comb.] %** | **2017** | **2018** |
| Cogenerator in Lavena Ponte Tresa (VA) | 73 | 66 |
| Cogenerators CA' TRON - Dolo (VE) | 82 | 84 |
| Cogenerators BELLA MIRANO - Mirano (VE) | 83 | 86 |
| Cogenerators LE CIME - Mirano (VE) | 78 | 80 |

The efficiency of the cogenerators combined with district heating has made it possible to save 49 TOEs (tons of oil equivalent) and obtain 49 white certificates produced by company initiatives only, up by 10 TOEs as compared to 2017.

## 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 2018 the following actions were implemented: a 185 kW heat pump installed at the headquarters was replaced with a more efficient one, guaranteeing a 44,144 kWh annual electricity saving.

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.
2018 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 (Treviso).

| GROUP COMPANY | DESCRIPTION OF ACTION IMPLEMENTED IN 2018 | QUANTIFIED SAVINGS OF TOEs and/or CO2 equivalent emissions |
|---|---|---|
| Ascopiave S.p.A. | Enhancement of the efficiency of nursing homes | 60 TOEs/142 ton $CO_2$ equivalent |
| Ascopiave S.p.A. | Enhancement of the efficiency of public lighting system | 108 TOEs/184 ton $CO_2$ equivalent |
| Ascopiave S.p.A. | Replacement of headquarters' heat pump | 8 TOEs/14 ton $CO_2$ equivalent |
| Veritas Energia | Cogeneration | 49 TOEs/116 ton $CO_2$ equivalent |

During 2018, 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.

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.

In 2018, 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. The project is expected to be completed within 12 months, if awarded.

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 5th 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 (CO2) produced locally.

### 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 CO2 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 2018, the most significant plants managed by the Group, in terms of environmental friendliness, were 5:

- 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 $CO_2$ emissions.
- The "Bella Mirano" plant in Mirano (Venice): it provides thermal energy in district heating and electricity to the grid. During 2018, the saturation level remained unchanged. Thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5th September 2011, the company obtained, as in 2017, 23 TEEs (energy efficiency certificates) equal to 23 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 2018, thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5th September 2011, 26 TEEs (energy efficiency certificates) were achieved, equal to 22 TOEs saved (tons of oil equivalent), increasing by 90% the amount of TOEs saved;
- The "Ponte Tresa" plant in Ponte Tresa (Varese): This station provides thermal energy to municipal public buildings (primary school, middle school, gym, town hall); in September 2018, the plant was transferred to the Municipality because of the expiration of the Agreement.
- The "S. Silvestro" plant in Vetrego di Mirano (Venice): in operation since 2014, it is our first thermal system, completely powered by renewable sources. In 2018, the plant produced about 105 MWh of thermal energy, allowing a saving of about 10.5 TOEs (tons of oil equivalent), thanks to the use of "renewable" fuel; the balance of CO2 emissions is zero.

| NAME OF PLANT MANAGED IN 2018 | DESCRIPTION | QUANTITY OF ENERGY PRODUCED (kWh) | WHITE CERTIFICATES GENERATED |
|---|---|---|---|
| **CIME** | **Trigeneration plant combined with district heating** | **1,146.000** | **0** |
| **BELLA MIRANO** | **Cogeneration plant combined with district heating** | **423,000** | **23** |
| **CA TRON** | **Cogeneration plant combined with district heating** | **423,000** | **26** |
| **PONTE TRESA** | **Cogeneration plant combined with district heating** | **116,000** | **0** |

*The data refer only to Companies consolidated on a line-by-line basis*

## Emissions

The following table shows the main $CO_2$ emissions generated in 2018 by the Ascopiave Group:

| Total of the Group<br>Direct and Indirect emissions | 2017 | 2018 |
|---|---|---|
| Scope 1 | Tons of CO2 EQ | Tons of CO2 EQ |
| Natural Gas | 6,496 | 5,454 |
| Diesel | 928 | 954 |
| Gasoline | 46 | 31 |
| **Total Scope 1** | **7,470** | **6,439** |
| Scope 2 - Location Based | | |
| **Electricity purchased** | **1,079** | **1,056** |
| Scope 2 - Market Based | | |
| Electricity purchased | 1,518 | 1,582 |
| Electricity from renewable sources | -108 | -108 |
| **Total Scope 2 Market based** | **1,400** | **1,474** |

| Companies consolidated on a line-by-line basis<br>Direct and Indirect emissions | 2017 | 2018 |
|---|---|---|
| Scope 1 | Tons of CO2 EQ | Tons of CO2 EQ |
| Natural Gas | 6,351 | 5,329 |
| Diesel | 778 | 872 |
| Gasoline | 30 | 24 |
| **Total Scope 1** | **7,159** | **6,225** |
| Scope 2 - Location Based | | |
| **Electricity purchased** | **950** | **932** |
| Scope 2 - Market Based | | |
| Electricity purchased | 1,336 | 1,396 |
| Electricity from renewable sources | -108 | -108 |
| **Total Scope 2 Market based** | **1,228** | **1,288** |

| Companies consolidated with the Equity Method<br>Direct and Indirect emissions | 2017 | 2018 |
|---|---|---|
| Scope 1 | Tons of CO2 EQ | Tons of CO2 EQ |
| Natural Gas | 145 | 125 |
| Diesel | 150 | 82 |
| Gasoline | 16 | 7 |
| **Total Scope 1** | **311** | **214** |
| Scope 2 - Location Based | | |
| **Electricity purchased** | **129** | **124** |
| Scope 2 - Market Based | | |
| Electricity purchased | 182 | 186 |
| Electricity from renewable sources | 0 | 0 |
| **Total Scope 2 Market based** | **182** | **186** |
| TOT ANNUAL $CO_2$ EMISSIONS | 622 | 524 |

*Sources used:*

- *Data from ISPRA publication no. 280 2018 "Atmospheric emission factors of $CO_2$ and other greenhouse gases in the electricity sector" www.isprambiente.gov.it*
- *Data from MISE publication dated 28th 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 11th 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_capirne_di_pi%C3%B9.html*
- *Year 2018: emission factor relating to Italy's national "residual mix" equal to 476.53 $gCO_2$/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 (Parent Company and Distribution Companies). This type of management has succeeded in standardising both document registration and filing practices and the annual MUD (unified form of environmental declarations).
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), both of the Parent company and the distribution companies.

### ECOBOX for the disposal of used toner cartridges

Agreements have been signed with the inter-municipal Centres for Differentiated Waste Collection (CERD) for the ecological disposal of used toner cartridges of the company's photocopiers (ECOBOX). In the absence of such agreements (few cases), the Ascopiave Group has defined a procedure according to which waste is collected by a private company authorised to transport waste. Unlike the procedure with local cooperatives, the collection involves the preparation of the form (FIR).
Thanks to ECOBOX, also extended to the sales offices, 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 sales companies.

### Recovered 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 Temporary Storages, among which Ascopiave's, 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 2018, AP Reti Gas delivered 2,110 kg of paper and cardboard packages in total (EWC 150101) produced at the Sandrigo site in 2017 (the total annual production was 28,045 kg) directly to the Authorised Recovered Facility (10 journeys). The transportation of the remaining quantities of special waste (hazardous and non-hazardous) to the authorised Destination Facilities, exclusively in the Italian territory, took place through accredited companies (National Register of Environmental Managers for transportation).
In the three-year period 2016-2018, no complaints/reports were received about this environmental aspect from the parties involved, and no critical issues regarding the disposal of waste were recorded.

| Total of the Group | | | | | |
|---|---|---|---|---|---|
| 2017 | | | | | |
| kg | Recovered | Recycled | Disposed of | Total | % |
| Non-hazardous | 264,866 | 0 | 1,051 | 265,917 | 98.9% |
| Hazardous | 2,738 | 0 | 132 | 2,870 | 1.1% |
| **Total** | **267,604** | **0** | **1,183** | **268,787** | |
| % | 99.6% | 0% | 0.4% | 100% | |
| 2018 | | | | | |
| kg | Recovered | Recycled | Disposed of | Total | % |
| Non-hazardous | 343,648 | 0 | 2,742 | 346,390 | 98.6% |
| Hazardous | 4,830 | 0 | 6 | 4,836 | 1.4% |
| **Total** | **348,478** | **0** | **2,748** | **351,226** | |
| % | 99.2% | 0% | 0.8% | 100% | |

| Companies consolidated on a line-by-line basis | | | | | |
|---|---|---|---|---|---|
| 2017 | | | | | |
| kg | Recovered | Recycled | Disposed of | Total | % |
| Non-hazardous | 239,196 | 0 | 691 | 239,887 | 98.9% |
| Hazardous | 2,658 | 0 | 132 | 2,790 | 1.1% |
| **Total** | **241,854** | **0** | **823** | **242,677** | |
| % | 99.7% | 0% | 0.3% | 100% | |
| 2018 | | | | | |
| kg | Recovered | Recycled | Disposed of | Total | % |
| Non-hazardous | 318,066 | 0 | 2,733 | 320,799 | 98.6% |
| Hazardous | 4,410 | 0 | 6 | 4,416 | 1.4% |
| **Total** | **322,476** | **0** | **2,739** | **325,215** | |
| % | 99.2% | 0% | 0.8% | 100% | |

| Companies consolidated with the Equity Method | | | | | |
|---|---|---|---|---|---|
| 2017 | | | | | |
| kg | Recovered | Recycled | Disposed of | Total | % |
| Non-hazardous | 25,670 | 0 | 360 | 26,030 | 99.7% |
| Hazardous | 80 | 0 | 0 | 80 | 0.3% |
| **Total** | **25,750** | **0** | **360** | **26,110** | |
| % | 98.6% | 0% | 1.4% | 100% | |
| 2018 | | | | | |
| kg | Recovered | Recycled | Disposed of | Total | % |
| Non-hazardous | 25,582 | 0 | 9 | 25,591 | 98.4% |
| Hazardous | 420 | 0 | 0 | 420 | 1.6% |
| **Total** | **26,002** | **0** | **9** | **26,011** | |
| % | 100% | 0% | 0.0% | 100% | |

The percentage of “Recovered” Waste in the three-year period exceeds 99%; in 2018, the figure decreased slightly because AP Reti Gas Rovigo had to dispose of EWC 200304 (septic tank sludge), as an extraordinary measure;
AP Reti Gas Vicenza disposed of EWC 150106 (Mixed materials packaging), equal to 6.3% of the Group’s total, in the Schio Waste-to-energy plant: normally the waste is subject to “recovery” on 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 | 2017 | 2018 |
|---|---|---|---|
| 150101 - 200101 | Paper and cardboard packages / paper and cardboard | 8.9% | 9.0% |
| 150103 - 170201 | Wooden packaging / wood | 5.0% | 3.4% |
| 160213* - 160214 | Waste of electrical/electronic equipment | 1.7% | 4.5% |
| 150106 | Mixed materials packaging | 5.0% | 3.1% |
| 170402 | Aluminium | 45.4% | 50.6% |
| 170405 | Iron and steel | 32.2% | 26.6% |

All Hazardous special waste deriving from the use of products purchased for maintenance and/or resulting from disposal of equipment, is attributable to Ascopiave (EWC 160213*) and almost all the Group distribution companies [4].
The most relevant categories of hazardous special waste produced by the Group, having a greater impact in terms of quantity, are:

| EWC Code | Type of Special Waste (kg) | 2017 | 2018 |
|---|---|---|---|
| 150110* - 15011* | Packaging containing dangerous substances | 378 | 519 |
| 160213* | Discarded equipment containing hazardous components | 1,049 | 1,507 |
| 160601* | Lead batteries | 1,311 | 1,104 |

## Green redevelopment

After “Manimali”, hands that interpreted animals, the Group’s sales companies present to the public their green soul with images taken from the plant kingdom. Body painting has thus completely transformed the hands of the actors, turning them into the protagonists of a fantastic journey that perfectly illustrates the corporate slogan “Energy from our hands”. For the sales companies, this new communication campaign represents a significant step because it focuses on responsibility towards society, which translates into the development of innovative and environmentally friendly projects, even in sectors complementary to the energy field, that address important issues, such as sustainable mobility, energy efficiency, digitalisation of services.

Innovations that can improve everyone’s life and constitute the real challenge of the future in the energy market. Starting from this belief, many projects and activities dedicated to environmental sustainability in its various aspects have been developed.

[4] Except, in 2018, the company AP Reti Gas Rovigo.

Among these, the contest for gathering ideas for the aesthetic and functional redevelopment of the Ascotrade sales office in Pieve di Soligo, promoted in cooperation with the Treviso Architects foundation.
The winners of the contest, launched in September 2017, were announced on 15th June 2018, with the aim of redefining and reconverting the current spaces of the Pieve di Soligo commercial office into premises compliant with eco-compatible principles. Such office, built in accordance with traditional architectural canons, is located inside the company headquarters, a building dating back to 1982.
14 projects were received, 3 winners were announced with 2 special mentions. The preliminary project for the “eco-compatible” redevelopment of the office had to respect precise criteria:

- No waste of energy, water or materials, mainly due to the forecast of a short life, or to the inadequacy of the project, or the lack of attention in construction and manufacturing procedures.
- No damage to the natural environment or improper consumption of resources for construction, use and demolition, including the territory on which the building is erected.
- No excessive dependence on energy-consuming systems, including transport means that produce a lot of pollution.
- No materials that lead to the use of scarce or non-renewable resources and that can threaten the environment.
- No harm to the health of the occupants through exposure to pollution and the use of toxic materials.
- Use of adaptive and resilient systems and materials, able to maintain their efficiency in the face of changing external conditions.

## TERRITORY AND COMMUNITY

### 2018 Highlights

Almost **Euro 370,000** donated to the local community

About **120 Associations** involved

Over **Euro 160,000** invested in cultural activities related to local history and traditions

## 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:

| Total of the Group | | |
|---|---|---|
| Type of activity | Total disbursed (€) | No. of subjects |
| Health and prevention | 7,000 | 5 |
| Community and assistance | 33,054 | 19 |
| Culture, history, traditions | 166,000 | 64 |
| Sports | 84,750 | 25 |
| Environment | 2,000 | 1 |
| Emergencies | 55,549 | 3 |
| Miscellaneous | 19,025 | 4 |
| Total | 367,378 | 121 |

| Companies consolidated on a line-by-line basis | | |
|---|---|---|
| Type of activity | Total disbursed (€) | No. of subjects |
| Health and prevention | 4,000 | 4 |
| Community and assistance | 28,000 | 18 |
| Culture, history, traditions | 125,000 | 56 |
| Sports | 47,000 | 22 |
| Environment | 2,000 | 1 |
| Emergencies | 52,000 | 2 |
| Miscellaneous | 11,000 | 2 |
| Total | 269,000 | 105 |

| Companies consolidated with the Equity Method | | |
|---|---|---|
| Type of activity | Total disbursed (€) | No. of subjects |
| Health and prevention | 5,000 | 1 |
| Community and assistance | 5,054 | 1 |
| Culture, history, traditions | 41,000 | 8 |
| Sports | 35,750 | 3 |
| Environment | - | 0 |
| Emergencies | 3,549 | 1 |
| Miscellaneous | 8,025 | 2 |
| Total | 98,378 | 16 |

Many actions and initiatives are aimed at the above, supported by Ascopiave, but also by the other sales and distribution 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.

## Main campaigns and initiatives of the Ascopiave Group for the local community

Among the main initiatives undertaken during 2018, the Ascopiave Group allocated the sum of € 200,000 to the populations of Veneto who, in October and November, were hit by the storms that caused devastation, deaths and severe damage to the environment with the destruction of several square kilometres of forest and the collapse of ancient trees. Furthermore, the penalties for late payments of electricity and gas bills of the families living in the areas struck by the disaster were suspended.

## 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 Consorzio, based in Treviso, which in 2018 was dedicated to “Our Landscapes”; around 250 elementary and middle school students were involved in the initiative.

## 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 |
|---|---|---|---|
| Operating results - Cash Flows | Operating results | Ascopiave Group | Caused by the Group |
| Good governance and anti-bribery practices | Anti-bribery | Ascopiave Group | Caused by the Group |
| Innovation, Research and Development | Management Approach | Ascopiave Group | Caused by the Group |
| Service efficiency | Management Approach | Ascopiave Group | Caused by the Group |
| Support for financially struggling families | Management Approach | Ascopiave Group | Caused by the Group |
| Protection of customer privacy | Consumer privacy | Ascopiave Group | Caused by the Group |
| Energy efficiency and saving | Energy | Ascopiave Group | Caused by the Group |
| Customer satisfaction | Management Approach | 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 | 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 |
| Remuneration and incentive mechanisms | Diversity and equal opportunities | Ascopiave Group | Caused by the Group |
| Safety and reliability of gas and electricity services | Consumer health and safety | Ascopiave Group | Caused by the Group and directly connected to its activities |
| Information on products and services, accessibility | Service accessibility | Ascopiave Group | Caused by the Group and directly connected to its activities |

Chart connecting the scopes set out in Italian Legislative Decree 254 with the reference documents

| Scopes of Leg. Decree 254/2016 | Requirements of Italian Legislative 254/2016 | References to 2018 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 | ***RO**: Corporate Governance and Code of Ethics*<br>***CGR**: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001*<br>***NFD**: IDENTITY AND RESPONSIBILITY* |
| Policies | Art. 3.1, par. b) Description of the policies implemented by the company, including those regarding due diligence | ***RO**: Corporate Governance and Code of Ethics*<br>***CGR**: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001*<br>***NFD**: COMMENT ON THE METHODS ADOPTED, IDENTITY AND RESPONSIBILITY, SOCIAL SUSTAINABILITY, ENVIRONMENTAL SUSTAINABILITY*<br>***Policy for quality, environment and occupational safety*** |
| Risk management model | Art. 3.1, par. b) Description of the main risks, generated or suffered, and deriving from the company's activities | ***CGR**: 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM*<br>***NFD**: IDENTITY AND RESPONSIBILITY* |
| 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 | ***RO**: Human resources*<br>***NFD**: SOCIAL SUSTAINABILITY* |
| | Art 3.2, par. c) Information regarding the impact on health and safety | ***NFD**: SOCIAL SUSTAINABILITY* |
| 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 | ***NFD**: ENVIRONMENTAL SUSTAINABILITY* |
| Social issues | Art 3.2, par. d) Information regarding social aspects | ***NFD**: SOCIAL SUSTAINABILITY, CUSTOMERS AND CITIZENS SERVED, TERRITORY AND COMMUNITY* |
| 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 | ***NFD**: SOCIAL SUSTAINABILITY* |
| Fight against bribery | Art 3.2, par. f) Information concerning the fight against active and passive bribery | ***RO**: Corporate Governance and Code of Ethics*<br>***CGR**: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001*<br>***NFD**: IDENTITY AND RESPONSIBILITY* |

| Code | Indicator | Page | Comments and omissions |
|---|---|---|---|
| GENERAL STANDARD DISCLOSURE | | | |
| COMPANY PROFILE | | | |
| 102-1 | Name of the organisation | 6 | |
| 102-2 | Main brands, products and/or services | 5-6 | |
| 102-3 | Headquarters | 6 | |
| 102-4 | Countries in which the organisation operates | 6 | |
| 102-5 | Ownership structure and legal form | 8-9 | |
| 102-6 | Markets served | 5-6; 44-46 | |
| 102-7 | Organisation size | 5; 19; 28; 44-46 | |
| 102-8 | Workforce characteristics | 31; 37-38 | |
| 102-9 | Description of the Organisation's supply chain | 23 | |
| 102-10 | Significant changes in the Organisation and its supply chain | 3 | |
| 102-11 | Application of the prudential approach to risk management | 10-13 | |
| 102-12 | Signing or adoption of codes of conduct, principles and charters developed by external bodies/associations related to economic, social and environmental performance | 14-16 | |
| 102-13 | Main partnerships and affiliations | 17 | |
| EU 1 | Installed capacity by energy source | 66-67 | |
| EU 2 | Net energy produced by type of plant | 63-64; 66-67 | |
| EU 3 | Number of energy service customers | 45-46 | |
| EU 4 | Length of the Electricity/Gas distribution network | 5 | |
| STRATEGY AND ANALYSIS | | | |
| 102-14 | Statement by the highest decision-making authority | 2 | |

| | | | |
|---|---|---|---|
| **ETHICS AND INTEGRITY** | | | |
| 102-16 | Organisation's values, principles, standards and codes of conduct | 7-8; 10 | |
| **GOVERNANCE** | | | |
| 102-18 | Organisation's governance structure | 8-9 | |
| **INVOLVEMENT OF STAKEHOLDERS** | | | |
| 102-40 | List of stakeholders | 16 | |
| 102-41 | Collective bargaining agreements | 82 | 100% of the organisation's employees are covered by national collective bargaining agreements |
| 102-42 | identification and selection of stakeholders | 16 | |
| 102-43 | Stakeholder engagement approach | 16-17 | |
| 102-44 | Material aspect emerging from stakeholder engagement | 17-18 | |
| **REPORTING PRACTICES, MATERIAL ASPECTS AND REPORTING BOUNDARIES** | | | |
| 102-45 | Entities included in the Consolidated Financial Statements | 3 | |
| 102-46 | Definition of the contents of the report and the material aspect boundaries | 3-4; 78-79 | |
| 102-47 | List of the aspects identified as material | 17-18 | |
| 102-48 | Changes to information contained in previous reports | 82 | 2017 data are unchanged |
| 102-49 | Significant changes in terms of material aspects and their boundaries | 17-18; 78-79 | |
| 102-50 | Reporting period | 3 | |
| 102-51 | Date of publication of the most recent report | 3 | |
| 102-52 | Reporting frequency | 4 | |
| 102-53 | Useful contacts for information on the report | 83 | info@ascopiave.it |
| 102-54 | "In accordance" option chosen | 3 | |
| 102-55 | Table of GRI content | 81-90 | |
| 102-56 | External assurance | 91-93 | |

| Code | Indicator | Page | Comments and omissions |
|---|---|---|---|
| SPECIFIC STANDARD DISCLOSURE | | | |
| CATEGORY: ECONOMIC | | | |
| ECONOMIC PERFORMANCE | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 20-21 | |
| 103-3 | Assessment of the aspect management approach | 20-21 | |
| 201-1 | Direct economic value generated and distributed | 21-22 | |
| PRESENCE ON THE MARKET | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 6 | |
| 103-3 | Assessment of the aspect management approach | 6 | |
| 202-2 | Percentage of senior managers hired from the local community | 34 | |
| PROCUREMENT PRACTICES | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 25-27 | |
| 103-3 | Assessment of the aspect management approach | 25-27 | |
| 204-1 | Proportion of spending on local suppliers | 26-27 | |
| ANTI-BRIBERY | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 10-11 | |
| 103-3 | Assessment of the aspect management approach | 10-11 | |
| 205-1 | Operations assessed with respect to bribery risks | 84 | 100% of the areas have been reviewed through the application of the 231 Model |

| | | | |
|---|---|---|---|
| **UNFAIR COMPETITION** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 10-11 | |
| 103-3 | Assessment of the aspect management approach | 10-11 | |
| 206-1 | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | 84 | No legal action of this nature during the reporting period |
| **CATEGORY: ENVIRONMENT** | | | |
| **ENERGY** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 59-60 | |
| 103-3 | Assessment of the aspect management approach | 59-60 | |
| 302-1 | Energy consumption within the organisation | 62-63 | |
| **EMISSIONS** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 59-60; 67-69 | |
| 103-3 | Assessment of the aspect management approach | 59-60; 67-69 | |
| 305-1 | Direct greenhouse gas emissions (Scope 1) | 67-69 | |
| 305-2 | Indirect greenhouse gas emissions (Scope 2) | 67-69 | |
| **ENVIRONMENTAL COMPLIANCE** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 13; 59-60 | |
| 103-3 | Assessment of the aspect management approach | 13; 59-60 | |
| 307-1 | Non-compliance with environmental laws or regulations | 85 | During the reporting period, the Group did not receive significant fines or non-monetary sanctions for non-compliance with |

| | | | |
|---|---|---|---|
| | | | environmental laws and regulations |
| ENVIRONMENTAL ASSESSMENT OF SUPPLIERS | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 23-25 | |
| 103-3 | Assessment of the aspect management approach | 23-25 | |
| 308-1 | New suppliers that were screened using environmental criteria | 24 | The indicator refers only to suppliers classifiable as contractors |
| CATEGORY: SOCIAL | | | |
| EMPLOYMENT | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 29-34; 37-39 | |
| 103-3 | Assessment of the aspect management approach | 29-34; 37-39 | |
| 401-1 | New employee hires and staff turnover | 33-34 | |
| 401-2 | Benefits offered to full-time employees which are not offered to temporary or part-time employees | 39 | |
| 401-3 | Parental leave | 38-39 | |
| OCCUPATIONAL HEALTH AND SAFETY | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 40-42 | |
| 103-3 | Assessment of the aspect management approach | 40-42 | |
| 403-2 | Types of accidents, frequency index, severity index, absenteeism rate and number of work-related deaths | 41-42 | |
| EDUCATION AND TRAINING | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 35-36 | |
| 103-3 | Assessment of the aspect management approach | 35-36 | |

| | | | |
|---|---|---|---|
| 404-1 | Average hours of training per year and per employee | 35 | |
| **DIVERSITY AND EQUAL OPPORTUNITIES** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 32-33; 36-37 | |
| 103-3 | Assessment of the aspect management approach | 32-33; 36-37 | |
| 405-1 | Diversity of government bodies and employees | 9; 32-33 | |
| 405-2 | Ratio of female basic salary and remuneration to men's | 36-37 | |
| **NON-DISCRIMINATION** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 37 | |
| 103-3 | Assessment of the aspect management approach | 37 | |
| 406-1 | Incidents of discrimination and actions taken | 87 | During the reporting period, the Group did not record any episodes related to discriminatory practices |
| **ASSESSMENT OF RESPECT FOR HUMAN RIGHTS** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 10-11; 37 | |
| 103-3 | Assessment of the aspect management approach | 10-11; 37 | |
| 412-1 | Activities that were reviewed or whose impact on human rights was assessed | 88 | 100% of the areas have been reviewed through the application of the 231 Model. |
| **SOCIAL ASSESSMENT OF SUPPLIERS** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 23-25 | |
| 103-3 | Assessment of the aspect management approach | 23-25 | |
| 414-1 | New suppliers that were screened using social criteria | 24 | The indicator refers only to suppliers |

| | | | |
|---|---|---|---|
| | | | classifiable as contractors |
| **HEALTH AND SAFETY OF CONSUMERS** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 53; 55-57 | |
| 103-3 | Assessment of the aspect management approach | 53; 55-57 | |
| 416-2 | Cases of non-compliance with health and safety impacts of products and services | 57 | |
| EU 25 | Number of accidents related to corporate facilities | 57 | |
| **CONSUMER PRIVACY** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 52 | |
| 103-3 | Assessment of the aspect management approach | 52 | |
| 418-1 | Complaints concerning breaches of customer privacy or losses of customer data | 52 | |
| **SOCIAL AND ECONOMIC COMPLIANCE** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 11-12 | |
| 103-3 | Assessment of the aspect management approach | 11-12 | |
| 419-1 | Non-compliances with social and economic regulations and laws | 89 | No cases of non-compliance |
| **SERVICE ACCESSIBILITY** | | | |
| EU 27 | Number of deactivations of supply due to non-payment | 54 | |

| | | | |
|---|---|---|---|
| **MATERIAL ASPECTS NOT RELATED TO SPECIFIC DISCLOSURES OF GRI STANDARDS** | | | |
| **INNOVATION, RESEARCH AND DEVELOPMENT** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 60; 64-65 | |
| 103-3 | Assessment of the aspect management approach | 60; 64-65 | |

| | | | |
|---|---|---|---|
| **SERVICE EFFICIENCY** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 51-54 | |
| 103-3 | Assessment of the aspect management approach | 51-54 | |
| **SUPPORT FOR FINANCIALLY STRUGGLING FAMILIES** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 48-49 | |
| 103-3 | Assessment of the aspect management approach | 48-49 | |
| **CUSTOMER SATISFACTION** | | | |
| 103-1 | Material aspect and boundary | 17-18; 78-79 | |
| 103-2 | Aspect management approach | 46-47; 50-52 | |
| 103-3 | Assessment of the aspect management approach | 46-47; 50-52 | |

# Ascopiave Group

## Consolidated financial statements charts

## as of 31st December 2018

## Consolidated assets and liabilities statement

| (Thousands of Euro) | | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | (1) | 80,758 | 80,758 |
| Other intangible assets | (2) | 351,878 | 346,934 |
| Tangible assets | (3) | 32,724 | 32,334 |
| Shareholdings | (4) | 68,357 | 68,878 |
| Other non-current assets | (5) | 12,044 | 13,015 |
| Non current financial assets | (6) | 1,122 | |
| Advance tax receivables | (7) | 11,358 | 11,479 |
| **Non-current assets** | | **558,240** | **553,397** |
| **Current assets** | | | |
| Inventories | (8) | 6,020 | 4,072 |
| Trade receivables | (9) | 166,947 | 156,884 |
| Other current assets | (10) | 45,062 | 57,865 |
| Current financial assets | (11) | 981 | 0 |
| Tax receivables | (12) | 1,508 | 2,645 |
| Cash and cash equivalents | (13) | 66,650 | 15,555 |
| Current assets from derivative financial instruments | (14) | 123 | 1,510 |
| **Current assets** | | **287,291** | **238,532** |
| **ASSETS** | | **845,530** | **791,929** |
| **Net equity and liabilities** | | | |
| **Total Net equity** | | | |
| Share capital | | 234,412 | 234,412 |
| Own shares | | (16,981) | (17,521) |
| Reserves | | 226,136 | 228,620 |
| **Net equity of the Group** | | **443,567** | **445,511** |
| **Net equity of Others** | | **4,303** | **4,989** |
| **Total Net equity** | (15) | **447,869** | **450,500** |
| **Non-current liabilities** | | | |
| Provisions for risks and charges | (16) | 3,901 | 5,913 |
| Severance indemnity | (17) | 4,807 | 4,836 |
| Medium- and long-term bank loans | (18) | 55,111 | 54,360 |
| Other non-current liabilities | (19) | 28,003 | 22,930 |
| Non-current financial liabilities | (20) | 0 | 277 |
| Deferred tax payables | (21) | 14,534 | 15,733 |
| **Non-current liabilities** | | **106,356** | **104,048** |
| **Current liabilities** | | | |
| Payables due to banks and financing institutions | (22) | 131,044 | 80,304 |
| Trade payables | (23) | 131,185 | 117,653 |
| Tax payables | (24) | 207 | 625 |
| Other current liabilities | (25) | 27,539 | 38,312 |
| Current financial liabilities | (26) | 115 | 480 |
| Current liabilities from derivative financial instruments | (27) | 1,216 | 7 |
| **Current liabilities** | | **291,305** | **237,382** |
| **Liabilities** | | **397,661** | **341,430** |
| **Net equity and liabilities** | | **845,530** | **791,929** |

*In accordance with CONSOB resolution no. 15519 dated 27th 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*

## Comprehensive consolidated income statement

| | | Full Year | |
|---|---|---|---|
| (Thousands of Euro) | | 2018 | 2017 |
| **Revenues** | (27) | **581,652** | **532,792** |
| **Total operating costs** | | **503,580** | **450,268** |
| Purchase costs for raw material (gas) | (28) | 307,586 | 252,492 |
| Purchase costs for other raw materials | (29) | 25,156 | 18,085 |
| Costs for services | (30) | 114,827 | 113,457 |
| Costs for personnel | (31) | 26,030 | 24,855 |
| Other management costs | (32) | 30,336 | 42,109 |
| Other income | (33) | 356 | 731 |
| **Amortization and depreciation** | (34) | **22,972** | **22,585** |
| **Operating result** | | **55,101** | **59,939** |
| Financial income | (35) | 322 | 287 |
| Financial charges | (35) | 1,101 | 755 |
| Evaluation of subsidiary companies with the net equity method | (35) | 8,553 | 7,398 |
| **Earnings before tax** | | **62,875** | **66,869** |
| Taxes for the year | (36) | 16,376 | 17,617 |
| **Result of the year** | | **46,499** | **49,252** |
| Group's Net Result | | 44,625 | 47,135 |
| Third parties Net Result | | 1,874 | 2,117 |
| **Consolidated statement of comprehensive income** | | | |
| 1. Components that can be reclassified to the income statement | | | |
| Fair value of derivatives, changes in the period net of tax | | (2,281) | (356) |
| 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 | | 11 | 63 |
| **Total comprehensive income** | | **44,230** | **48,959** |
| Group's overall net result | | 42,591 | 46,887 |
| Third parties' overall net result | | 1,639 | 2,072 |
| Base income per share | | 0.200 | 0.212 |
| Diluted net income per share | | 0.200 | 0.212 |

*In accordance with CONSOB resolution no. 15519 dated 27th 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*

[1] 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

| (Thousands of Euro) | 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as of 1st January 2018** | **234,412** | **46,882** | **(17,521)** | **(46)** | **134,649** | **47,135** | **445,511** | **4,989** | **450,500** |
| Result for the period | | | | | | 44,625 | 44,625 | 1,874 | 46,499 |
| Other operations | | | | | (2,045) | | (2,045) | (236) | (2,281) |
| IAS 19 TFR actualization for the period | | | | 11 | | | 11 | 1 | 11 |
| **Total result of overall income statement** | | | | **11** | **(2,045)** | **44,625** | **42,591** | **1,639** | **44,230** |
| Allocation of 2017 result | | | | | 47,135 | (47,135) | (0) | | (0) |
| Dividends distributed to Ascopiave S.p.A. shareholders' | | | | | (40,016) | | (40,016) | | (40,016) |
| Dividends distributed to third parties shareholders | | | | | | | (0) | (2,054) | (2,054) |
| Other operations | | | | | (743) | | (743) | | (743) |
| Long-term incentive plans | | | 540 | | (810) | | (269) | | (269) |
| Company aggregations | | | | | (3,506) | | (3,506) | (272) | (3,778) |
| **Balance as of 31st December 2018** | **234,412** | **46,882** | **(16,981)** | **(35)** | **134,664** | **44,625** | **443,567** | **4,303** | **447,869** |

| (Thousands of Euro) | 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as of 1st January 2017** | **234,412** | **46,882** | **(17,521)** | **(108)** | **120,757** | **53,635** | **438,055** | **6,154** | **444,209** |
| Result for the period | | | | | | 47,135 | 47,135 | 2,117 | 49,252 |
| Other operations | | | | | (310) | | (310) | (46) | (356) |
| IAS 19 TFR actualization for the period | | | | 63 | | | 63 | 0 | 63 |
| **Total result of overall income statement** | | | | **63** | **(310)** | **47,135** | **46,887** | **2,072** | **48,959** |
| Allocation of 2016 result | | | | | 53,635 | (53,635) | (0) | | (0) |
| Dividends distributed to Ascopiave S.p.A. shareholders' | | | | | (40,016) | | (40,016) | | (40,016) |
| Dividends distributed to third parties shareholders | | | | | | | (0) | (3,237) | (3,237) |
| Long-term incentive plans | | | (0) | | 584 | | 584 | | 584 |
| **Balance as of 31st Decembre 2017** | **234,412** | **46,882** | **(17,521)** | **(46)** | **134,649** | **47,135** | **445,511** | **4,989** | **450,500** |

## Consolidated statement of cash flows

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| **Net income of the Group** | **44,625** | **47,135** |
| **Cash flows generated (used) by operating activities** | | |
| **Adjustments to reconcile net income to net cash** | | |
| Third-parties operating result | 1,874 | 2,117 |
| Amortization | 22,972 | 22,585 |
| Bad debt provisions | 1,964 | 1,885 |
| Variations in severance indemnity | (6) | (15) |
| Current assets / liabilities on financial instruments and forward purchasee and sales | 2,597 | 271 |
| Net variation of other funds | (1,318) | (735) |
| Evaluation of subsidiaries with the net equity method | (8,558) | (7,398) |
| Impairment losses / (gains) on shareholdings | 5 | (373) |
| Interests paid | (935) | (414) |
| Taxes paid | (12,549) | (29,097) |
| Interest expense for the year | 1,033 | 618 |
| Taxes for the year | 16,376 | 17,617 |
| **Variations in assets and liabilities** | | |
| Inventories | (1,947) | 411 |
| Accounts payable | (12,027) | (3,333) |
| Other current assets | 13,240 | (4,309) |
| Trade payables | 13,532 | (4,317) |
| Other current liabilities | (18,234) | 5,679 |
| Other non-current assets | 971 | 561 |
| Other non-current liabilities | 5,073 | 1,662 |
| **Total adjustments and variations** | **24,065** | **3,414** |
| **Cash flows generated (used) by operating activities** | **68,690** | **50,549** |
| **Cash flows generated (used) by investments** | | |
| Investments in intangible assets | (26,988) | (22,458) |
| Realisable value of intangible assets | 1,210 | 609 |
| Investments in tangible assets | (2,557) | (1,129) |
| Realisable value of tangible assets | 29 | 2 |
| Disposals / (Acquisition) of investments and advances | (3,778) | (9,655) |
| Other net equity operations | 0 | 648 |
| **Cash flows generated/(used) by investments** | **(32,084)** | **(31,983)** |
| **Cash flows generated (used) by financial activities** | | |
| Net changes in debts due to other financers | (277) | (80) |
| Net changes in short-term bank borrowings | (4,343) | (7,754) |
| Net variation in current financial assets and liabilities | (2,468) | (3,165) |
| Purchase of own shares | 540 | 0 |
| Ignitions loans and mortgages | 218,000 | 345,000 |
| Redemptions loans and mortgages | (162,166) | (309,287) |
| Dividends distributed to Ascopiave S.p.A. shareholders' | (40,016) | (40,016) |
| Dividends distributed to other shareholders | (2,054) | (3,237) |
| Dividends distribuited from subsidiary companies | 7,274 | 6,706 |
| **Cash flows generated (used) by financial activities** | **14,489** | **(11,833)** |
| **Variations in cash** | **51,095** | **6,733** |
| **Cash and cash equivalents at the beginning of the period** | **15,555** | **8,822** |
| **Cash and cash equivalents at the end of the period** | **66,650** | **15,555** |

*In accordance with CONSOB resolution no. 15519 dated 27th 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*

# 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 31st December 2018, 61.56% 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 31st December 2018 of the Ascopiave Group was authorised by resolution of the Board of Directors on 11th March 2019.
Ascopiave S.p.A. is a joint-stock company with Italian domicile that was established in Italy.

**The activities of the Ascopiave Group**

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

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 230 municipalities (230 municipalities as of 31st December 2017) supplying the service to more than one million users. The group is the owner of the distribution network managed which spreads over 9,796 km (9,780 km as of 31st December 2017).

The activity of natural gas sale to end customers is carried out through different companies, some of which are controlled with majority shares, others are shared with other partners and on them the Group exercises a joint control with other shareholders.

In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 909 million cu.m[5] of gas sold (approximately 939 million as of 31st December 2017).

## General drafting criteria and main accounting standards adopted

The Ascopiave Group Consolidated Financial Statements as of 31st December 2018 have been 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 Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The consolidated financial statements are based on the principle of 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 and according to the principle of going-concern.

The accounting principles adopted are consistent with those used as of 31st December 2017, except as described in the following paragraph Accounting principles, amendments and interpretations effective from 1st January 2018. For comparative purposes, the consolidated profiles present the comparison with balance sheet figures as of 31st December 2017.

The consolidated financial statements are subject to auditing procedure by the auditing company PricewatherhouseCoopers SpA, in charge of the external audit of the Parent Company and the main Companies of the Group.

[5] The data specified about the volumes of gas sold are obtained by adding each Group company's data, previously weighting the data of the companies consolidated with the equity method according to the relevant share.

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.

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 consolidated financial statements as of 31st December 2018 were approved by the Board of Directors of the Company on 11th March 2019.

## 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 principles, amendments and interpretations applied from 1st January 2018

Below is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31st December 2018, implemented on 1st January 2018. The standards, amendments and interpretations which by their nature cannot be adopted by the Group are excluded from the list

**IFRS 15** – *Revenue from contracts with customers*

On 28th May 2014, IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1st January 2018. On 12th April 2016, IASB issued a number of amendments to IFRS 15 in order to provide some clarifications on the identification of performance obligations, the recognition of revenues for licences on intellectual property and the principal versus agent assessment. The analyses conducted on the main existing sales agreements show that the Group was not affected by the application of the new accounting standard on the recognition of revenues.

**IFRS 9** – *Financial instruments*

The new accounting standard "IFRS 9 Financial instruments", issued by the European Commission on 22nd September 2016, came into force on 1st January 2018. For the standard, the Ascopiave Group developed the recognition of the existing cases as at 1st January 2018, making use of the possibility of recognising any effects, related to the retroactive restatement of values, in the shareholders' equity without restating the previous periods shown for comparison purposes. The values recognised in the companies consolidated on a line-by-line basis did not show any effects connected with the adoption of the new standards.
As far as IFRS 9 is concerned, the Group paid particular attention to the possible impacts of the first application of the incurred losses criterion, rather than that of expected losses, for the segment of gas and electricity sales. The

significant expansion of the amounts to be considered in the assessment of the expected credit risk did not determine the need to change the usual parameters applied by the Group upon the quantification of the credit risk. The expansion of the amounts to be assessed is mainly explained, in the first quarter of each year, by the concentration of gas consumption by end users and by the fact that the receivables which are not overdue on the closing date of the period must be taken into account. The measurement practices originally adopted were not affected by such effects as the Group, in the past, decided to perform a credit risk assessment according to which the receivables overdue for more than 365 days are totally written down and those overdue for more than 180 days are partially written down.
The predictive process was supported by the monthly activities for the use of the allowance for doubtful accounts provisioned on the basis of the execution of cycles of reminders for payment and collection of overdue receivables. The historical series relating to past years show that predictive write-downs are a reasonable overestimate of the actual losses that the Group incurs towards the end customers.
The different logic underlying the measurement of the estimate of losses on receivables (expected losses vs. incurred losses), deriving from the replacement of the accounting standard IAS 39 with IFRS 9, entailed the following effects for the jointly-controlled company Estenergy S.p.A.:

- different weighting of the provision of 2018 to the allowance for doubtful accounts as compared to the previous year (+Euro 135 thousand compared to the previous year)
- adjustment of Shareholders' equity of Euro -743 thousand for the application of the new standard on receivables arising until 31st December 2017, net of the tax effects on deferred taxes.

The following table summarises the effects entailed by the adoption of the new standards on the opening balances as at 1st January 2018. There are no effects on the net financial position.

| (Thousands of Euro) | 1st January 2018 | Adoption effects | | Restated |
|---|---|---|---|---|
| | | IFRS 9 | IFRS 15 | 1st January 2018 |
| **Current assets** | **238,532** | | **0** | **239** |
| of which | | | | |
| Trade receivables | 156,884 | | | 156,884 |
| Other current assets | 57,865 | | | 57,865 |
| **Non-current assets** | **553,397** | | **0** | **553,397** |
| di cui: | | | | |
| Other intangible assets | 346,934 | | | 346,934 |
| Shareholdings | 68,878 | 743 | | 68,135 |
| Advance tax receivables | 11,479 | | | 11,479 |
| **Total Assets** | **791,929** | | **0** | **791,929** |
| **Current liabilities** | **237,382** | | **0** | **237,382** |
| of which | | | | |
| Trade payables | 117,653 | | | 117,653 |
| Other current liabilities | 38,312 | | | 38,312 |
| **Non-current liabilities** | **104,048** | | **0** | **104,048** |
| **Total Liabilities** | **341,430** | | **0** | **341,430** |
| **Net equity** | **450,500** | **743** | **0** | **449,757** |
| **Net equity and liabilities** | **791,929** | | **0** | **791,929** |

As regards the other innovations introduced by IFRS 9, please be aware that:
- the new method for classifying and measuring financial assets representing equity instruments did not involve any change;
- the accounting model for financial risk hedging transactions currently adopted by the Group is to be considered consistent with the new provisions introduced by IFRS 9 regarding hedge accounting.

**Other accounting standards, amendments and interpretations applicable with effect from 1st January 2018**

**IFRS 2** – *Classification and Measurement of Share-based Payment Transactions*

On 20th 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 8th 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 reports as of 31st December 2018 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 8th 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. These amendments are applicable from 1st January 2018 and had no impact on the Group's financial reports.

## IAS/IFRS accounting standards and related IFRIC interpretations approved and applicable to the financial statements of the years starting after 1st January 2018

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 1st January 2018 or adopted earlier.

**IFRIC 23** – *Uncertainty over Income Tax Treatments*

On 7th 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. The interpretation is applicable from 1st January 2019. Early adoption is allowed, but the Group decided not to exercise this option.

**IFRS 9** – *Prepayment Features with Negative Compensation*

On 12th 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 1st 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.

**IFRS 16** – *Leasing*

IFRS 16 standard – Leases was approved on 31st 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 1st January 2019. Ascopiave has decided not to adopt the standard ahead of time (concomitantly with the date of first application of IFRS 15).

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

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

| (Thousands of Euro) | Total effects First application |
|---|---|
| **non-current assets** | **2,937** |
| **Intangible assests** | **2,937** |
| - of which rights to use real estate | 1,058 |
| - of which rights to use equipment | 242 |
| - of which rights to use other assets | 1,188 |
| **Current and non-current liabilities** | **2,937** |
| **Non-current liabilities** | |
| - of which non-current financial liabilities | 2,102 |
| **Current liabilities** | |
| - of which current financial liabilities | 836 |

The discount rate used to conduct the sensitivity analysis above for the transition to the new standard is the Group's marginal cost of debt of as of 1st 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 will mainly concern operating leases relating to tangible fixed assets such as buildings, vehicles and trucks, as well as computer equipment. The adoption of IFRS 16 will determine, on 1st January 2019, the recognition of greater right-of-use fixed assets for Euro 2,937 thousand 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 IASB on 12th 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 1st January 2019.

## Accounting standards, amendments and interpretations already issued but not yet approved and applicable to the financial statements of periods beginning after 1st January 2018

Please find below a brief description of the new standards and interpretations already issued but not yet approved by the European Union but however applicable to financial statements beginning after 1st January 2018. The list does not include the standards and interpretations which by their nature are not adoptable by the Group.

*Annual improvements to IFRSs 2015-2017 Cycle*
On 12th 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 1st January 2019.

**IAS 19** – *Plan Amendment, Curtailment or Settlement*
On 7th 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 1st January 2019.

*Conceptual Framework for Financial Reporting*

On 29th 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 1st January 2020.

**IFRS 3** – *Business Combinations*

On 22nd 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 1st January 2020.

**IAS 1** and **IAS 8**

On 31st 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 1st January 2020.

## 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, Company Asco Holding S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo draft 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

3rd April 2018 is the first anniversary of the completion of the business combination with the companies Ap Reti Gas Vicenza S.p.A. (formerly Pasubio Group S.p.A.), Pasubio Distribuzione S.r.l. and Pasubio Rete S.r.l.. According to the terms set out in IFRS 3, the accounting values consolidated originally are now definitive.

On 18th September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu.

## 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 31st December 2018 and consolidated through the line-by-line or equity method are the following:

| Company name | Registered offices | Paid-up capital | Group interest | Direct controlling interest | Indirect controlling interest |
|---|---|---|---|---|---|
| **Parent company** | | | | | |
| Ascopiave S.p.A. | Pieve di Soligo (TV) | 234,411,575 | | | |
| **100% consolidated companies** | | | | | |
| Ascotrade S.p.A. | Pieve di Soligo (TV) | 1,000,000 | 89.00% | 89% | 0% |
| AP Reti Gas S.p.A. | Pieve di Soligo (TV) | 1,000,000 | 100.00% | 100% | 0% |
| Etra Energia S.r.l. | Cittadella (PD) | 100,000 | 51.00% | 51% | 0% |
| AP Reti Gas Rovigo S.r.l. | Rovigo (RO) | 7,000,000 | 100.00% | 100% | 0% |
| Edigas Esercizio Distribuzione Gas S.p.A. | Pieve di Soligo (TV) | 1,000,000 | 100.00% | 100% | 0% |
| Amgas Blu S.r.l. | Foggia (FG) | 10,000 | 100.00% | 100% | 0% |
| Blue Meta S.p.A. | Pieve di Soligo (TV) | 606,123 | 100.00% | 100% | 0% |
| Ascopiave Energie S.p.A. | Pieve di Soligo (TV) | 250,000 | 100.00% | 100% | 0% |
| Asco Energy S.p.A. | Pieve di Soligo (TV) | 1,000,000 | 100.00% | 100% | 0% |
| Ap Reti Gas Vicenza S.p.A. | Pieve di Soligo (TV) | 10,000,000 | 100.00% | 100% | 0% |
| **Companies under joint control consolidated with net equity method** | | | | | |
| ASM Set S.r.l. | (1) Rovigo (RO) | 200,000 | 49.00% | 49% | 0% |
| Estenergy S.p.A. | (2) Trieste (TS) | 1,718,096 | 48.999% | 49% | 0% |
| Unigas Distribuzione S.r.l. | (3) Nembro (BG) | 3,700,000 | 48.86% | 48.86% | 0% |
| **Subsidiary company consolidated with net equity method** | | | | | |
| Sinergie Italiane S..r.l. in liquidazione | Milano (MI) | 1,000,000 | 30.94% | 30.94% | 0% |

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

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

(3) Joint control with Anita S.p.A..

As compared to the financial statements closed at 31st December 2017, on 18th September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu S.r.l..

For further information, please see the tables in the explanatory notes showing the values generated by the new consolidated companies and the values as of as of 31st December 2017.

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

| Description | Revenues from sales and service supply | Net result | Net equity | Net financial position (liquid assets) | Reference accounting principles |
|---|---|---|---|---|---|
| Amgas Blu S.r.l. | 20,305 | 1,381 | 1,646 | 1,405 | Ita Gaap |
| AP Reti Gas S.p.A. | 86,730 | 17,894 | 316,633 | (15,169) | IFRS |
| Ascopiave S.p.A. | 62,402 | 41,979 | 400,131 | 138,193 | IFRS |
| Ascotrade S.p.A. | 347,632 | 15,117 | 28,231 | (755) | IFRS |
| Blue Meta S.p.A. | 68,374 | 4,096 | 8,938 | (7,990) | Ita Gaap |
| Edigas Esercizio Distribuzione Gas S.p.A. | 5,367 | 1,408 | 11,714 | (1,031) | Ita Gaap |
| Estenergy S.p.A. | 131,132 | 10,280 | 22,175 | (15,258) | IFRS |
| Etra Energia S.r.l. | 8,934 | 444 | 1,382 | (1,620) | Ita Gaap |
| AP Reti Gas Vicenza S.p.A. | 18,861 | 704 | 17,552 | 14,609 | Ita Gaap |
| Ascopiave Energie S.p.A. | 62,905 | 3,675 | 11,598 | (12,301) | Ita Gaap |
| AP Reti Gas Rovigo S.r.l. | 4,390 | 1,458 | 16,984 | (1,223) | Ita Gaap |
| ASM Set S.r.l. | 28,987 | 2,182 | 2,451 | 42 | Ita Gaap |
| Unigas Distribuzione S.r.l. | 16,953 | 2,160 | 42,333 | 3,173 | Ita Gaap |
| Asco Energy S.p.A. | 66,043 | 1,435 | 1,183 | 4,521 | Ita Gaap |

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

**National tax consolidation regime**
Ascopiave S.p.A. together with its subsidiaries Ap Reti Gas S.p.A., Ascotrade S.p.A., Blue Meta S.p.A., Edigas Esercizio Distribuzione Gas S.p.A., Ap Reti Gas Vicenza S.p.A., Ascopiave Energie S.p.A., Ap Reti Gas Rovigo S.r.l. and Asco Energy S.p.A. has joined the tax regime governed by articles 117 *et seq.* of Italian Presidential Decree 917/1986, in short the National tax consolidation regime, promoted by Asco Holding S.p.A..

## Measurement criteria

The accounting principles adopted by the Group are reported below:

**Goodwill:** the goodwill obtained from the acquisition of business branches operating in the supply 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 losses of value.
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.

Loss of value is determined by defining the recoverable value of a unit, which generates flows (or groups of units) to which the goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is inferior to the book value, a loss of value is indicated. In cases in which the goodwill is attributed to a unit which generates financial flows (or group of units) which is activated through partial abandonment the goodwill associated with the transferred profit 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 asset 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 and in the current year (Veritas Energia S.p.A.) rather than, 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 write-off 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 the initial reporting, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortisation operations and net of any losses in value, 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 on 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 Ascopiave Group, after 31st 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.

**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.
Losses of value are reported on the income statement with the costs for amortisations 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 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 on 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 programs 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 27th December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1st 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 1st 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 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 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 reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.
In 2016, the compensation plans relating to the 2015 – 2017 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 allotments 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 2016, 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 marked 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 upon period end. 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 differing from the account currency are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

**Derivative financial instruments:** The Group holds derivative instruments for the purposes of hedging its exposure to the risk of changes in methane gas and electricity prices. About such activity, the Group must manage the risks

associated with the misalignment between the indexation formulas relating to the purchase of gas and electricity and the indexation formulas linked to the sale of the same commodities. The instruments used to manage the risk related to the volatility of goods prices basically consist in commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in market conditions.
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 31st December 2018; specifically, for 2018 the following data were:

- 6-month EUR rate used for discounting the expected cash flows of the instruments being measured (Source: Thomson Reuters);
- final prices, on the OTC market, of the “TTF Natual Gas” commodity (Source ICIS Heren Report and Argus Media Ltd Report);
- forward prices, recorded on the OTC market, of the “TTF Natual Gas” commodity (Source: ICIS Heren Report);
- forward prices of the official closing prices (settlement price) of Italian electricity (Italian Power Base Load) listed on the European Energy Exchange (EEX) (Source: GME);
- final prices of official closing prices (settlement price) of Italian electricity (Italian Power Off Peak) listed on the European Energy Exchange (EEX) (Source: GME).

**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 31st December 2018 has only one type of financial instruments on commodities falling within the scope of level 2.

**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 revenues for gas sales are recognised at the moment of disbursement and depend on the type of customer. The product sector norms hold that, in relation to customers that have not chosen to utilise the right to directly negotiate the conditions for supplies with the company that sells the gas, mainly consisting of domestic users, the tariffs for natural gas sales are regulated and updated quarterly based on Resolutions issued by the ARERA.
(iii) 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;
(iv) 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 not booked until the amounts of the costs incurred into are deemed recovered;
(v) Revenues are entered net of all discounts, rebates and premiums, as well as the taxes directly connected;

As concerns, the quantification of consumption, commencing 1st January 2013, the ARERA has amended, by resolution 229/2012/R/GAS dated 31st May 2012, the Network Code appointing Snam Rete Gas S.p.A. as the entity in charge of allocating natural gas to the sales companies. The resolution has also amended the deadlines for the publication of the temporary and definitive allocations, which, up to the previous financial year, were performed by local distributors in the three months subsequent to those of consumption, at the end of which the final allocation was definitive.
Commencing 1st January 2013, the allocation methods envisage the publication of a first allocation during the month following that of consumption which will be subject to a first adjustment session within the month of May of the following financial year, and undergo further refinement as part of the multi-year adjustment sessions to be carried out in the following years up to the limit of five years.
The adjustment sessions modify the first allocations by considering the further information received by local distributors and transmitted to Snam Rete Gas S.p.A..
The regulatory changes described above, therefore, generate a scenario in which it is possible that the amounts allocated in the first phase are adjusted after the terms of approval of the draft financial statements.
For the purpose of valuation of revenues for the supply of natural gas to end-customers, given the regulatory change and the adjustments that occur during the following year, the Group has deemed it reasonable, in order to determine the revenues, to balance the cubic metres sold (except the cubic metres consumed by clients subject to monthly reading) with the cubic metres allocated by Snam Rete Gas S.p.A.
The physical quantities allocated during adjustment sessions are subject to valuation in the following year subsequent to the publication of the data made available by Snam Rete Gas S.p.A.
By resolution 250/2015/R/GAS dated 29th May 2014, the ARERA approved the request submitted by Snam Rete Gas S.p.A. to perform the 2013 annual session adjustment by the month of May 2015 as part of the first multi-year adjustment session that will affect the financial years 2013 and 2014.
Following the decision above, the ARERA, with Resolution 276/2015/R/GAS dated 9th June 2015, suspended the payment of the invoices issued subsequent to the first multi-year adjustment session as well as the count of the invoices as part of the activities for monitoring the potential exposure of the system against the user, for the time necessary to conduct the required audits and, in any case, with timelines suitable to ensure the proper execution of the next adjustment session. The recent resolution has consequently outlined a scenario that exposes the Group to assume the positive and negative economic effects arising from the probable modification of the allocated volumes and the volumetric differences that are naturally formed in different parts of the network where natural gas is measured. In this regard, it should be noted that the economic effects that the Group has recorded because of the failure to perform the adjustment session affect the financial years 2013 and 2014 as well as the effects accrued in 2015. To represent consistently the results achieved by the Group, maintaining a conservative approach and safeguarding the correlation of costs incurred and revenues generated, the directors have considered it appropriate to balance the cubic metres sold during the reference year with the cubic metres allocated by the entity in charge of the balance.
With DCO 590/2017 dated 3rd August 2017, the Regulatory Authority for Energy Networks and the Environment

established the final guidelines regarding the possible amendments and additions to the regulations in force on Settlement, aimed at simplifying the regulatory framework and overcoming some issues. With Resolution 670/2017/R/Gas dated 5th October 2017 and 782/2017/R/Gas dated 23rd November 2017, the Regulatory Authority for Energy Networks and the Environment approved the first provisions regarding Gas Settlement specifically as concerns the method to be used for the determination of the physical and economic adjustment items for the previous period, from 2013 until the entry into force of the new regulations. In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply with the closure of the station. The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas).
The volumetric differences for the 2018 financial year, which will be announced in 2019 and cannot be estimated at the closing date of this report, will be recognised in the current year, determining a negative or positive change for the same amount on the company's margins.

**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 31st 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 1st 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 and the almost entirety of its subsidiaries benefited of the national fiscal consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR), respectively Ascopiave S.p.A., Ascotrade S.p.A., Ascopiave Energie S.p.A. and AP Reti Gas S.p.A for the three-year period 2016 – 2018 and Edigas Distribuzione Gas S.p.A., AP Reti Gas Rovigo S.r.l., Blue Meta S.p.A. and Asco Energy S.p.A. for the three-year period 2015 – 2017. 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. AscoHolding 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 Asco Holding S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, 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 management 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 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 31st December 2010 and 31st 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;
- Permanent reductions in the value of non-financial assets: At each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets. Goodwill is tested for possible reductions in value 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 31st December 2018, the book value of goodwill amounted to Euro 80,758 thousand (2017: Euro 80,758 thousand Further details can be found under Note 1;
- The valuation of the revenues from gas consumption for which the actual reading is not yet available;
- 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 discretional 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 Ascopiave Group, between 31$^{st}$ December 2010 and 31$^{st}$ 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.

**Energy Efficiency Certificates**

The Energy Efficiency Certificates purchased during the year are recognised in the income statement at the cost incurred. The relevant contribution that will be paid by CSEA upon the cancellation of the certificates is recognised as a reduction in the cost incurred and is determined based on the repayment price expected at the end of the year. A specific provision for risks is set aside to cover future charges expected in order to achieve the target of the financial year determined as the difference between the cost to be incurred and the relevant contribution for cancellation.

# COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

## Non-current assets

**1. Goodwill**

Goodwill, equal to Euro 80,758 thousand as of 31st December 2018, remains unchanged as compared to 31st December 2017. 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 company branches related to the distribution and sale 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) and to the Cash Generating Unit consisting in the natural gas sale activity (gas sale CGU). The cash-generating units to which goodwill was allocated are the following:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Distribution of natural gas | 24,396 | 24,396 |
| Sales of natural gas | 56,362 | 56,362 |
| **Total goodwill** | **80,758** | **80,758** |

The impairment test on goodwill has been carried out by comparing the recoverable value of the activities of natural gas distribution and sale 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 sale and distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited asset is defined by its use value.

The recoverable value of gas sale and distribution financial flow-generating units has been estimated using the Discounted Cash Flow method, discounting back 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 value cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2019-2021 approved with resolution of the Board of Directors dated 25th February 2019.

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 Ascopiave 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 2019-2021, will maintain the management of the current portfolio of concessions.

Regarding the activity of gas distribution, it was hypothesised that in the period 2019-2021 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2019-2021 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 scenario:

- scenario 1: The Group obtains in 2021 the renewal of all the concessions and assignments in effect on 31st December 2018;

- scenario 2: The Group ends the activity of gas distribution in 2021, 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 1.69% (1.40% as of 31st December 2017), 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 6th December 2018;
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 6th December 2018;
c) an equity risk premium equal to 5.5% (5.5% as of 31st December 2017), 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 31st December 2018;
e) the cost of debt determined on the basis of the indications provided by ARERA in resolution 639/2018/R/com dated 6th December 2018;
f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 1% (1% as of 31st December 2017).

Based on these elements, the average weighted cost of the post-tax capital is equal to 5.57% (5.20% as of 31st December 2017). This rate has been used for discounting cash flows in the period provided for by the 2019-2021 Plan.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal 6.12% (5.82% as of 31st December 2017) 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 31st December 2017) 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 7.5% (7.3% as of 31st December 2017), or an average decrease in EBITDA equal to 18.2% (23.1% as of 31st December 2017).

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 11.8% (11.6% as of 31st December 2017), or an average decrease in reimbursement values equal to 21.6% (23.4% as of 31st December 2017).

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.

Regarding the activity of natural gas sale, it was hypothesised that in the period 2019-2021 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2019-2021. The terminal value has been estimated as an estimate of a perpetuity based on results expected for 2021.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.69% (1.40% as of 31st December 2017) in line with the inflation rate forecasts elaborated for Italy by the International Monetary Fund.

The cost of capital (WACC) of the gas sale CGU was calculated assuming:

a) a beta unlevered coefficient determined based on a sample of comparable companies (listed Italian utility companies); stock market prices were observed over a period of two years on a weekly basis;
b) the level of financial leverage (ratio between financial debt and own means) in line with the financial structure of reference (Italian listed multi-utility companies);
c) an equity risk premium equal to 5.5% (5.5% as of 31st December 2017), 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 31st December 2018;
e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31st December 2018 and increased by a 2% spread (3% as of 31st December 2017) based on the rating assigned to Ascopiave by the S&P Capital IQ data provider;
f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 2% (2% as of 31st December 2017).

Based on these elements, the average weighted cost of the post-tax capital is equal to 6.37% (5.84% as of 31st December 2017). This rate has been used for discounting cash flows in the period provided for by the 2019-2021 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 7.02% (6.46% as of 31st December 2017), and was calculated based on the above parameters and providing for a further additional risk premium or the calculation of the cost of equity (Ke) of 3% (3% as of 31st December 2017), to consider a fiercer competitive context.

On the basis of these elements, the recoverable value of the gas sale 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 finally identified 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 Gas Sale CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 26.9% (28.0% as of 31st December 2017), or an average decrease in EBITDA equal to 78.5% (80.1% as of 31st December 2017).

The estimate of the recoverable amount of the cash generating units requires discretion and the use of estimates by the management. Several factors 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 2019-2021. Terminal value was determined as the estimate of infinity starting from the results expected in 2021.

The (g) growth factor that was used for the calculation of the terminal value was set to 1.69% (1.40% as of 31st December 2017) 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 2018.

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.

### 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:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| (Thousands of Euro) | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| Industrial patent and intellectual property rights | 5,653 | (5,601) | 52 | 5,579 | (5,366) | 213 |
| Concessions, licences, trademarks and similar rights | 15,256 | (9,380) | 5,876 | 15,256 | (8,302) | 6,954 |
| Other intangible assets | 24,676 | (20,843) | 3,833 | 25,632 | (19,398) | 6,234 |
| Tangible assets under IFRIC 12 concession | 622,519 | (288,584) | 333,934 | 599,302 | (271,714) | 327,589 |
| Tangible assets in progress under IFRIC 12 concession | 7,693 | 0 | 7,693 | 5,945 | 0 | 5,945 |
| Intangible assets in progress and advance payments | 491 | 0 | 491 | 0 | 0 | 0 |
| **Other intangible assets** | **676,287** | **(324,409)** | **351,878** | **651,714** | **(304,780)** | **346,934** |

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

| | 31.12.2017 | | | | | | 31.12.2018 |
|---|---|---|---|---|---|---|---|
| (Thousands of Euro) | Net value | Change for the period | Decrease | Reclassifications to tangible assets | Amortizations during the period | Depreciations | Net value |
| Industrial patent and intellectual property rights | 213 | 0 | | | 161 | | 52 |
| Concessions, licences, trademarks and similar rights | 6,954 | (0) | | | 1,078 | | 5,876 |
| Other intangible assets | 6,234 | (0) | | (451) | 1,949 | | 3,833 |
| Tangible assets under IFRIC 12 concession | 327,589 | 25,034 | 2,331 | | 17,645 | (1,288) | 333,934 |
| Tangible assets in progress under IFRIC 12 concessio | 5,945 | 1,915 | 168 | | | | 7,693 |
| Intangible assets in progress and advances payments | 0 | 491 | | | | | 491 |
| **Other intangible assets** | **346,934** | **27,440** | **2,499** | **(451)** | **20,834** | **(1,288)** | **351,878** |

The investments made during the financial year amount to Euro 27,440 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" did not register investments and its variation equals the amortisation of the period.

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

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years. The analysis of customers switching performed at the end of the year has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or impairments.

At the end of the year, the Group paid off the cogeneration plant under financial lease located in the province of Venice. The redemption of the asset, and the consequent settlement of the associated financial debt, determined the reclassification of the net book amount at the contract withdrawal date, recording it by nature under tangible fixed assets and, specifically, in the item "Land and buildings" for Euro 99 thousand, and in the item "Plants and machinery" for Euro 353 thousand.

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 measurement and reduction groups. At the end of the financial year, the item changed by Euro 6,346 thousand, mainly explained by the amortisation of the period and the investments made. Including the reclassifications of assets under construction, investments totalled Euro 25,034 thousand. Net divestments are mainly related to the mass replacement of metres.

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 period considered. The item has changed by Euro 1,915 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. The investments made amount to Euro 491 thousand.

## 3. Tangible assets

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

| | 31.12.2018 | | | | 31.12.2017 | | | |
|---|---|---|---|---|---|---|---|---|
| (Thousands of Euro) | Historic cost | Accumulated depreciation | Provision for impairment | Net value | Historic cost | Accumulated depreciation | Provision for impairment | Net value |
| Lands and buildings | 41,501 | (12,979) | | 28,522 | 40,108 | (11,775) | | 28,333 |
| Plant and machinery | 3,631 | (1,474) | (995) | 1,162 | 2,737 | (1,396) | (995) | 346 |
| Industrial and commercial equipment | 3,493 | (3,001) | | 492 | 3,428 | (2,929) | | 499 |
| Other tangible assets | 17,824 | (15,458) | | 2,366 | 17,107 | (14,684) | | 2,423 |
| Tangible assets in progress and advance payments | 182 | 0 | | 182 | 733 | 0 | | 733 |
| **Other tangible assets** | **66,631** | **(32,912)** | **(995)** | **32,724** | **64,113** | **(30,784)** | **(995)** | **32,334** |

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

| | 31.12.2017 | | | | | | 31.12.2018 |
|---|---|---|---|---|---|---|---|
| (Thousands of Euro) | Net value | Change for the period | Decrease | Reclassifications to intangible assets | Amortizations during the period | Depreciations | Net value |
| Lands and buildings | 28,333 | 1,295 | | 99 | 1,204 | | 28,522 |
| Plant and machinery | 346 | 543 | | 353 | 80 | | 1,162 |
| Industrial and commercial equipment | 499 | 71 | | | 78 | | 492 |
| Other tangible assets | 2,423 | 718 | 0 | | 775 | (0) | 2,366 |
| Tangible assets in progress and advance payments | 733 | (522) | 29 | | | | 182 |
| **Other tangible assets** | **32,334** | **2,106** | **29** | **451** | **2,138** | **(0)** | **32,724** |

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. The change recorded at the end of the year is mainly explained by the completion of extraordinary maintenance works or the development of company offices which were still in progress at the end of the previous year. The increases recorded were almost entirely offset by the depreciation for the period.

Plants and machinery

The item "Plants and machinery" registered an increase of Euro 543 thousand during the period. The reclassifications recorded in the year, which increased the item by Euro 353 thousand, are explained by the redemption of the cogeneration plant located in the province of Venice which had been under financial lease up to the month of December.

Industrial and commercial equipment

The item "Industrial and commercial equipment" in the period considered registered investments equal to Euro 71 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during financial year 2018 are equal to Euro 718 thousand and they mainly relate to the costs incurred for the purchase of corporate vehicles (Euro 168 thousand), hardware and phones (Euro 178 thousand), as well as furniture and fittings (Euro 86 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 decreased by Euro 522 thousand, mainly explained by the reclassification of investments made in previous years for activities that were completed during 2018.

**4. Shareholdings**

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

| | 31.12.2017 | | | 31.12.2018 |
|---|---|---|---|---|
| (Thousands of Euro) | Net value | Increase | Decrease | Net value |
| Shareholdings in jointly controlled companies | 68,871 | 7,493 | 8,009 | 68,355 |
| Shareholdings in other companies | 7 | 0 | 5 | 2 |
| **Shareholdings** | **68,878** | **7,493** | **8,014** | **68,357** |

*Shareholdings in joint companies*

Shareholdings in joint companies decrease from Euro 68,878 thousand in the previous year to Euro 68,357 thousand in the reference period marking a decrease of Euro -521 thousand. The decrease is mainly explained by the dividends distributed by the jointly controlled companies for Euro 7,274 thousand, of which: Estenergy S.p.A. Euro 5,641 thousand, ASM Set S.r.l. Euro 949 thousand and Unigas Distribuzione S.r.l. Euro 684 thousand. The residual decrease is explained by the adjustment of shareholders' equity made by the subsidiary Estenergy S.p.A. due to the first application of IFRS 9. These decreases are almost entirely offset by the results achieved in 2018 by the same companies, specifically: Estenergy S.p.A. Euro 5,038 thousand, ASM Set S.r.l. Euro 1,068 thousand and Unigas Distribuzione S.r.l. Euro 1,407 thousand.

The valuation of investments in joint ventures using the equity method and the economic and financial data of these companies are shown in the section "Synthesis data as of 31st December 2018 of jointly controlled companies consolidated using the equity method" of the Explanatory Notes.

*Shareholdings in affiliate companies*

**Sinergie Italiane S.r.l. in liquidation**

The Group has shareholdings in the affiliate Sinergie Italiane S.r.l., company in liquidation, which meets part of the needs for natural gas amounting to 30.94%. The associate closes its financial year on 30th September.

The scope of activity of the associate company during the financial year 2016-2017 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised before to the liquidation.

It should be noted that during the month of August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the "Take or pay" agreements with the supplier "Gazprom Export LLC"; the economic benefit resulting from the renegotiation will be extended to the two-year periods 2013-2014 and 2014-2015.

In September 2015, the affiliate signed the second renegotiation of the long-term agreement with the same supplier, mainly focused on the renegotiation of the raw material purchase price. At the same time, it was possible to achieve a significant reduction in the minimum contractual amounts. The economic effects of this renegotiation will extend until the natural expiry of the contract.

Based on the results of the financial statements for the year 2017-2018, as approved by the Shareholders' meeting on 21st December 2017, and on preliminary operating data of the first three months of 2018-2019 restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 8,358 thousand, of which Euro 2,586 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2017 amounted to Euro 11,737 thousand, of which Euro 3,631 thousand attributable to the Ascopiave Group, the Directors have used the related provision for risks and charges allocated against the capital deficit of the affiliate company for the difference accrued in the period and corresponding to Euro 1,046 thousand, with a positive impact on the profit and loss account (Euro 564 thousand as of 31st December 2017).

| (Values referred to pro-rata partecipation in Million of Euro) | First quarter as of 31/12/2018 | Balance as of 30/06/2018 | Balance as of 30/09/2018 |
|---|---|---|---|
| Non-current assets | 1.46 | 1.73 | 2.14 |
| Current assets | 11.60 | 9.90 | 7.46 |
| Net equity | (2.44) | (2.71) | (3.48) |
| Non-current liabilities | 0.00 | 0.00 | 0.00 |
| Current liabilities | 14.37 | 13.36 | 12.10 |
| Revenues | 18.32 | 50.89 | 59.17 |
| Costs | (18.00) | (49.76) | (57.23) |
| Gross operative margin | 0.33 | 1.13 | 1.94 |
| Amortiziation and depreciation | (0.13) | (0.40) | (1.01) |
| Operating result | 0.19 | 0.73 | 0.93 |
| Net result | 0.19 | 0.73 | 0.87 |
| NFP | 4.70 | 4.03 | 2.93 |

*Other investments*

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

On 6th August 2018, the Shareholders' Meeting of the company Pedemontana Distribuzione Gas S.r.l. held on 27th July 2018 was registered with the Vicenza Business Register (AP Reti Gas Vicenza S.p.A. has a 9.09% stake in the company), by deed of Notary Public Giuseppe Fietta (based in Bassano del Grappa), (document no. 223.100, folder 84.622) whose agenda was "Provisions pursuant to Art. 2482-*ter* of the civil code" (Cancellation of losses and reinstatement of the share capital).

The share capital reconstituted at Euro 30 thousand was, at the time of the Shareholders' Meeting, entirely paid in by the Shareholder Pedemontana Patrimonio e Servizi S.r.l.:

- definitively, as regards the investment held by the same company, equal to 50/55 of the share capital;
- under condition subsequent of the subscription of the stake due to the shareholder AP Reti Gas Vicenza S.p.A. on the reconstitution of the share capital, equal to 5/55 of the share capital.

Therefore, effective from 6th August 2018, the shareholder AP Reti Gas Vicenza S.p.A. left the shareholding structure of Pedemontana Distribuzione Gas S.r.l. (except for the subsequent exercise of the subscription right on the reconstitution of the share capital).

On 8th August 2018, the Shareholder AP Reti Gas Vicenza S.p.A. waived, via certified e-mail, to Pedemontana Distribuzione Gas S.r.l. and Pedemontana Patrimonio e Servizi S.r.l. the subscription right on the reconstitution of the share capital.

## 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Security deposits | 8,917 | 8,877 |
| Other receivables | 3,127 | 4,138 |
| **Other non-current assets** | **12,044** | **13,015** |

Non-current assets are mostly made up of security deposits that the companies selling natural gas have issued for the monthly payments due for the import of gas from Russia. Other non-current assets decrease from Euro 13,015 thousand to Euro 12,044 thousand, marking a decrease of Euro 971 thousand. The change is explained by the reclassification in non-current and current financial assets of the receivable from the municipality of Creazzo, with which a settlement agreement was signed, as better commented in the paragraph “non-current financial assets” herein.

The item “Other receivables” is mainly made up of:

- Receivables from the Municipality of Santorso, for 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 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011.

As of 31st December 2018, there are on-going litigations with the municipalities mentioned above in order to define the value of compensation of the delivered distribution systems. The Group, also following the opinion of its legal advisors, 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Other financial receivables over 12 months | 1,122 | 0 |
| **Non-current financial assets** | **1,122** | **0** |

The item refers to the receivables from the municipality of Creazzo. The infrastructure was delivered subsequent to the natural expiry of the concession on 31st 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 1st 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 22nd March 2018, definitively approved the settlement deed above, executed on 2nd August 2018.

Further information can be found in the “Litigations” section herein.

### 7. Advance tax receivables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Advance tax receivables | 11,358 | 11,479 |
| **Advance tax receivables** | **11,358** | **11,479** |

Advance taxes decrease from Euro 11,479 thousand to Euro 11,358 thousand, marking a decrease of Euro 121 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 31st December 2018 and at the time when it is estimated that any temporary differences will be carried forward.
The total value of the temporary differences and the related amounts on which advance tax assets were recognised are as follows:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| Description | Temporary differences | Tax rate | Total effect | Temporary differences | Tax rate | Total effect |
| Allocation of bad debt provisions | 1,786 | 24.0% | 429 | 2,442 | 24.0% | 586 |
| Allocation of inventory write-down | 33 | 28.2% | 9 | 33 | 28.2% | 9 |
| Amortizations IRES 24% + IRAP 4,2% | 1,323 | 28.2% | 373 | 1,343 | 28.2% | 379 |
| Risks fund | 923 | 24.0% | 221 | 1,417 | 24.0% | 340 |
| Exceeding amortizations over 2013 | 6,314 | 28.2% | 1,781 | 6,967 | 28.2% | 1,965 |
| Other IRES 24% + IRAP 4,2% | 732 | 28.2% | 206 | 1,037 | 28.2% | 292 |
| PILT - Phatom stock option - risks fund | 781 | 24.0% | 188 | 2,349 | 24.0% | 564 |
| Risks fund | 359 | 27.9% | 100 | 120 | 27.9% | 33 |
| Other IRES 24% | 242 | 24.0% | 58 | 692 | 24.0% | 166 |
| Tax losses that can be carried forward | 2,662 | 24.0% | 639 | 3,598 | 24.0% | 864 |
| IRES 24% exceeding amortizations | 29,739 | 24.0% | 7,137 | 25,770 | 24.0% | 6,185 |
| Other - gas sale IRES 24% + 3,9% | 773 | 27.9% | 216 | 338 | 27.9% | 94 |
| Other - gas distribution IRES 24% + IRAP 4,2% | 0 | 0.0% | 0 | 5 | 28.2% | 1 |
| **Total advance taxes** | **45,669** | | **11,358** | **46,112** | | **11,479** |

## Current assets

### 8. Inventories

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

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| (Thousands of Euro) | Gross value | Bad debt provision | Net value | Gross value | Bad debt provision | Net value |
| Gas stockage | 2,694 | (35) | 2,659 | 1,608 | 0 | 1,608 |
| Fuels and warehouse materials | 3,399 | (39) | 3,360 | 2,503 | (39) | 2,464 |
| **Fuels and warehouse materials** | **6,093** | **(73)** | **6,020** | **4,111** | **(39)** | **4,072** |

As of 31st December 2018, inventories are equal to Euro 6,020 thousand, marking an increase of Euro 1,948 thousand as compared to 31st December 2017, mainly explained by the increase in the amount of natural gas stored (Euro +1,051 thousand) and the increase in goods in stock (Euro +896 thousand).
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 Euro 73 thousand, in order to adapt their value to the opportunities for their clearance or use.
The value of gas inventories is calculated based on the weighted average purchase price of the raw material, whereas the provision for gas inventory depreciation is evaluated on the basis of the market price recorded on the last day of

the reporting period (31st December 2018 equal to 23.260 €/MWh source MGS). At the end of the period, a depreciation of stocked gas price was necessary, as the market value was higher than the carrying amount of the stocked natural gas.

### 9. Trade receivables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Receivables from customers | 76,617 | 78,998 |
| Receivables for invoices to be issued | 94,046 | 83,245 |
| Bad debt provisions | (3,715) | (5,358) |
| **Trade receivables** | **166,947** | **156,884** |

Trade receivables increased from Euro 156,884 thousand to Euro 166,947 thousand, marking an increase of Euro 10,063 thousand.
Receivables from customers are expressed net of the billing down payments and are payable within the following 12 months.
The lower provisions, equal to Euro 1,643 thousand, are mainly explained by the good capacity of the existing provisions, which did not require additional amounts, despite the uses in 2018, in addition to the results of the debt collection process by external agencies and the network of appointed lawyers.

The changes in the provision for doubtful accounts in 2018 are shown in the following table:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Bad debt provisions | 5,358 | 7,148 |
| Provisions | 1,964 | 1,885 |
| Use | (3,607) | (3,675) |
| **Final bad debt provision** | **3,715** | **5,358** |

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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Gross trade receivable invoices issued | 76,617 | 78,998 |
| - allowance for doubtful accounts | (3,715) | (5,358) |
| **Net trade receivables for invoices issued** | **72,902** | **73,640** |
| **Aging of trade receivables for invoices issued** | | |
| - to expire | 65,052 | 72,284 |
| - expired within 6 months | 7,300 | 548 |
| - overdue by 6 to 12 months | 1,472 | 1,945 |
| - expired more than 12 months | 2,793 | 4,221 |

**10. Other current assets**

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Tax consolidation receivables | 3,034 | 9,601 |
| Annual pre-paid expenses | 629 | 435 |
| Advance payments to suppliers | 2,769 | 7,589 |
| annual accrued income | 27 | 19 |
| Receivables due from CSEA | 25,029 | 29,362 |
| VAT Receivables | 2,854 | 7,183 |
| UTF and Provincial/Regional Additional Tax receivables | 8,612 | 912 |
| Other receivables | 159 | 597 |
| Other receivables | 1,948 | 2,167 |
| **Other current assets** | **45,062** | **57,865** |

Other current assets decrease from Euro 57,865 thousand to Euro 45,062 thousand in the reference period, marking a decrease of Euro 12,803 thousand.
The change is mainly explained by the decrease in tax consolidation receivables for Euro 6,567, in advance payments to suppliers for Euro 4,820 thousand, in receivables from Cassa per i Servizi Energetici e Ambientali for Euro 4,333 thousand, primarily due to the tariff components of natural gas distribution and energy efficiency certificates, and in VAT receivables for Euro 4,329 thousand. These increases were partially offset by the increase in receivables for gas and electricity excise duties for Euro 7,700 thousand.
Assets for forward sales decrease from Euro 597 thousand in the previous year to Euro 159 thousand as of 31st December 2018, marking a decrease of Euro 437 thousand. They are associated with sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market.
The item "assets for forward sales" represents the current value of the contract for the period January - March 2019 for physical deliveries of raw materials, and January - September 2019 for the transportation service relating to the transport and export capacity from the Austrian network via the TAG pipeline. The receivables recognised for physical deliveries occurred in 2019 are entered at contractually agreed prices.

**11.Current financial assets**

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Jointly controlled companies | 844 | 0 |
| Other financial current assets | 136 | 0 |
| **Current financial assets** | **981** | **0** |

Current financial assets include receivables for Euro 844 thousand from the jointly controlled company ASM Set S.r.l. for the cash pooling agreement signed with the Parent company.
The residual amount concerns the short-term portion of the receivables from the municipality of Creazzo, as described in the paragraph "Non-current financial assets" herein.

### 12. Tax receivables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Receivables related to IRAP | 545 | 1,467 |
| Receivables related to IRES | 673 | 888 |
| Other tax receivables | 290 | 290 |
| **Tax receivables** | **1,508** | **2,645** |

Tax receivables decreased from Euro 2,645 thousand to Euro 1,508 thousand in the reference period, marking a decrease of Euro 1,137 thousand as compared to 31st December 2017. The item includes the residual credit, minus the taxes for 2018, of the IRAP advances paid and the IRES advances for the companies that do not participate in the Group tax consolidation system.

### 13. Cash and cash equivalents

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Bank and post office deposits | 66,632 | 15,538 |
| Cash and cash equivalents on hand | 18 | 17 |
| **Cash and cash equivalents** | **66,650** | **15,555** |

Cash and cash equivalents increased from Euro 15,555 thousand in 2017 to Euro 66,650 thousand in the reference period, recording an increase of Euro 51,095 thousand and mainly refer to the bank accounting balance and to the company funds.
For a better understanding of the variations of cash flows in 2018, please refer to the consolidated financial statement.

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Cash and cash equivalents | 66,650 | 15,555 |
| Current financial assets | 981 | 0 |
| Current financial liabilities | (115) | (406) |
| Payables due to banks and financing institutions | (131,044) | (80,304) |
| Payables due to leasing companies within 12 months | 0 | (74) |
| **Net short-term financial position** | **(63,528)** | **(65,230)** |
| Non current financial assets | 1,122 | |
| Medium- and long-term bank loans | (55,111) | (54,360) |
| Non-current financial liabilities | 0 | (277) |
| **Net medium and long-term financial position** | **(53,989)** | **(54,637)** |
| **Net financial position** | **(117,517)** | **(119,867)** |

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 2018" of the report on management 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 at the end of each period considered:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Current assets from derivative financial instruments | 123 | 1,510 |
| **Current assets from derivative financial instruments** | **123** | **1,510** |

Current assets from derivative financial instruments decreased from Euro 1,510 thousand in the previous year to Euro 94 thousand as of 31st December 2018, showing a decrease of Euro 1,416 thousand.

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 31st December 2018, which will have financial manifestation over the next 12 months:

| # | Ref. | Counterparty | Type of instrument | Underlying Commodity | Trade date | Effective date | Expiry date | Position | Notional | MtM (€/000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 27191783 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 30-Jul-18 | 01-Oct-18 | 31-Dec-18 | Long/Buy | 22,090 MWh | 15 |
| 2 | 28359446 | Intesa Sanpaolo | Commodity Swap | Gas TTF Day Ahead | 04-Dec-18 | 01-Jan-19 | 31-Jan-19 | Short/Sell | 11,160 MWh | 32 |
| 3 | 22176498 | BNP Paribas | Commodity Swap | Gas TTF Day Ahead | 02-Aug-18 | 01-Oct-18 | 01-Apr-19 | Long/Buy | 5,329 MWh | 1 |
| 4 | 150618-2001 | UniCredit | Commodity Swap | Gas TTF Day Ahead | 15-Jun-18 | 01-Oct-18 | 30-Jun-19 | Long/Buy | 90,144 MWh | 13 |
| 5 | 050718-2009 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 05-Jul-18 | 01-Oct-18 | 31-Jul-19 | Long/Buy | 6,523 MWh | 2 |
| 6 | 190718-2014 | UniCredit | Commodity Swap | Gas TTF Day Ahead | 19-Jul-18 | 01-Oct-18 | 30-Sep-19 | Long/Buy | 8,552 MWh | 4 |
| 7 | 22155980 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 14-Jun-18 | 01-Oct-18 | 30-Sep-19 | Long/Buy | 12,193 MWh | 16 |
| 8 | 22175430 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 31-Jul-18 | 01-Oct-18 | 30-Sep-19 | Long/Buy | 4,970 MWh | 5 |
| 9 | 22177190 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 31-Jul-18 | 01-Oct-18 | 31-Jan-19 | Long/Buy | 2,590 MWh | 3 |
| 10 | 22188815 EE | BNP Paribas | Commodity Swap | Power PUN Off Peak | 31-Aug-18 | 01-Oct-18 | 31-Dec-18 | Short/Sell | 9,919 MWh | 24 |
| 11 | 22260430 EE | BNP Paribas | Commodity Swap | Power PUN Baseload | 07-Dec-18 | 01-Jan-19 | 31-Jan-19 | Long/Buy | 1,488 MWh | 1 |
| 12 | 22260433 EE | BNP Paribas | Commodity Swap | Power PUN Baseload | 07-Dec-18 | 01-Feb-19 | 28-Feb-19 | Long/Buy | 1,344 MWh | 4 |
| 13 | 22260434 EE | BNP Paribas | Commodity Swap | Power PUN Baseload | 07-Dec-18 | 01-Mar-19 | 31-Mar-19 | Long/Buy | 1,486 MWh | 2 |
| **Total** | | | | | | | | | **177,788** | **123** |

Financial instruments measured at fair value belong to the 2nd assessment hierarchical level.

## Consolidated Shareholders' Equity

### 15. Shareholders' equity

Ascopiave S.p.A. share capital as of 31st December 2018 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Share capital | 234,412 | 234,412 |
| Legal reserve | 46,882 | 46,882 |
| Own shares | (16,981) | (17,521) |
| Reserves | 134,629 | 134,603 |
| Group's Net Result | 44,625 | 47,135 |
| **Net equity of the Group** | **443,567** | **445,511** |
| Net equity of Others | 2,428 | 2,872 |
| Third parties Net Result | 1,874 | 2,117 |
| **Net equity of Others** | **4,303** | **4,989** |
| **Total Net equity** | **447,869** | **450,500** |

During FY 2018, the variations in the consolidated net equity, excluding the result achieved in the period, were mainly due to a negative change for Euro 2,281 thousand related to the Cash Flow Hedge reserve, to the negative change deriving from the combination of the residual share of Amgas Blu S.p.A. for Euro 3,778 thousand, and the distribution of treasury shares to employees and directors for long-term incentive plans (2015-2017 period) for Euro 540 thousand. A change of Euro 116 thousand was recorded as regards the long-term incentive plans for the 2018-2020 period. For further details on the changes occurred, please see the statement of changes in shareholders' equity of these financial statements.
The change recorded in the Cash Flow Hedge reserve is explained by the fair value measurement of the derivative agreements in force as of 31st December 2018. The hedging effects accrued during the year and those transferred to the profit and loss account in order to adjust the underlying supply costs with reference to all derivatives designated as hedge accounting during the year are:

| (Thousands of Euro) | |
|---|---|
| Opening balance to 1st January 2018 | (1,236) |
| Effectiveness gained during the period | 771 |
| Effectively released in the income statement during the period | 1,509 |
| **Closing balance** | **1,044** |

The value of the cash flow hedge reserve as of 31st December 2018 refers to the expected supply flows (with effects on the income statement) over the next 12 months; therefore, such reserve will be booked to the income statement respectively:

- as an increase in costs totalling Euro 775 thousand,
- as a decrease in revenues totalling Euro 270 thousand.

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Day Ahead, TTF Month Ahead and TTF Quarter Ahead) and electricity (i.e. Italian Power Base Load) as of 31st December 2018, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 596 thousand in the balance of the Equity

cash flow hedge reserve; instead, there would be no impact on the Profit and Loss statement due to the total effectiveness of the hedging relationships analysed.
As concerns liabilities from derivatives existing as of 31st December 2018 (fair value risk free of Euro 1,216 thousand), a negative differential is expected to be settled in the first half of 2019, equal to Euro 861 thousand and in the second half of 2019, equal to Euro 354 thousand.

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

## Non-current liabilities

### 16. Reserves for risks and charges

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Previsions for pension for gas sector employees | 1,024 | 1,740 |
| Other reserves for risks and charges | 2,877 | 4,172 |
| **Reserves for risks and charges** | **3,901** | **5,913** |

Reserves for risks and charges decreased from Euro 5,913 thousand in the previous year to Euro 3,901 thousand in the reference period, recording a decrease of Euro 2,012 thousand. The variation is mainly explained by the decrease in retirement funds and similar obligations for Euro 716 thousand related to the distribution of allowances for employees and directors in previous years in accordance with long-term incentive plans. The variation in the item other reserves for risks and charges is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation and risks for employment-related litigations.

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 2018 | 5,913 |
| Provisions for risks hedging losses of associates with the equity method | (1,046) |
| Provisions for risks and charges | (0) |
| Use of provisions for risks and charges | (966) |
| **Provisions for risks and charges 31st of December 2018** | **3,901** |

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Cover losses associated companies | 2,876 | 3,632 |
| Risk of litigation with suppliers | 235 | 232 |
| Funds on just working causes | 309 | 309 |
| Retirement fund and similar obligations | 376 | 1,740 |
| **Total** | **3,796** | **5,913** |

The “retirement funds and similar obligations” item included commitments to employees and directors regarding long-term incentive plans.

**17. Severance indemnity**

Severance indemnity decreases from Euro 4,836 thousand as of 1st January 2018 to Euro 4,807 thousand as of 31st December 2018, with a decrease of Euro 29 thousand.

| (Thousands of Euro) | |
|---|---|
| Severance indemnity as of 1st January 2018 | 4,836 |
| Retirement allowance | (1,682) |
| Payments for current services and work | 1,601 |
| Actuarial loss/(profits) of the period (*) | 52 |
| **Severance indemnity as of 31st of December 2018** | **4,807** |

* 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 2018 plan is 1.57% (1.30% as of 31st December 2017).
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: 1.00%
- 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 52 thousand, is booked in "Other financial costs".

**18. Medium- and long-term loans**

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Loans from Prealpi | 8,611 | 610 |
| Loans from European Investment Bank | 21,500 | 26,250 |
| Loans from BNL | 25,000 | 27,500 |
| **Medium- and long-term bank loans** | **55,111** | **54,360** |
| Current portion of medium and long-term loans | 8,014 | 10,181 |
| **Medium- and long-term bank loans** | **63,124** | **64,541** |

Medium and long term loans, mainly represented as of 31st December 2018 by the payables of the Parent Company to BNL for Euro 25,000 thousand and the European Investment Bank for Euro 21,500 thousand, increase from Euro 54,360 thousand to Euro 55,111 thousand, marking an increase of Euro 751 thousand, explained by a new 12-year loan taken out in January 2018 with Cassa Centrale Banca and the payment of the instalments in 2018. Considering also the current portion of the loans described, the total value decreases from Euro 64,541 thousand to Euro 63,124 thousand. Specifically:

- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has an outstanding debt as of 31st December 2018 of Euro 27,500 thousand, with the recognition of Euro 2,500 thousand in due to banks and short-term loans.

  The loan will be reimbursed in 22 constant six-month instalments from 2nd February 2019 to 2nd August 2029 and interest calculated by applying a 1.92% fixed rate.

  As a guarantee of the fulfilment of the obligations associated with the loan agreement with BNL, the subsidiary AP Reti Gas S.p.A. has transferred to the bank a share of future receivables arising from the reimbursement of the residual value of assets related to its gas distribution concessions.

  The contract envisages the fulfilment of the following financial covenants to be checked twice a year on the Group's consolidated data:

  a) Net financial position/Ebitda ratio ≤ 3.5;
  b) RAB ≥ Euro 300,000 thousand.

  At the end of 2018, the covenants envisaged by the contract were respected since:

  a) The Net financial position/Ebitda ratio was 1.47, calculated as the ratio of consolidated Net financial position at that date, in the amount of Euro 117,517 thousand, to consolidated Ebitda, amounting to Euro 80,036 thousand;
  b) the consolidated RAB is equal to Euro 430,541 thousand.

- 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 31st December 2018 is equal to Euro 26,250 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans.

  The first loan tranche, whose original amount was Euro 35,000 thousand, will be reimbursed in 10 constant six-month instalments between 27th February 2019 and 28th August 2023; an interest rate equal to the six-month Euribor plus a 95.5 basis points spread will be applied. The second loan tranche, whose original amount was Euro 10,000 thousand, will be reimbursed in 14 constant six-month instalments, the first expiring on 27th February 2019 and the last expiring on 27th August 2025; an interest rate equal to the six-month Euribor plus a 71.5 basis points spread will be applied, in addition to the annual cost of 70 basis points related to the guarantee issued by Cassa Depositi e Prestiti S.p.A., reduced from the previous value of 135 basis points with effect from 6th June 2018.

  As a guarantee of the fulfilment of the obligations associated with the loan agreement, the Parent Company has sold to the European Investment Bank 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., as per agreement integration signed in December 2016.

  The loan agreement envisages the fulfilment of the following covenants applied to consolidated data and to be checked twice a year:

  a) Ebitda / net financial expenses ratio higher than 5;
  b) Net financial position / Ebitda ratio lower than 3.5.

  In addition, the bank is entitled to request a reimbursement before the deadlines envisaged by the amortisation schedule, in the following cases:

  a) decrease in project cost below the amount originally envisaged by the contract;
  b) anticipated reimbursement of non-EIB loans (except revolving lines of credit);
  c) change in the control of Ascopiave S.p.A. or Asco Holding S.p.A.;
  d) changes in the regulatory framework, which could jeopardise Ascopiave S.p.A. ability to fulfil its obligations;
  e) loss of concessions, if determining a value for consolidated RAB lower than Euro 300 million.

  At the end of 2018, the covenants envisaged by the contract were respected since:

  a) the Ebitda/net financial expenses ratio was equal to 102.85, calculated as the ratio of Ebitda consolidated on that date, amounting to Euro 80,036 thousand, to the consolidated net financial expenses, amounting to Euro 778 thousand;
  b) the net financial position/Ebitda ratio was 1.47, calculated as the ratio of the net financial position consolidated on that date, amounting to Euro 117,517 thousand, to the consolidated Ebitda, amounting to Euro 80,036 thousand.

- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt as of 31st December 2018 of Euro 9,374 thousand, with the recognition of Euro 764 thousand in due to banks and short-term loans.
  The loan will be reimbursed in 134 residual constant monthly instalments from 31st January 2019 to 28th February 2030 and interest calculated by applying a 1.83% fixed rate.

- The loan with Unicredit, taken out in 2011 to the amount of Euro 40,000 thousand, was completely repaid on 30th June 2018.

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

| (Thousands of Euro) | 31.12.2018 |
|---|---|
| Year 2018 | 8,014 |
| Year 2019 | 8,028 |
| Year 2020 | 8,042 |
| Year 2021 | 8,057 |
| After 31st December 2022 | 30,984 |
| **Medium and long-term loans** | **63,124** |

### 19. Other non-current liabilities

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Security deposits | 11,350 | 11,599 |
| Multi-annual passive prepayments | 16,653 | 11,330 |
| **Other non-current liabilities** | **28,003** | **22,930** |

Other non-current liabilities increased from Euro 22,930 thousand in the previous year to Euro 28,003 thousand as of 31st December 2018, with an increase of Euro 5,073 thousand. The change is mainly explained by the rise in long-term deferred income, which recorded an increase of Euro 5,323 thousand.
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.
During the year, the reporting activities of several sections of the gas distribution network were completed and, consequently, the investments made were recognised under the item “Fixed assets under concession”. The start of the useful life of the plants led to the reclassification of the contributions received for their construction, previously suspended in the item “Advances from customers”, totalling Euro 3,111 thousand. In order to align the item with the contributions deducted from the technical assets, the long-term deferred income was further increased by a total of Euro 821 thousand.
Security deposits refer to deposits of gas and electricity users.

### 20. Non-current financial liabilities

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Payables due to leasing companies (over 12 months) | (0) | 277 |
| **Non-current financial liabilities** | **(0)** | **277** |

The value of non-current financial liabilities was brought to zero subsequent to the repayment of the payables to leasing companies, resulting in the acquisition of cogeneration plants in December 2018.

### 21. Deferred tax payables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Deferred tax payables | 14,534 | 15,733 |
| **Deferred tax payables** | **14,534** | **15,733** |

Payables for deferred taxation decrease from Euro 15,733 thousand to Euro 14,534 thousand, marking a decrease of Euro 1,199 thousand, mainly due to the dynamics of amortisations in the client lists and amortisation on 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 31st December 2018 and at the time when it is estimated that any temporary differences will be carried forward.
The total value of the temporary differences and the related amounts on which liabilities for deferred tax were recognised are as follows:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| Description | Temporary differences | Tax rate | Total effect | Temporary differences | Tax rate | Total effect |
| Exceeding amortizations | 25,601 | 24.0% | 6,144 | 26,751 | 24.0% | 6,420 |
| Severance indemnity | 25 | 24.0% | 6 | 28 | 24.0% | 7 |
| Exceeding amortizations | 13,101 | 28.2% | 3,695 | 14,612 | 28.2% | 4,121 |
| Goodwill deductibility for tax purposes - gas sale | 2,681 | 27.9% | 748 | 2,458 | 27.9% | 686 |
| Other | 266 | 24.0% | 64 | 305 | 24.0% | 73 |
| Customer list after 2016 | 3,878 | 28.2% | 1,093 | 5,826 | 28.2% | 1,643 |
| Goodwill deductibility for tax purposes | 9,872 | 28.2% | 2,784 | 9,872 | 28.2% | 2,784 |
| **Total deferred tax payables** | **55,424** | | **14,534** | **59,852** | | **15,733** |

## 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Payables due to banks | 123,031 | 70,123 |
| Current portion of medium-long-term loans | 8,014 | 10,181 |
| **Payables due to banks and financing institutions** | **131,044** | **80,304** |

Payables to banks increase from Euro 80,304 thousand to Euro 131,044 thousand, with an increase of Euro 50,740 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 31st December 2018.

| Bank | Type of line of credit | Credit line at 31/12/2018 | Rate at 31/12/2018 | Use of credit line at 31/12/2018 |
|---|---|---|---|---|
| Banca di Credito Cooperativo delle Prealpi | Cash loan | 5 | n.d. | 0 |
| Banca di Credito Cooperativo delle Prealpi | Long-term mortga | 5 | 0 | 5 |
| Banca Europea per gli Investimenti | Long-term mortga | 9 | 0 | 9 |
| Banca Europea per gli Investimenti | Long-term mortga | 18 | 0 | 18 |
| Banca Monte dei Paschi di Siena | Crediti di firma | 20 | n.d. | 10 |
| Banca Nazionale del Lavoro | Cash loan | 25 | n.d. | 0 |
| Banca Nazionale del Lavoro | Long-term mortga | 30 | 0 | 28 |
| Banca Nazionale del Lavoro | Endorsement loan | 10 | n.d. | 1 |
| Banca Popolare dell'Emilia Romagna | Cash loan | 10 | n.d. | 0 |
| Banca Popolare Friuladria | Cash loan | 11 | 0 | 8 |
| Banca Popolare Friuladria | Endorsement loan | 2 | n.d. | 0 |
| Banca Sella | Cash loan | 5 | n.d. | 0 |
| Banco BPM | Cash loan | 20 | 0 | 20 |
| Banco BPM | Endorsement loan | 9 | n.d. | 2 |
| Cassa centrale BCC Italiano | Long-term mortga | 5 | 0 | 5 |
| Credito Emiliano | Cash loan | 25 | 0 | 25 |
| Intesa SanPaolo | Cash loan | 81 | 0 | 60 |
| Intesa SanPaolo | Endorsement loan | 3 | n.d. | 0 |
| Cassa Depositi e Prestiti | Endorsement loan | 11 | n.d. | 11 |
| Unicredit | Cash loan | 33 | 0 | 10 |
| Unicredit | Endorsement loan | 18 | n.d. | 14 |
| Unione di Banche Italiane | Cash loan | 30 | n.d. | 0 |
| Factorit | Endorsement loan | 10 | n.d. | 0 |
| Banca Nazionale del Lavoro | Endorsement loan | 1 | n.d. | 0 |
| Banco BPM | Endorsement loan | 1 | n.d. | 1 |
| Unicredit | Cash loan | 2 | n.d. | 0 |
| Unicredit | Crediti di firma | 15 | n.d. | 8 |
| Unicredit | Derivatives line | 0 | n.d. | 0 |
| Intesa SanPaolo | Endorsement loan | 0 | n.d. | 0 |
| Unione di Banche Italiane | Endorsement loan | 0 | n.d. | 0 |
| Unicredit | Cash loan | 1 | n.d. | 0 |
| Unicredit | Endorsement loan | 1 | n.d. | 0 |
| Banca Monte dei Paschi di Siena | Endorsement loan | 0 | n.d. | 0 |
| Intesa SanPaolo | Endorsement loan | 0 | n.d. | 0 |
| Unicredit | Cash loan | 1 | n.d. | 0 |
| Unicredit | Endorsement loan | 1 | n.d. | 0 |
| Credit Agricole Friuladria | Endorsement loan | 2 | n.d. | 2 |
| Unicredit | Cash loan | 4 | n.d. | 0 |
| Unicredit | Endorsement loan | 3 | n.d. | 1 |
| Banca Nazionale del Lavoro | Endorsement loan | 0 | n.d. | 0 |
| Unicredit | Cash loan | 3 | n.d. | 0 |
| Unicredit | Endorsement loan | 2 | n.d. | 0 |
| Unicredit | Cash loan | 1 | n.d. | 0 |
| Unicredit | Endorsement loan | 1 | n.d. | 0 |
| Unicredit | Cash loan | 3 | n.d. | 0 |
| Unicredit | Endorsement loan | 3 | n.d. | 0 |
| Banca Alto Vicentino | Endorsement loan | 2 | n.d. | 2 |
| Intesa SanPaolo | Cash loan | 0 | n.d. | 0 |
| Intesa SanPaolo | Endorsement loan | 3 | n.d. | 2 |
| Unicredit | Cash loan | 1 | n.d. | 0 |
| Unicredit | Endorsement loan | 1 | n.d. | 0 |
| Unicredit | Cash loan | 5 | n.d. | 0 |
| Unicredit | Endorsement loan | 14 | n.d. | 0 |
| Unicredit | Cash loan | 1 | n.d. | 0 |
| Unicredit | Endorsement loan | 1 | n.d. | 0 |
| | | **461** | | **241** |

Note: the total use of credit lines is not equal to the total bank loan because this not include the use of endorsement loan.

The higher uses existing as of 31st December 2018 compared to the previous year depend mainly on the medium/long-term loan taken out with Cassa Centrale Banca and the particularly advantageous rates applied to short-term loans.

### 23. Trade payables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Payables to suppliers | 70,907 | 44,843 |
| Payables to suppliers for invoices not yet received | 60,278 | 72,810 |
| **Trade payables** | **131,185** | **117,653** |

Trade payables increase from Euro 117,653 thousand to Euro 131,185 thousand, marking an increase of Euro 13,532 thousand. The change is mainly explained by the scheduling of natural gas purchasing and payment which, due to the seasonality of the business cycle, during this period of the year significantly affects the balances of payables to suppliers of the raw material natural gas.

### 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| IRAP payables | 169 | 625 |
| IRES payables | 38 | |
| **Tax payables** | **207** | **625** |

Tax payables decrease from Euro 625 thousand to Euro 207 thousand, with a decrease of Euro 418 thousand and include payables accrued as of 31st December 2018 for IRAP, and the IRES payable related to the companies which do not participate in Asco Holding S.p.A.'s tax consolidation system.

### 25. Other current liabilities

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Advance payments from customers | 505 | 3,386 |
| Amounts due to parent companies for tax consolidation | 551 | 4,550 |
| Amounts due to social security institutions | 1,805 | 1,604 |
| Amounts due to employees | 5,026 | 5,240 |
| VAT payables | 7,170 | 4,694 |
| Payables to revenue office for withholding tax | 1,222 | 1,119 |
| Annual passive prepayments | 452 | 988 |
| Annual passive accruals | 509 | 471 |
| UTF and Provincial/Regional Additional Tax payables | 572 | 3,534 |
| Other payables | 172 | 611 |
| Other payables | 9,555 | 12,114 |
| **Other current liabilities** | **27,539** | **38,312** |

Other current liabilities decreased from Euro 38,312 thousand in the previous year to Euro 27,539 thousand in the reference period, with a decrease of Euro 10,773 thousand.

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 31st December 2018. The change recorded in 2018 is explained by the reclassification of the contributions received for the construction of the gas distribution network, subsequent to the completion of the relevant reporting activities (as described in the paragraph "Other non-current liabilities" herein). The completion of the reporting of the distribution network included in the works of first urban development (so-called "parcelling") resulted in the recognition in the income statement, and specifically in the item "Revenues derived from services performed by distributors", of the contributions received for construction for Euro 765 thousand.

Tax consolidation payables

This item includes the accrued payables to the parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES payables accrued for taxation up to 31st December 2018 with a decrease, compared to the previous year, of Euro 3,999 thousand.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employees and directors, accrued as of 31st December 2018 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 31st December 2018 but not paid out on that date and the relevant social security contributions.

VAT payables

VAT payables increased by Euro 2,476 thousand as compared to 31st December 2017. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas and electricity, in that they fall within the category of the subjects billing a high number of end customers. As of 31st December 2018, the Group accrued VAT payables totalling Euro 7,170 thousand, compared to Euro 4,694 thousand in 2017.

Annual deferred income

They are mainly related to revenues from cogeneration/heat supply.

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

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company regarding the previous year. As of 31st December 2018, the Group's total amount of payables is Euro 572 thousand, compared to Euro 3,534 thousand in the previous year.

Liabilities for forward sales

As of 31st December 2018, the item represents the current value of the contractual commitments whose physical deliveries are scheduled in the period January – March 2019 as concerns the raw material and the transportation service in the period January – September 2019. These agreements relate to the purchase and sale on the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. The payables changed by Euro 439 thousand as compared to 31st December in the previous year.

Other payables

Other payables decrease by Euro 2,559 thousand. The decrease is mainly related to lower payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport for Euro 2,487 thousand.
The item also includes payables for personnel charges accrued as of 31st December 2018.

### 26. Current financial liabilities

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Financial payables within 12 months | 115 | 406 |
| Payables to leasing companies within 12 months | (0) | 74 |
| **Current financial liabilities** | **115** | **480** |

Current financial liabilities decrease from Euro 480 thousand to Euro 115 thousand, marking a decrease of Euro 365 thousand and mainly consist of payables to the jointly controlled company ASM Set S.r.l. pertaining to the intragroup cash pooling agreement and payables of the subsidiary Blue Meta S.p.A. to the Region of Lombardy.
As mentioned in the paragraph "Non-current financial liabilities" herein, in December 2018 the debt with the leasing company was repaid subsequent to the acquisition of the cogeneration plants.

### 27.Current liabilities from derivative financial instruments

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Current liabilities from derivative financial instruments | 1,216 | 7 |
| **Current liabilities from derivative financial instruments** | **1,216** | **7** |

Liabilities from derivatives consist in the fair value of the following commodity derivatives as of 31st December 2018:

| # | Ref. | Counterparty | Type of instrument | Underlying Commodity | Trade date | Effective date | Expiry date | Position | Notional | MtM (€/000) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 27191751 | Intesa Sanpaolo | Commodity Swap | Gas TTF Quarter Ahead | 30-Jul-18 | 01-Oct-18 | 31-Dec-18 | Short/Sell | 22,090 MWh | 13 |
| 2 | 27631724 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 21-Sep-18 | 01-Jan-19 | 31-Mar-19 | Long/Buy | 10,795 MWh | 60 |
| 3 | 27800406 | Intesa Sanpaolo | Commodity Swap | Gas TTF Quarter Ahead | 09-Oct-18 | 01-Jan-19 | 28-Feb-19 | Long/Buy | 8,000 MWh | 22 |
| 4 | 27859920 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 15-Oct-18 | 01-Apr-19 | 30-Sep-19 | Long/Buy | 43,920 MWh | 125 |
| 5 | 27990520 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 25-Oct-18 | 01-Apr-19 | 30-Sep-19 | Long/Buy | 43,920 MWh | 104 |
| 6 | 28132464 | Intesa Sanpaolo | Commodity Swap | Gas TTF Day Ahead | 09-Nov-18 | 01-Feb-19 | 30-Sep-19 | Long/Buy | 12,705 MWh | 15 |
| 7 | 28146619 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 12-Nov-18 | 01-Dec-18 | 31-Dec-18 | Long/Buy | 7,440 MWh | 5 |
| 8 | 28209121 | Intesa Sanpaolo | Commodity Swap | Gas TTF Day Ahead | 19-Nov-18 | 01-Jul-19 | 30-Sep-19 | Long/Buy | 10,259 MWh | 6 |
| 9 | 28292894 | Intesa Sanpaolo | Commodity Swap | Gas TTF Day Ahead | 27-Nov-18 | 01-Dec-18 | 30-Sep-19 | Long/Buy | 5,304 MWh | 11 |
| 10 | 28302854 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 28-Nov-18 | 01-Jan-19 | 31-Mar-19 | Long/Buy | 10,795 MWh | 12 |
| 11 | 28359383 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 04-Dec-18 | 01-Jan-19 | 31-Jan-19 | Long/Buy | 11,160 MWh | 8 |
| 12 | 28379730 | Intesa Sanpaolo | Commodity Swap | Gas TTF Day Ahead | 05-Dec-18 | 01-Jan-19 | 31-Jan-19 | Long/Buy | 3,720 MWh | 8 |
| 13 | 28385784 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 06-Dec-18 | 01-Feb-19 | 31-Mar-19 | Long/Buy | 7,075 MWh | 1 |
| 14 | 22129609 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 30-Apr-18 | 01-Dec-18 | 31-Mar-19 | Short/Sell | 83,400 MWh | 298 |
| 15 | 22134291 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 09-May-18 | 01-Jan-19 | 28-Feb-19 | Short/Sell | 14,160 MWh | 44 |
| 16 | 080518-2017 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 08-May-18 | 01-Dec-18 | 31-Mar-19 | Short/Sell | 16,752 MWh | 51 |
| 17 | 424853351 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 10-Sep-18 | 01-Jan-19 | 28-Feb-19 | Long/Buy | 24,600 MWh | 110 |
| 18 | 200918-2002 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 20-Sep-18 | 01-Jan-19 | 31-Mar-19 | Long/Buy | 39,570 MWh | 178 |
| 19 | 200918-2005 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 28-Sep-18 | 01-Jan-19 | 28-Feb-19 | Long/Buy | 7,400 MWh | 23 |
| 20 | 111018-2013 | UniCredit | Commodity Swap | Gas TTF Day Ahead | 11-Oct-18 | 01-Nov-18 | 31-Mar-19 | Long/Buy | 6,163 MWh | 15 |
| 21 | 22197873 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 20-Sep-18 | 01-Jan-19 | 30-Sep-19 | Long/Buy | 21,060 MWh | 94 |
| 22 | 22201582 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 28-Sep-18 | 01-Jan-19 | 01-Mar-19 | Long/Buy | 4,400 MWh | 14 |
| **Total** | | | | | | | | | **414,688** | **1,216** |

Financial instruments measured at fair value belong to the 2nd assessment hierarchical level.

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

### Revenues

**27. Revenues**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Revenues from gas transportation | 38,958 | 34,084 |
| Revenues from gas sale | 422,436 | 382,951 |
| Revenues from electricity sale | 70,567 | 56,840 |
| Revenues from connections | 289 | 200 |
| Revenues from heat supply | 21 | 42 |
| Revenues from distribution services | 7,473 | 6,949 |
| Revenues from services supplied to Group companies | 1,262 | 3,663 |
| Revenues from ARERA contributions | 25,253 | 39,496 |
| Revenues for forward sales of raw materials | 9,490 | 1,941 |
| Other revenues | 5,902 | 6,625 |
| **Revenues** | **581,652** | **532,792** |

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 581,652 thousand, an increase of Euro 48,860 thousand compared to the previous year (Euro 532,792 thousand). The increase is mainly explained by higher revenues from the sale of natural gas (Euro +39,485 thousand) and electricity (Euro +13,727 thousand) only partially offset by the lower contributions recorded for the achievement of energy saving targets (Euro -14,243 thousand). Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* to the distribution network generated revenues for gas carriage to sales companies not belonging to the Group for Euro 38,958 thousand, with an increase of Euro 4,874 thousand compared to the previous year. 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 the Authority.

The revenues from *natural gas sale* to the end market, equalling Euro 422,436 thousand, increased by Euro 39,485 thousand compared to 2017, despite the decrease in the volumes of natural gas sold during the year. The volumes of natural gas decreased from 803.8 million cubic metres in the previous year to 781.4 million in 2018, showing a decrease of 2.8%. The increase is mainly explained by the growing trend of the price basket to which the raw material sales tariff is adjusted and, in part, by the recognition of revenues from the sale of the raw material connected with gas settlement (Euro 8,703 thousand). In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher revenues for Euro 3,625 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher revenues for Euro 5,078 thousand. The volumetric differences related to the settlement of volumes in the station and the 2017 in-output delta were made available in November, without determining the recognition of revenues in the reference year.

At the end of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 70,803 thousand (Euro 60,521 thousand in 2017). They mainly relate to the amounts of natural gas imported from Russia. These sales are aimed at the redemption of the procurement risk and at improving the effectiveness of the purchase price of the raw material.

At the end of the reference year, the revenues from *electricity sales* amounted to Euro 70,657 thousand, an increase, as compared to Euro 56,840 thousand in 2017, of Euro 13,727 thousand. The increase is mainly explained by the trend in raw material market prices and by the greater quantities of GWh sold during the year. They increased from 383.4 GWh in 2017 to 392.7 GWh in 2018 (+9.3 GWh). The item includes higher revenues (Euro 2,053 thousand) pertaining to the determination of the economic items related to the 2017 annual adjustment for the withdrawal points not processed on an hourly basis described in the paragraph "Management trend - Economic results of the Group" herein. At the end of the year, the item was positively influenced by the first registration of revenues related to the DispBT component for Euro 1,323 thousand.

The revenues from *connection services to the distribution network* are equal to Euro 289 thousand, an increase of Euro 89 thousand as compared to the previous year. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants buil.

The revenues derived from *services provided by distributors*, being equal to Euro 7,473 thousand, show an increase of Euro 524 thousand compared to the previous year. The increase is mainly explained by the recognition of Euro 765 thousand related to the contributions received for the construction of the distribution network based on parcelling (as described in the paragraph "Other current liabilities" herein), which were partially offset by lower revenues from contributions for network construction (Euro -312 thousand).

The revenues from contributions made by the Regulatory Authority for Energy, Networks and the Environment amount, at the end of the period considered, to Euro 25,253 thousand, recording a decrease of Euro 14,243 thousand as compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors. The contributions recognised as of 31st December 2018 are calculated by evaluating at the fair value the quantities of energy efficiency certificates accrued as compared to the 2018 target (regulatory period June 2018 - May 2019). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution announced by GSE for the 2018 target (regulatory period June 2017 - May 2018) in relation to the certificates delivered, and equal to the fair value of the forecast contribution for accruing contributions and, as of 31st December 2018, equal to Euro 250 (Euro 302.48 as of 31st December 2017; source STX).

The revenues from *trading activities in the gas market* amounted to Euro 9,490 thousand, an increase of Euro 7,548 thousand as compared to 31st December 2017, and refer to the sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. They increased significantly since the activity started in September 2017.

Revenues recorded for physical deliveries during the years shown for comparison purposes are recorded at contractually agreed prices, while revenues recorded for future physical deliveries were measured at current value.

The item "Other revenues" decreased from Euro 6,625 thousand in 2017, to Euro 5,902 thousand in the period considered, showing a decrease of Euro 723 thousand.

## Costs

**28. Cost for gas purchase**

The following table reports the costs relating to the purchase of gas over the relevant financial periods:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Purchase costs for raw material (gas) | 307,586 | 252,492 |
| **Purchase costs for raw material (gas)** | **307,586** | **252,492** |

At the end of the reference year, the costs for natural gas procurement amounted to Euro 307,586 thousand, showing an increase of Euro 55,094 thousand compared to the previous year. The increase in costs incurred is mainly explained by the trend of the price basket to which the raw material is adjusted, while the volumes of natural gas purchased decreased by 22.4 million cubic metres compared to the previous year. The increase is partly explained by the recognition of purchase costs of raw materials for Euro 11,207 thousand connected with gas settlement. In June, Snam

Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher costs for Euro 2,678 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher costs for Euro 8,529 thousand. In November 2018, Snam Rete Gas S.p.A. published the volumetric differences related to the settlement and the 2017 in-output delta, determining the recognition of higher costs respectively for Euro 184 thousand, and Euro 856 thousand.
Therefore, the total costs recorded for the years 2013-2017 amount to Euro 12,247 thousand. At the reporting date, this amount is determined by invoices received from the shippers for a total of Euro 10,326 thousand while the remainder, amounting to Euro 1,921 thousand, is an estimate.
In the period considered, gas inventories amount to Euro 2,693 thousand, compared to Euro 1,608 thousand as of 31st December 2017.
The costs from trading activities in the gas market at the end of the year amounted to Euro 9,240 thousand, while at the period shown for comparative purposes they amounted to Euro 1,897 thousand. The change is particularly significant as the business was started in September 2017. The cost components related to physical deliveries during the year were recorded based on the contract clauses signed, whereas the revenue and cost components related to physical deliveries subsequent to 31st December 2018, since these are forward transactions at the reporting date, were booked at current value.
The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of lower costs totalling Euro 1,634 thousand (in 2017, lower costs for Euro 1,036 thousand).
It is to be noted that, during the period, the most significant amounts of natural gas for the supply to end customers were provided to the Ascopiave Group by the company Eni Gas & Power S.p.A..

## 29. Cost of other raw materials

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Purchase of electricity | 23,929 | 16,060 |
| Purchase of other raw material | 1,227 | 2,025 |
| **Purchase costs for other raw materials** | **25,156** | **18,085** |

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 25,156 thousand, marking an increase of Euro 7,071 thousand compared to the previous year. The increase is mainly explained by the higher costs incurred for the purchase of electricity (Euro 7,869 thousand), which were partially offset by the lower costs incurred for the purchase of other materials (Euro -798 thousand).
The costs incurred to procure electricity, at the end of 2018, amounted to Euro 23,929 thousand, recording an increase of Euro 7,869 thousand as compared to 2017. The increase in costs incurred is explained both by the greater volumes of energy purchased and by the increase in market prices. The GWh sold increased by 9.3 GWh, from 383.4 in the previous year to 392.7 in 2018 (+2.4%). The item includes higher costs (Euro 1,112 thousand) pertaining to the determination of the economic items related to the 2017 annual adjustment for the withdrawal points not processed on an hourly basis described in the paragraph “Management trend - Economic results of the Group” herein.
The costs incurred for the purchase of other materials register a decrease equal to Euro 798 thousand, from Euro 2,025 thousand in 2017, to Euro 1,227 thousand in the reference period. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants. The consolidation of Ap Reti Gas Vicenza S.p.A., on 31st December in the previous year, contributed to the Group’s results for the last months only, whereas during financial year 2018 for the entire period.

**30. Costs for services**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Costs of conveyance on secondary networks | 70,729 | 70,049 |
| Costs for counting meters reading | 782 | 706 |
| Costs for mailing bills | 1,760 | 1,374 |
| Mailing and telegraph costs | 130 | 119 |
| Maintenance and repairs | 2,962 | 3,484 |
| Consulting services | 5,318 | 5,659 |
| Commercial services and advertisement | 2,529 | 3,129 |
| Sundry suppliers | 1,720 | 1,706 |
| Directors' and Statutory Auditors' fees | 1,330 | 1,304 |
| Insurances | 867 | 619 |
| Personnel costs | 957 | 1,003 |
| Other managing expenses | 7,312 | 7,877 |
| Costs for use of third-party assets | 17,564 | 15,879 |
| Storage services | 584 | 571 |
| Forward freight transport costs | 282 | (19) |
| **Costs for services** | **114,827** | **113,457** |

The costs for services incurred during the financial year increase Euro 113,457 thousand in 2017 to Euro 114,827 thousand in 2018, showing an increase of Euro 1,370 thousand. This variation is mainly explained by the higher costs incurred for use of third-party assets (Euro +1,686 thousand) and for carriage on the secondary networks (Euro +680 thousand), which were partially offset by the decrease in costs incurred for commercial services and advertising (Euro -599 thousand), for maintenance and repairs (Euro -522 thousand) and other working expenses (Euro -566 thousand).

The costs incurred for the *transportation of natural gas* on the secondary and primary networks in the reference period amount to Euro 30,216 thousand and refer to volumes of natural gas on the networks managed by companies not belonging to the Group. As compared to the previous year, they decreased by Euro 4,518 thousand.

Costs incurred for transportation of *electricity* amount to Euro 40,513 thousand (Euro 35,315 thousand in 2017) and refer to amounts of electricity marketed during the reference period totalling 392.7 GWh (383.4 in 2017). The item includes higher costs (Euro 2,315 thousand) pertaining to the determination of the economic items related to the 2017 annual adjustment for the withdrawal points not processed on an hourly basis described in the paragraph “Management trend - Economic results of the Group” herein.

At the end of 2018, the costs incurred for *consultancy* amounted to Euro 5,318 thousand, decrease as compared to the previous year of Euro 341 thousand. The decrease is mainly explained by the costs booked in the previous period for participating in the tender for the concession of natural gas distribution in the territorial area of Belluno.

At the end of 2018, the costs incurred for *marketing and advertising services* decreased by Euro 599 thousand, from Euro 3,129 thousand in 2017 to Euro 2,529 thousand in 2018.

*Other operating costs* decreased by Euro 566 thousand, mainly explained by a decrease in costs for bank current accounts (Euro – 484 thousand) and the decrease in costs incurred for invoicing (Euro -201 thousand); these decreases were partially offset by the increase in costs incurred for the collection of receivables (Euro +158 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 equal to Euro 1,686 thousand. The increase recorded is mainly explained by the registration of the fees paid to local authorities by the subsidiary AP Reti Gas Vicenza S.p.A. during the first quarter of the year (Euro 1,868 thousand). The comparative period, on the other hand, only included the costs incurred by the company during the second and third quarter of the year, because of the company’s first consolidation date.

The item *costs of transporting the raw materials deriving from the gas trading activity*, at the end of the period, amounted to Euro 282 thousand and refers to the contracts signed relating to the transport and export capacity from the Austrian raw material market for the thermal year 2018/19.

**31. Costs for staff**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Wages and salaries | 24,661 | 22,650 |
| Social security contributions | 7,093 | 6,607 |
| Severance indemnity | 1,601 | 1,510 |
| Other costs | 105 | 61 |
| **Total personnel costs** | **33,460** | **30,827** |
| Capitalized personnel costs | (7,430) | (5,972) |
| **Personnel costs** | **26,030** | **24,855** |

The cost for staff is net of costs capitalised by the companies of natural gas distribution in comparison with increases in intangible assets for works performed on a time and material basis, which are directly attributed to the implementation of facilities for the distribution of natural gas and recorded as an asset.
Costs for staff increase from Euro 30,827 thousand in 2017 to Euro 33,460 thousand in the reference period, showing an increase of Euro 2,633 thousand. The increase is mainly explained by the recognition of fees paid to the Group's General Manager and Chief Financial Officer for the termination of the employment relationship. The agreements signed with them, better described in "Significant events during the year", led to the recognition of higher costs totalling Euro 2,411 thousand. The increase is also explained by the recognition of personnel costs of Ap Reti Vicenza S.p.A. which was consolidated with effect from 1st April 2017.
The item includes costs for the long-term incentive plan totalling Euro 376 thousand, while at the end of the previous year they amounted to Euro 1,205 thousand.
Pursuant to IFRS 2, the cost of the long-term incentive scheme was offset by a provision in the Shareholders' Equity for Euro 116 thousand for shares and in the Pension Funds for the cash amount of Euro 605 thousand. The amounts accounted for the long-term incentive plans refer to the first year of the 2018-2020 three-year period, which is the period for the accrual of the incentive. For additional details please refer to "Section II" of the Remuneration Report, as envisaged by Art. 123 – par. 3 of the Legislative Decree no. 58/1998 (so-called Unified Financial Text). The residual increase is mainly explained by wage increases paid during the period considered due to personal rewards and increases provided for by contract.
Capitalised personnel cost registered an increase of Euro 1,459 thousand, from Euro 5,972 thousand in the previous period, to Euro 7,430 thousand in the period considered.
The table below shows the average number of Group employees by category at the end of the indicated periods:

| Description | 31.12.2018 | 31.12.2017 | Variation |
|---|---|---|---|
| Managers (average) | 17 | 17 | 0 |
| Office workers (average) | 400 | 377 | 23 |
| Manual workers (average) | 121 | 114 | 8 |
| **No. of persoal employed** | **538** | **508** | **31** |

### 32. Other operating costs

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Provision for risks on credits | 1,964 | 1,885 |
| Other provisions | (0) | 0 |
| Membership and ARERA fees | 788 | 741 |
| Capital losses | 1,122 | 599 |
| Extraordinary losses | 1,412 | 324 |
| Other taxes | 875 | 1,001 |
| Other costs | 999 | 756 |
| Costs of contracts | 239 | 391 |
| Energy efficency certificates | 22,937 | 36,412 |
| **Other management costs** | **30,336** | **42,109** |

Other operating costs, decreasing from Euro 42,109 in 2017 to Euro 30,336 thousand in the reference period, show a decrease of Euro 11,773 thousand. This change is mainly due to lower costs incurred for the purchase of Energy efficiency certificates (Euro -13,475 thousand), partially offset by the increase in capital losses and contingencies of Euro 1,612 thousand. The item "Contingent liabilities" includes Euro 821 thousand related to the alignment of deferred income with the amount of the contributions deducted from the assets as described in the paragraph "Other non-current liabilities" herein.

The costs recognised as of 31st December 2018 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 2018 - May 2019). 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 31st December 2018, and amounting to Euro 260 source STX (Euro 347.51 as of 31st December 2017).

### 33. Other operating revenues

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Other income | 356 | 731 |
| **Other income** | **356** | **731** |

At the end of the period considered, the item "other operating income" shows a decrease of Euro 376 thousand, from Euro 731 thousand in 2017, to Euro 356 thousand in 2018. The surplus value amounting to Euro 373 thousand deriving from the acquisition of Ap Reti gas Vicenza S.p.A. is recognised among the values recorded in the previous year.

**34. Amortisation, depreciation and write-downs**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Intangible fixed assets | 20,834 | 19,443 |
| Tangible fixed assets | 2,138 | 2,338 |
| **Amortization and depreciation** | **22,972** | **22,585** |

Amortisation and depreciation show an increase of Euro 387 thousand, from Euro 22,585 thousand in 2017, to Euro 22,972 thousand in the reference period. The increase is mainly explained by the registration of the amortisation and depreciation of AP Reti Gas Vicenza S.p.A., which was consolidated with effect from 1st April 2017.

## Financial income and expense

**35. Financial income and expense**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Interest income on bank and post office accounts | 27 | 43 |
| Other interest income | 290 | 239 |
| Other financial income | 6 | 5 |
| **Financial income** | **322** | **287** |
| Interest expense on banks | 126 | 5 |
| Interest expense on loans | 897 | 549 |
| Other financial expenses | 77 | 201 |
| **Financial charges** | **1,101** | **755** |
| Evaluation of subsidiary companies with net equity method | 1,041 | 564 |
| Evaluation of subsidiary companies with net equity method | 7,512 | 6,834 |
| **Evaluation of subsidiary companies with the net equity method** | **8,553** | **7,398** |
| **Total net financial expenses** | **7,774** | **6,930** |

At the end of 2018, the balance between financial income and expenses showed a loss of Euro 779 thousand, an increase as compared to the previous year of Euro 311 thousand. The increase is mainly explained by the higher interest paid on bank loans (Euro +348 thousand).

The item "*Evaluation of associated companies using the equity method*" amounts to Euro 1,041 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiane S.r.l. in liquidation following the profit achieved during the period as detailed in the section "Shareholdings" of these explanatory notes. The item registers an increase as compared to the previous year equal to Euro 476 thousand.

The item "*Result quota from jointly controlled companies*" includes the net results achieved by the jointly controlled companies in the reference period; they increased by Euro 678 thousand, totalling Euro 7,512 thousand.

## Taxes

**36. 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:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| IRES current taxes | 14,640 | 16,418 |
| IRAP current taxes | 2,818 | 2,825 |
| (Advance)/Deferred taxes | (1,082) | (1,626) |
| **Taxes for the period** | **16,376** | **17,617** |

Taxes accrued decrease from Euro 17,617 thousand in the previous year to Euro 16,376 thousand in the reference period, recording a decrease of Euro 1,241 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:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Earnings before tax | 62,875 | 66,869 |
| Taxes for the period | 16,376 | 17,617 |
| **Percentage of income before taxes** | **26.0%** | **26.3%** |

The tax-rate as of 31st December 2018 is 26.0%, recording a decrease of 0.3% as compared to 31st December 2017,

## Non-recurrent components

In accordance with CONSOB communication no. 15519/2005, the items "Revenues from gas sales" and "Costs for gas purchase" include respectively revenues amounting to Euro 8,703 thousand and costs totalling Euro 12,247 thousand connected to the so-called gas settlement. In June, Snam Rete Gas published the volumetric differentials related to the settlement of the volumes allocated to the station for the years 2013-2016 as well as the volumetric differential introduced by resolutions 670/2017/R/gas and 782/2017/R/gas which neutralised the in-output delta for users of the distribution network. The balancing of volumes in the station led to the recognition of higher costs for Euro 2,678 thousand and higher revenues for Euro 3,625 thousand. The differential related to the quantities of gas injected into the local distribution network and withdrawn by the end consumers, on the other hand, led to the recognition of higher costs for Euro 8,529 thousand and higher revenues for Euro 5,078 thousand. These income components, due to the long-term effects released, are not recurring and are described in paragraph "Evolution of the adjustment sessions of natural gas allocations" herein.
The item "Cost for staff" includes costs to the tune of Euro 2,411 thousand related to the fees paid to the Group's General Manager and Chief Financial Officer for the termination of the employment relationship notified during the third quarter of the financial year.

## Transactions deriving from unusual and/or atypical operations

Pursuant to CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that during 2018 no unusual and/or atypical operations occurred.

# BUSINESS COMBINATIONS

## Acquisition of 20% of Amgas Blu S.r.l.'s shares

On 18th September 2018, Amgas S.p.A. and Ascopiave S.p.A. finalised the agreement governing the transfer of 20% of the share capital of Amgas Blu S.r.l., from Amgas S.p.A. to Ascopiave S.p.A., which already owned 80% of the company's equity. The operation allows Ascopiave S.p.A. to own the full 100% stock of Amgas Blu S.r.l.

The equivalent amount disbursed for the purchase, amounting to Euro 3,778 thousand, and the difference between the price paid and the portion of equity acquired was recorded as a change in equity reserves pertaining to the Group in accordance with "IFRS 3 revised" for an amount equal to Euro 3,545 thousand.

The business combination was temporarily recognised on 30th September 2018 in accordance with the international accounting standard IFRS 3.62. The business combination process began in 2011 and resulted in a financial commitment of Euro 15,143 thousand for the parent company ASCOPIAVE S.p.A..

## Commitments and risks

**Guarantees given**

As of 31st December 2018, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

| (Thousands of Euro) | 31st of December 2018 | 31st of December 2017 |
|---|---|---|
| On credit lines | 8,400 | 8,400 |
| Guarantees on credit lines (letter of comfort) | 115 | 127 |
| On execution of works (letter of comfort) | 991 | 1,128 |
| On UTF offices and regions for taxes on gas (letter of comfort) | 7,037 | 5,737 |
| On UTF offices and regions for taxes on electricity (letter of comfort) | 449 | 319 |
| On distribution concession (letter of comfort) | 5,864 | 6,097 |
| On purchase/sale of shares (letter of comfort) | 500 | 500 |
| On agreements for transport of gas (letter of comfort) | 11,146 | 10,010 |
| On agreements for transport of electricity (letter of comfort) | 17,727 | 17,751 |
| On purchase of gas agreements (letter of comfort) | 0 | 22 |
| On purchase of electricity agreements (letter of comfort) | 3,000 | 3,000 |
| On storage of natural gas service | 410 | 410 |
| **Total** | **79,039** | **53,501** |

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

| (Thousands of Euro) | 31st of December 2018 | 31st of December 2017 |
|---|---|---|
| On credit lines | 25,332 | 26,665 |
| On execution of works (letter of comfort) | 0 | 142 |
| Agreements on incentives art. 4 of Law no. 92/2012 | 242 | 495 |
| On UTF offices and regions for taxes on gas (letter of comfort) | 503 | 928 |
| On UTF offices and regions for taxes on electricity (letter of comfort) | 33 | 68 |
| On distribution concession (letter of comfort) | 178 | 210 |
| On agreements for transport of gas (letter of comfort) | 428 | 872 |
| On agreements for transport of electricity (letter of comfort) | 0 | 100 |
| On leases agreements | 55 | 117 |
| **Total** | **26,771** | **29,597** |

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 amount as of 31st December 2018 to Euro 25,332 thousand, unchanged since 31st December 2017.

## 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 23rd November 2008, it is noted that the company has not entered into agreements not disclosed in the balance sheet.

**Management of financial risk: objectives and criteria**

The investments in the operative activities of the Group mainly consist of short-term and medium/long-term bank loans, 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**

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

Furthermore, the Group manages medium-long term loans at variable rates with primary bank institutions, with an outstanding debt as of 31st December 2018 of Euro 63,124 thousand and due dates between 31st January 2019 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2019 and 2025, with residual balance as of 31st December 2018 of Euro 26,250 thousand (Euro 34,541 thousand as of 31st December 2017), represented exclusively by the loan granted in August 2013 by the European Investment Bank.

On the other hand, the loan taken out with BNL in August 2017, with a residual debt as of 31st December 2018 of Euro 27,500 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 31st December 2018 of Euro 9,374 thousand, are not exposed to interest rate risks, as they envisage the application of a fixed rate.

The loans taken out with BNL and the European Investment Bank are subjected to convents that have been respected.

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) | January | February | March | April | May | June | July | August | September | October | November | December | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Financial Position 2018 | (115,558) | (79,197) | (55,735) | (17,693) | (64,426) | (57,130) | (73,613) | (93,381) | (86,523) | (86,474) | (112,778) | (117,517) | |
| Borrowing rates of interest | 0.00% | 0.00% | 0.00% | 0.01% | 0.00% | 0.00% | 0.01% | 0.01% | 0.00% | 0.00% | 0.00% | 0.09% | |
| Lending rates of interest | 0.58% | 0.61% | 0.68% | 0.69% | 0.69% | 0.69% | 0.68% | 0.67% | 0.63% | 0.58% | 0.69% | 0.53% | |
| Borrowing rate of interest plus 200 basis points | 2.00% | 2.00% | 2.00% | 2.01% | 2.00% | 2.00% | 2.01% | 2.01% | 2.00% | 2.00% | 2.00% | 2.09% | |
| Lending rates of interest plus 200 basis points | 2.58% | 2.61% | 2.68% | 2.69% | 2.69% | 2.69% | 2.68% | 2.67% | 2.63% | 2.58% | 2.69% | 2.53% | |
| Borrowing rate of interest reduced of 50 basis points | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| Lending rates of interest reduced of 50 basis points | 0.08% | 0.11% | 0.18% | 0.19% | 0.19% | 0.19% | 0.18% | 0.17% | 0.13% | 0.08% | 0.19% | 0.03% | |
| Net Financial Position recalculated with the increase of 200 basis points | (115,754) | (79,323) | (55,830) | (17,722) | (64,535) | (57,224) | (73,738) | (93,539) | (86,666) | (86,621) | (112,963) | (117,717) | |
| Net Financial Position recalculated with decrease of 50 basis points | (115,509) | (79,166) | (55,712) | (17,685) | (64,398) | (57,107) | (73,582) | (93,341) | (86,488) | (86,437) | (112,732) | (117,467) | Total |
| Effect on pre-tax result of the increase of 200 basis points | (196) | (126) | (95) | (29) | (109) | (94) | (125) | (159) | (142) | (147) | (185) | (200) | (1,607) |
| Effect on pre-tax result of the decrease of 50 basis points | 49 | 31 | 24 | 7 | 27 | 23 | 31 | 40 | 36 | 37 | 46 | 50 | 402 |

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 1,607 thousand (2017: Euro 1,675 thousand) or positive for Euro 402 thousand (2017: Euro 419 thousand).

**Receivable risk**

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

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

**Liquidity risk**

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

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

**Risk of prices of raw materials**

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

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

The risk is therefore connected to possible volume mismatchings between the amounts in the final balance underlying the various indexing formulas and the related amounts budgeted on the basis of which the purchase portfolio has been structured.

**Risk management and control policy**

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

In accordance with the provisions of the Policies, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks, following the "Compliance with EMIR Regulation" Procedure, which defines the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 – European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market.

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

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

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

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

The risk exposure is currently defined in terms of volumetric gap between the different indexing formulas of contracts

in portfolio and taking into consideration, therefore, any natural hedging situations in the portfolio; as concerns risk management activities, the Group uses derivative financial instruments and specifically Swap transactions in order to reduce the overall exposure of the portfolio, through a reduction in the gaps detected between the different formulas.
The derivative instruments that may be used by the Group are Commodity swaps on the price of gas and/or Contracts For Difference on the price of electricity which involve the periodic swap of a differential between a fixed price and a variable price indexed to a specific market benchmark.
As of 31st December 2018, the existing derivative instruments, detailed in sections 14 "*Current assets from derivative financial instruments*" and no. 27 "*Current liabilities from derivative financial instruments*" whose mark to market totals Euro -1,093 thousand (Euro 1,503 thousand as of 31st December 2017), are prospectively and retrospectively effective.
As concerns trading activities in the gas market, the result achieved and the prospective value of forward purchase and sales contracts that cannot be defined as hedging contracts pursuant to IAS 39, calculated using fair value, are recognised in the financial statements above the Gross Operating Margin.

**Risks specific to 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 Ascopiave Group.

**Risk of volumetric variations deriving from gas settlement**

The Group is exposed to volumetric changes deriving from the schedule and methods for determining the allocations of cubic metres of natural gas attributed to the various sales companies and, specifically (i) to the adjustment sessions of natural gas allocations with closure of the station, which determine the volumes under the scope of the various sales companies (ii) to the differential between the annual quantities injected into the distribution network and the amounts supplied to the end users connected thereto. During the year, the settlement manager, Snam Rete Gas, performs the first monthly allocation of the quantities of natural gas to the various sales companies. These allocations are subsequently re-benchmarked in the following year during the annual and multi-year adjustment sessions where, in the case of the latter, the volumes of an entire five-year period are revised. In 2017, with Resolution 670/2017/R/Gas dated 5th October 2017 and 782/2017/R/Gas dated 23rd November 2017, the Regulatory Authority for Energy Networks and Environment approved the first provisions regarding Gas Settlement specifically as concerns the method to be used for the determination of the physical and economic adjustment items for the previous period, from 2013 until the coming into effect of the new regulations (2020). In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply with the closure of the station. The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to economic adjustment between the Settlement Entity (Shipper) and the Settlement Manager (Snam Rete Gas). The adjustment sessions enable the definition of the injection volumetric data (input) useful for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the final consumers (delta in-output), of which the above-mentioned resolutions introduced neutralisation for users of the distribution network, net of an allowance of 0.4%.
In the context of the regulatory framework described, the Group deems it appropriate, until the first annual adjustment session, to settle the cubic metres sold with the cubic metres allocated by the Settlement Manager upon first allocation. At the reporting date, it is not feasible to determine the value of the possible positive or negative volumetric and economic adjustment deriving from the in-output differential for 2018.
The volumetric and economic differences for the 2018 financial year, which will be announced in 2019, will be

recognised in the current year, determining a negative or positive change for the same amount on the Group's margins.

## Public payments received

With reference to the changes introduced by Law no. 124 dated 4th August 2017 "Annual competition act", art. 1 par. 125-129, the following contributions were received from Public entities in 2018, mainly concerning works on user connections and the natural gas distribution network.

| Beneficiary institution | Name / Company name | Type of operation | Amount (Euro) |
|---|---|---|---|
| AP RETI GAS S.p.A. | A.T.E.R. DI TREVISO | interventions on gas derivations | 953 |
| AP RETI GAS S.p.A. | A.T.E.R. DI TREVISO | interventions on gas derivations | 393 |
| AP RETI GAS S.p.A. | A.T.E.R. DI TREVISO | interventions on gas derivations | 2,355 |
| AP RETI GAS S.p.A. | A.T.E.R. DI TREVISO | interventions on gas derivations | 2,681 |
| AP RETI GAS S.p.A. | A.T.E.R. DI VENEZIA | interventions on gas derivations | 23,243 |
| AP RETI GAS S.p.A. | COMUNE DI CASIER | interventions on gas derivations | 1,934 |
| AP RETI GAS S.p.A. | COMUNE DI CASTELFRANCO V.TO | interventions on gas derivations | 1,551 |
| AP RETI GAS S.p.A. | COMUNE DI CONEGLIANO | interventions on gas derivations | 585 |
| AP RETI GAS S.p.A. | COMUNE DI MASERADA SUL PIAVE | gas distribution network | 5,104 |
| AP RETI GAS S.p.A. | COMUNE DI S. BIAGIO DI CALLALTA | interventions on gas derivations | 1,179 |
| AP RETI GAS S.p.A. | COMUNE DI SAN FIOR | interventions on gas derivations | 713 |
| AP RETI GAS S.p.A. | COMUNE DI SAN FIOR | interventions on gas derivations | 786 |
| AP RETI GAS S.p.A. | COMUNE DI SANDRIGO | interventions on gas derivations | 2,218 |
| AP RETI GAS S.p.A. | COMUNE DI TOMBOLO | interventions on gas derivations | 398 |
| AP RETI GAS S.p.A. | COMUNE DI TOMBOLO | interventions on gas derivations | 1,590 |
| AP RETI GAS S.p.A. | COMUNE DI TORRE DI MOSTO | interventions on gas derivations | 1,486 |
| AP RETI GAS S.p.A. | COMUNE DI TREBASELEGHE | gas distribution network | 9,166 |
| AP RETI GAS S.p.A. | COMUNE DI VEDELAGO | interventions on gas derivations | 393 |
| AP RETI GAS VICENZA S.p.A. | A.T.E.R. PROVINCIA DI VICENZA | interventions on gas derivations | 2,585 |
| AP RETI GAS VICENZA S.p.A. | COMUNE DI COSTABISSARA | interventions on gas derivations | 84 |
| AP RETI GAS VICENZA S.p.A. | COMUNE DI GAMBUGLIANO | interventions on gas derivations | 1,257 |
| AP RETI GAS VICENZA S.p.A. | COMUNE DI SANTORSO | interventions on gas derivations | 1,537 |
| AP RETI GAS VICENZA S.p.A. | COMUNE DI SCHIO | interventions on gas derivations | 1,442 |
| AP RETI GAS VICENZA S.p.A. | COMUNE DI SAN GIORGIO IN BOSCO | interventions on gas derivations | 782 |

## 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Financial position in the short term | 63,528 | 65,230 |
| financial position in the medium-long term | 53,989 | 54,637 |
| **Financial gross debt** | **117,517** | **119,867** |
| Share capital | 234,412 | 234,412 |
| Own shares | (16,981) | (17,521) |
| Reserves | 185,814 | 186,475 |
| Undistributed net profit | 44,625 | 47,135 |
| **Total Net equity** | **447,869** | **450,500** |
| **Total capital and gross debt** | **565,386** | **570,367** |
| Debt/Net assets ratio | 0.26 | 0.27 |

The debt/net equity ratio as of 31st December 2018 is 0.26, an improvement as compared to 31st December 2017, when it amounted to 0.27.
The trend of this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 2,350 thousand in 2018, and the Shareholders' equity, which decreased by Euro 2,631 thousand.

## 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 31st December 2018 and as of 31st December 2017 is as follows:

| | | | | | 31.12.2018 | |
|---|---|---|---|---|---|---|
| (Thousands of Euro) | A | B | C | D | Total | Fair value |
| Other non-current assets | | | 11,202 | | 11,202 | 11,202 |
| 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 |

| | | | | | 31.12.2017 | |
|---|---|---|---|---|---|---|
| (Thousands of Euro) | A | B | C | D | Total | Fair value |
| Other non-current assets | | | 12,840 | | 12,840 | 12,840 |
| Trade receivables and Other current assets | 597 | | 206,129 | | 206,725 | 206,725 |
| Cash and cash equivalents | | | 15,555 | | 15,555 | 15,555 |
| Current assets from derivative financial instruments | | 1,510 | | | 1,510 | 1,510 |
| Medium- and long-term bank loans | | | | 54,360 | 54,360 | 54,360 |
| Other non-current liabilities | | | | 11,599 | 11,599 | 11,599 |
| Non-current financial liabilities | | | | 277 | 277 | 277 |
| Payables due to banks and financing institutions | | | | 80,304 | 80,304 | 80,304 |
| Trade payables and Other current liabilities | 611 | | | 150,979 | 151,590 | 151,590 |
| Current financial liabilities | | | | 480 | 480 | 480 |
| Current liabilities from derivative financial instruments | | 7 | | | 7 | 7 |

**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 2018 is provided. Payment includes both the auditing service and additional services as well.

| Type of services | Entity providing the service | Recipient | Fees (Thousand of Euro) |
|---|---|---|---|
| Audit | PricewaterhouseCoopers S.p.A. | Ascopiave S.p.A. | 97 |
| | PricewaterhouseCoopers S.p.A. | Controlled companies | 215 |
| Audit and other services | PricewaterhouseCoopers S.p.A. | Ascopiave S.p.A. | 7 |
| | PricewaterhouseCoopers S.p.A. | Controlled companies | 59 |
| Other services | PricewaterhouseCoopers S.p.A. | Ascopiave S.p.A. | 0 |
| | PricewaterhouseCoopers S.p.A. | Controlled companies | 0 |
| **Total** | | | **378** |

## Business segment reporting

The sector information is provided with reference to the business sectors in which the Group operates. Business sectors are identified as primary segments of activities. The criteria used for identifying the activity segments have been inspired by the methods whereby management runs the Group and assigns managerial responsibilities.
Based on the information required by the IFRS 8 "Business Segment Reporting, Operative segments", the company has identified as segments subjects of the reporting the activities of gas and electricity sales and distribution.
Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.
The following tables show the information on revenues concerning the business segments of the Group for 2018 and 2017.

| Financial year 2018 (Thousand of Euro) | Gas distribution | Gas sale | Trading gas | Electricity sale | Other | 31.12.2018 values from new acquisitions | Elisions | Total |
|---|---|---|---|---|---|---|---|---|
| Net revenues of third-party customers | 51,886 | 449,232 | 9,490 | 70,839 | 205 | 0 | | 581,652 |
| Intra-group revenues among the segments | 63,463 | 6,148 | 0 | 38,538 | 11,170 | 0 | (119,319) | (0) |
| **Segment revenues** | **115,349** | **455,380** | **9,490** | **109,377** | **11,376** | **0** | **(119,319)** | **581,652** |
| Operating result before amortizat | 48,537 | 30,007 | (32) | 6,625 | (7,066) | 0 | | 78,072 |
| Amortization | 19,292 | 2,076 | 0 | 0 | 1,603 | 0 | | 22,972 |
| **Operating result** | **29,245** | **27,931** | **(32)** | **6,625** | **(8,669)** | **0** | | **55,101** |
| **Result before taxes** | **31,489** | **34,271** | **(32)** | **6,625** | **(9,479)** | **0** | | **62,875** |
| Assets | 459,918 | 264,668 | 0 | 10,704 | 202,881 | 0 | (92,640) | 845,530 |
| Liabilities | (110,249) | (145,254) | 0 | (14,086) | (220,713) | 0 | 92,640 | (397,661) |

| Financial year 2017 (Thousand of Euro) | Gas distribution | Gas sale | Trading gas | Electricity sale | Other | 31.12.2017 values from new acquisitions | Elisions | Total |
|---|---|---|---|---|---|---|---|---|
| Net revenues of third-party customers | 49,493 | 406,431 | 1,941 | 56,840 | 3,773 | 14,313 | | 532,792 |
| Intra-group revenues among the segments | 53,538 | 5,237 | 0 | 36,978 | 8,604 | 52 | (104,409) | 0 |
| **Segment revenues** | **103,031** | **411,668** | **1,941** | **93,818** | **12,377** | **14,365** | **(104,409)** | **532,792** |
| Operating result before amortizat | 45,648 | 33,334 | 63 | 5,767 | (4,396) | 2,136 | (29) | 82,524 |
| Amortization | 16,253 | 3,252 | 0 | 0 | 1,809 | 1,270 | | 22,585 |
| **Operating result** | **29,394** | **30,082** | **63** | **5,767** | **(6,205)** | **867** | **(29)** | **59,939** |
| **Result before taxes** | **30,936** | **36,256** | **63** | **5,767** | **(6,768)** | **614** | | **66,869** |
| Assets | 400,179 | 244,528 | 0 | 10,927 | 155,995 | 63,689 | (83,389) | 791,929 |
| Liabilities | (101,408) | (124,297) | 0 | (11,915) | (168,659) | (18,539) | 83,389 | (341,430) |

## 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 is 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 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.
The result and the number of ordinary shares used to calculate base earning per share, identified according to the method forecast by IAS 33 are reported below:

| ( Thousands of Euro ) | Amount at 31st December 2018 | Amount at 31st December 2017 |
|---|---|---|
| Net profit attributable to parent company shareolders | 44,625 | 47,135 |
| 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 | 11,727,609 | 12,100,873 |
| Weighted average number of ordinary share excluding own share, for the purpose of net income per share | 222,683,966 | 222,310,702 |
| Earning per share (in Euro) | 0.200 | 0.212 |

## Transactions with related parties

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

| (Thousands of Euro) | Trade receivables | Other receivables | Trade payables | Other payables | Costs | | | Revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Goods | Services | Other | Goods | Services | Other |
| *Parent company* | | | | | | | | | | |
| Asco Holding S.p.A. | 42 | 3,034 | 0 | 512 | 0 | 0 | 15,845 | 0 | 101 | 1,879 |
| **Total parent company** | **42** | **3,034** | **0** | **512** | **0** | **0** | **15,845** | **0** | **101** | **1,879** |
| *Affiliated companies* | | | | | | | | | | |
| Asco TLC S.p.A. | 63 | 0 | 176 | 0 | 0 | 717 | 0 | 81 | 110 | 279 |
| Seven Center S.r.l. in liquidazione | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 0 |
| **Total affiliated companies** | **63** | **0** | **176** | **0** | **0** | **717** | **0** | **81** | **119** | **279** |
| *Subsidiary companies* | | | | | | | | | | |
| Estenergy S.p.A. | 64 | 0 | 17 | 7 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASM Set S.r.l. | 1,912 | 844 | 414 | 291 | 0 | 138 | 6 | 7,515 | 472 | 72 |
| Unigas Distribuzione S.r.l. | 29 | 0 | 2,170 | 4,341 | 0 | 9,114 | 1 | 108 | 78 | 1 |
| Sinergie Italiane S.r.l. in liquidazione | 21 | 7,510 | 3,165 | 6,330 | 67,182 | 61 | 0 | 0 | 53 | 0 |
| **Total subsidiary companies** | **2,027** | **8,354** | **4,904** | **10,373** | **67,182** | **9,313** | **7** | **7,623** | **603** | **73** |
| Total | 2,131 | 11,388 | 4,728 | 10,885 | 67,182 | 10,030 | 15,852 | 7,704 | 824 | 2,232 |

Ascopiave S.p.A., AP Reti Gas S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Distribuzione S.r.l., Ascopiave Energie S.p.A. (former Pasubio Servizi S.r.l.), Blue Meta S.p.A. and Asco Energy S.p.A. (former Veritas Energia S.p.A.) joined the consolidation of the tax relationships of the parent company Asco Holding S.p.A., recorded under the items “Other current assets” and “Other current liabilities”.

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
  - The revenues for services are connected to services of gas transportation from AP Reti Gas S.p.A.;
- ASM Set S.r.l. :
  - The other receivables: are related to intragroup current account agreements with Ascopiave S.p.A..;
  - The costs for assets are related to the purchase of Gas with AP Reti Gas Rovigo S.r.l.;
  - The costs for assets are related to the purchase of Electricity with Asco Energy S.p.A. (former Veritas Energia S.p.A.);
  - The costs for services are connected to administrative services provided to Ascopiave S.p.A.;
  - The other costs relate to interest payable on the current account with Ascopiave S.p.A.;
  - The revenues for services are connected to gas transportation revenues and distribution services with AP Reti Gas Rovigo S.r.l..;
  - The other revenues relate to interests accrued on the current account with Ascopiave S.p.A..
- Unigas Distribuzione S.r.l.;
  - The costs for services are connected to gas transportation costs and distribution services with Blue Meta S.p.A.;
  - The revenues for assets concern gas sales with Blue Meta S.p.A..

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

Tax charges or revenues recorded due to participation in the Italian Tax Consolidation Agreement with the parent company Asco Holding S.p.A. are respectively recognised in other costs or other revenues.

Costs for services to the subsidiary Asco TLC S.p.A. refer to a rental fee for the servers. Revenues for the afore-mentioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

The costs for assets due to Sinergie Italiane S.r.l. in liquidation relate to the purchase of natural gas by Ascotrade S.p.A. while costs and revenues for services relate to service contracts between the parties and re-invoicing of consultancy.

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 31st December 2018 to Euro 25,332 thousand (Euro 26,665 thousand as of 31st December 2017).

Service costs to the parent company Asco Holding S.p.A. mainly relate to chargebacks of Group insurance services, whereas revenues for services relate to service contracts signed between the parties.

The costs for services for the subsidiary Seven Center S.r.l. in liquidation mainly refer to maintenance services for the natural gas distribution network.

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 correlated parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 of 24th 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 24th 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 12th March 2010 and subsequent modifications.

The Procedure was implemented on 1st 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 11th 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 27th July 2006:

### Consolidated assets and liabilities statement

| | | Of which related parties | | | | | | | Of which related parties | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (Thousands of Euro) | 31.12.2018 | A | B | C | D | Total | % | 31.12.2017 | A | B | C | D | Total | % |
| **ASSETS** | | | | | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | | | | | |
| Goodwill | 80,758 | | | | | | | 80,758 | | | | | | |
| Other intangible assets | 351,878 | | | | | | | 346,934 | | | | | | |
| Tangible assets | 32,724 | | | | | | | 32,334 | | | | | | |
| Shareholdings | 68,357 | | | 68,355 | | 68,355 | 100.0% | 68,878 | | | 68,871 | | 68,871 | 100.0% |
| Other non-current assets | 12,044 | | | 7,510 | | 7,510 | 62.4% | 13,015 | | | 7,510 | | 7,510 | 57.7% |
| Non current financial assets | 1,122 | | | | | | | | | | | | | |
| Advance tax receivables | 11,358 | | | | | | | 11,479 | | | | | | |
| **Non-current assets** | **558,240** | | | **75,865** | | **75,865** | **13.6%** | **553,397** | | | **76,381** | | **76,381** | **13.8%** |
| **Current assets** | | | | | | | | | | | | | | |
| Inventories | 6,020 | | | | | | | 4,072 | | | | | | |
| Trade receivables | 166,947 | 42 | 63 | 2,027 | | 2,131 | 1.3% | 156,884 | 1 | 94 | 1,712 | | 1,807 | 1.2% |
| Other current assets | 45,062 | 3,034 | | | | 3,034 | 6.7% | 57,865 | 9,601 | | 21 | | 9,580 | 16.6% |
| Current financial assets | 981 | | | 844 | | 844 | 86.0% | 0 | | | | | | |
| Tax receivables | 1,508 | | | | | | | 2,645 | | | | | | |
| Cash and cash equivalents | 66,650 | | | | | | | 15,555 | | | | | | |
| Current assets on derivative financial instruments | 123 | | | | | | | 1,510 | | | | | | |
| **Current assets** | **287,291** | **3,076** | **63** | **2,871** | | **6,009** | **2.1%** | **238,532** | **9,602** | **94** | **1,691** | | **11,387** | **4.8%** |
| **ASSETS** | **845,531** | **3,076** | **63** | **78,735** | | **81,874** | **9.7%** | **791,929** | **9,602** | **94** | **78,072** | | **87,768** | **11.1%** |
| **Net equity and liabilities** | | | | | | | | | | | | | | |
| **Total Net equity** | | | | | | | | | | | | | | |
| Share capital | 234,412 | | | | | | | 234,412 | | | | | | |
| Own shares | (16,981) | | | | | | | (17,521) | | | | | | |
| Reserves | 226,136 | | | | | | | 228,620 | | | | | | |
| **Net equity of the Group** | **443,567** | | | | | | | **445,511** | | | | | | |
| **Net equity of Others** | **4,303** | | | | | | | **4,989** | | | | | | |
| **Total Net equity** | **447,869** | | | | | | | **450,500** | | | | | | |
| **Non-current liabilities** | | | | | | | | | | | | | | |
| Provisions for risks and charges | 3,901 | | | | | | | 5,913 | | | | | | |
| Severance indemnity | 4,807 | | | | | | | 4,836 | | | | | | |
| Medium- and long-term bank loans | 55,111 | | | | | | | 54,360 | | | | | | |
| Other non-current liabilities | 28,003 | | | | | | | 22,930 | | | | | | |
| Non-current financial liabilities | 0 | | | | | | | 277 | | | | | | |
| Deferred tax payables | 14,534 | | | | | | | 15,733 | | | | | | |
| **Non-current liabilities** | **106,356** | | | | | | | **104,048** | | | | | | |
| **Current liabilities** | | | | | | | | | | | | | | |
| Payables due to banks and financing institutions | 131,044 | | | | | | | 80,304 | | | | | | |
| Trade payables | 131,185 | | 176 | 5,469 | | 5,645 | 4.3% | 117,653 | | 121 | 2,415 | | 2,536 | 2.2% |
| Tax payables | 207 | | | | | | | 625 | | | | | | |
| Other current liabilities | 27,539 | 1,523 | | | | 1,523 | 5.5% | 38,312 | 7,738 | | | | 7,738 | 20.2% |
| Current financial liabilities | 115 | | | | | | | 480 | | | 279 | | 279 | 58.1% |
| Current liabilities from derivative financial instruments | 1,216 | | | | | | | 7 | | | | | | |
| **Current liabilities** | **291,305** | **1,523** | **176** | **5,469** | | **7,168** | **2.5%** | **237,382** | **7,738** | **121** | **2,694** | | **10,553** | **4.4%** |
| **Liabilities** | **397,661** | **1,523** | **176** | **5,469** | | **7,168** | **1.8%** | **341,430** | **7,738** | **121** | **2,694** | | **10,553** | **3.1%** |
| **Net equity and liabilities** | **845,530** | **1,523** | **176** | **5,469** | | **7,168** | **0.8%** | **791,929** | **7,738** | **121** | **2,694** | | **10,553** | **1.3%** |

**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 2018 | Of which related parties A | B | C | D | Total | % | Full Year 2017 | Of which related parties A | B | C | D | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **581,652** | **101** | **480** | **8,297** | | **8,879** | **1.5%** | **532,792** | **34** | **489** | **11,770** | | **12,293** | **2.3%** |
| of which non-recurring: | 8,703 | | | | | | | 0 | | | | | | |
| **Total operating costs** | **503,580** | | **717** | **76,496** | **3,890** | **81,103** | **16.1%** | **450,268** | | **705** | **68,541** | **1,803** | **71,049** | **15.8%** |
| Purchase costs for raw material (gas) | 307,586 | | | 67,182 | | 67,182 | 21.8% | 252,492 | | | 58,238 | | 58,238 | 23.1% |
| of which non-recurring: | 12,247 | | | | | | | 0 | | | | | | |
| Purchase costs for other raw materials | 25,156 | | | | | | | 18,085 | | 1 | | | 1 | 0.0% |
| of which non-recurring: | | | | | | | | 0 | | | | | | |
| Costs for services | 114,827 | | 717 | 9,313 | 579 | 10,609 | 9.2% | 113,457 | | 702 | 10,304 | 569 | 11,575 | 10.2% |
| Costs for personnel | 26,030 | | | | 3,312 | 3,312 | 12.7% | 24,855 | | | | 1,234 | 1,234 | 5.0% |
| of which non-recurring: | 2,411 | | | | | | | 0 | | | | | | |
| Other management costs | 30,336 | | | | | | | 42,109 | | 1 | | | 1 | 0.0% |
| Other income | 356 | | | | | | | 731 | | | | | | |
| Amortization and depreciation | 22,972 | | | | | | | 22,585 | | | | | | |
| **Operating result** | **55,101** | **101** | **(237)** | **(68,198)** | **(3,890)** | **(72,224)** | **-131.1%** | **59,939** | **34** | **(215)** | **(56,771)** | **(1,803)** | **(58,756)** | **-98.0%** |
| Financial income | 322 | | | 2 | | 2 | 0.6% | 287 | | | 1 | | 1 | 0.2% |
| Financial charges | 1,101 | | | 7 | | 7 | 0.6% | 755 | | | 7 | | 7 | 0.9% |
| Evaluation of subsidiary companies with the net equity method | 8,553 | 0 | 4 | (0) | | 4 | 0.0% | 7,398 | 0 | 4 | (0) | | 4 | 0.1% |
| **Earnings before tax** | **62,875** | **102** | **(233)** | **(68,203)** | **(3,890)** | **(72,225)** | **-114.9%** | **66,869** | **34** | **211** | **56,778** | **1,803** | **58,758** | **-87.9%** |
| Taxes for the year | 16,376 | | | | | | | 17,617 | | | | | | |
| **Result of the year** | **46,499** | | | | | | | **49,252** | | | | | | |
| Group's Net Result | 44,625 | | | | | | | 47,135 | | | | | | |
| Third parties Net Result | 1,874 | | | | | | | 2,117 | | | | | | |
| **Consolidated statement of comprehen** | | | | | | | | | | | | | | |
| 1. Components that can be reclassifi | | | | | | | | | | | | | | |
| Fair value of derivatives, changes in the period net of tax | (2,281) | | | | | | | (356) | | | | | | |
| 2. Components that can not be reclassified to the income statement | | | | | | | | | | | | | | |
| Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax | 11 | | | | | | | 63 | | | | | | |
| **Total comprehensive income** | **44,230** | | | | | | | **48,959** | | | | | | |

### Legend for the Related parties column heading:

***A*** *Parent companies*

***B*** *Associates*

***C*** *Affiliates and Jointly controlled companies*

***D*** *Other related parties*

## Consolidated statement of cash flows

| ( Thousands of Euro ) | Full Year 2018 | Of which related parties A | B | C | D | Totale | Full Year 2017 | Of which related parties A | B | C | D | Totale |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net income of the Group** | **44,625** | | | | | | **47,135** | | | | | |
| **Cash flows generated (used) by operating activities** | | | | | | | | | | | | |
| **Adjustments to reconcile net income to net cash** | | | | | | | | | | | | |
| Third-parties operating result | 1,874 | | | | | **0** | 2,117 | | | | | **0** |
| Amortization | 22,972 | | | | | **0** | 22,585 | | | | | **0** |
| Bad debt provisions | 1,964 | | | | | **0** | 1,885 | | | | | **0** |
| Variations in severance indemnity | (6) | | | | | **0** | (15) | | | | | **0** |
| Current assets / liabilities on f inancial instruments | 2,597 | | | | | **0** | 271 | | | | | **0** |
| Net variation of other funds | (1,318) | | | | | **0** | (735) | | | | | **0** |
| Evaluation of subsidiaries w ith the net equity method | (8,558) | 0 | | 516 | | **516** | (7,398) | 0 | | (6,839) | | **(6,839)** |
| Provision for risks | 5 | | | | | **0** | 0 | | | | | **0** |
| Write-downs / (gains) on equity investments | | | | | | **0** | (373) | | | | | **0** |
| Losses / (gains) on disposal of fixed assets | (935) | | | | | **0** | 0 | | | | | **0** |
| Interests paid | (12,549) | | | | | **0** | (414) | | | | | **0** |
| Imposte pagate | 1,033 | | | | | **0** | (29,097) | | | | | **0** |
| Interest expense for the period | 16,376 | | | | | **0** | 618 | | | | | **0** |
| Taxes for the period | 610 | | | | | **0** | 17,617 | | | | | **0** |
| **Variations in assets and liabilities** | (1,947) | | | | | | | | | | | |
| Inventories | (12,027) | | | | | **0** | 411 | | | | | **0** |
| Accounts payable | 13,240 | (41) | 31 | (314) | 0 | **(324)** | (3,333) | 35 | 56 | 26 | 0 | **118** |
| Other current assets | (0) | 6,568 | 0 | (21) | 0 | **6,546** | (4,309) | (4,676) | 0 | 0 | 0 | **(4,676)** |
| Tax credits and tax debts | 13,532 | | | | | **0** | 0 | | | | | **0** |
| Trade payables | (18,234) | 0 | 54 | 3,054 | 0 | **3,109** | (4,317) | 0 | 52 | (213) | 0 | **(161)** |
| Other current liabilities | 971 | (6,215) | 0 | 0 | 0 | **(6,215)** | 5,679 | (3,188) | 0 | 0 | 0 | **(3,188)** |
| Other non-current assets | 5,073 | 0 | 0 | 0 | 0 | **0** | 561 | 0 | 0 | 683 | 0 | **683** |
| Other non-current liabilities | 24,065 | 0 | 0 | 0 | 0 | **0** | 1,662 | 0 | 0 | 0 | 0 | **0** |
| **Total adjustments and variations** | **68,690** | **311** | **86** | **3,235** | **0** | **3,631** | **3,414** | **(7,829)** | **108** | **(6,343)** | **0** | **(14,064)** |
| **Cash flows generated (used) by operating activities** | **0** | **311** | **86** | **3,235** | **0** | **3,631** | **50,549** | **(7,829)** | **108** | **(6,343)** | **0** | **(14,064)** |
| **Cash flows generated (used) by investments** | (0) | | | | | | | | | | | |
| Goodwill from conferment | (26,988) | | | | | **0** | 0 | | | | | **0** |
| Investments in intangible assets | 1,210 | | | | | **0** | (22,458) | | | | | **0** |
| Realisable value of intangible assets | (2,557) | | | | | **0** | 609 | | | | | **0** |
| Investments in tangible assets | 29 | | | | | **0** | (1,129) | | | | | **0** |
| Realizzo di immobilizzazioni materiali | (3,778) | | | | | **0** | 2 | | | | | **0** |
| Cessioni/(Acquisizioni) di partecipazioni e acconti | | | | | | **0** | (9,655) | | | | | **0** |
| Altri movimenti di patrimonio netto | | | | | | **0** | 648 | | | | | **0** |
| **Cash flows generated/(used) by investments** | **14,489** | **0** | **0** | **0** | **0** | **0** | **(31,983)** | **0** | **0** | **0** | **0** | **0** |
| **Cash flows generated (used) by financial activities** | | | | | | | | | | | | |
| Effects of derivatives in HA on related companies | (277) | | | | | | 0 | | | | | |
| Net changes in debts due to other financers | (4,343) | 0 | 0 | 0 | 0 | **0** | (80) | 0 | 0 | 0 | 0 | **0** |
| Net changes in short-term bank borrow ings | (2,468) | | | | | **0** | (7,754) | | | | | **0** |
| Net variation in current f inancial assets and liabilities | | 0 | 0 | (1,123) | 0 | **(1,123)** | (3,165) | 0 | 0 | (3,133) | 0 | **(3,133)** |
| Passive interests | 540 | | | | | **0** | 0 | | | | | **0** |
| Purchase of own shares | 0 | | | | | **0** | 0 | | | | | **0** |
| Net change in medium-long term loans | 218,000 | | | | | **0** | 0 | | | | | **0** |
| Ignitions loans and mortgages | (162,166) | | | | | **0** | 345,000 | | | | | **0** |
| Redemptions loans and mortgages | (40,016) | | | | | **0** | (309,287) | | | | | **0** |
| Dividendi distribuiti a azionisti Ascopiave S.p.A. | (2,054) | | | | | **0** | (40,016) | | | | | **0** |
| Dividendi distribuiti ad azionisti terzi | | | | | | **0** | (3,237) | | | | | **0** |
| Dividendi società a controllo congiunto | 0 | | | 0 | | **0** | 6,706 | | | 6,706 | | **6,706** |
| **Cash flows generated (used) by financial activities** | **14,489** | **0** | **0** | **(1,123)** | **0** | **(1,123)** | **(11,833)** | **0** | **0** | **3,573** | **0** | **3,573** |
| **Var iations in cash** | **51,095** | | | | | **0** | **6,733** | | | | | **0** |
| **Cash and cash equivalents at the beginning of the period** | **15,555** | | | | | **0** | **8,822** | | | | | **0** |
| **Cash and cash equivalents at the end of the period** | **66,650** | | | | | **0** | **15,555** | | | | | **0** |

### Legend for the Related parties column heading:

***A** Parent companies*

***B** Associates*

***C** Affiliates and Jointly controlled companies*

***D** Other related parties*

## Consolidated net debt

| (Thousands of Euro) | 31.12.2018 | Of which related parties A | B | C | D | Total | % | 31.12.2017 | Of which related parties A | B | C | D | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents on hand | 18 | | | | | | | 17 | | | | | | |
| Bank and post office deposits | 66,632 | | | | | | | 15,538 | | | | | | |
| Securities held for trading | | | | | | | | | | | | | | |
| **Liquid assets (A) + (B) + (C)** | **66,650** | | | | | | | **15,555** | | | | | | |
| Current financial assets | 981 | | | 844 | | 844 | 86.0% | 0 | | | | | | |
| Payables due to banks | (123,031) | | | | | | | (70,123) | | | | | | |
| Current portion of medium-long-term loans | (8,014) | | | | | | | (10,181) | | | | | | |
| Current financial liabilities | (115) | | | | | | | (480) | | | (279) | | (279) | 58.1% |
| **Current financial indebtedness (F) + (G) + (H)** | **(131,159)** | | | | | | | **(80,785)** | | | **(279)** | | **(279)** | **0.3%** |
| **Net current financial indebtedness (I) - (E) - (D)** | **(63,528)** | | | **844** | | **844** | **-1.3%** | **(65,230)** | | | **(279)** | | **(279)** | **0.4%** |
| Medium- and long-term bank loans | (55,111) | | | | | | | (54,360) | | | | | | |
| Non current financial assets | 1,122 | | | | | | | | | | | | | |
| Non-current financial liabilities | 0 | | | | | | | (277) | | | | | | |
| **Non-current financial indebtedness (K) + (L) + (M)** | **(53,989)** | | | | | | | **(54,637)** | | | | | | |
| **Net financial indebtedness (J) + (N)** | **(117,517)** | | | **844** | | **844** | **-0.7%** | **(119,867)** | | | **(279)** | | **(279)** | **0.2%** |

**Legend for the Related parties column heading:**
***A*** *Parent companies*
***B*** *Associates*
***C*** *Affiliates and Jointly controlled companies*
***D*** *Other related parties*

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies:
- Asco Holding S.p.A.

Group B - Affiliates and Jointly controlled companies:
- Asco TLC S.p.A.
- Seven Center S.r.l. in liquidation

Group C – Associates:
- Estenergy S.p.A.
- ASM Set S.r.l.
- Unigas Distribuzione 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 2018

**Approval of the project of merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave**

On 28th 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 on 28th January 2019 between Ascopiave, Unigas and, limited to the assumption of certain commitments, Anita S.r.l., as the reference partner of Unigas (the "Framework Agreement"). On the same date, the Boards of Directors of Ascopiave and Unigas approved the Merger plan, which will be 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 will be made available in accordance with the applicable legislation.

The completion of the combination is expected, subject to the approval by the aforementioned Shareholders' Meetings and the issue of a positive opinion on the adequacy of the share exchange ratio by Reconta Ernst & Young S.p.A., within the first half of 2019.

Pursuant to the Framework Agreement, Ascopiave and Unigas may withdraw from their respective obligations relating to the completion of the combination upon the occurrence, between the merger's approval date and the date envisaged for the conclusion of the Merger deed, of certain extraordinary events, to date unpredictable, which could have a significant impact on either of the two companies involved in the Merger.

Unigas, concessionaire of the methane gas distribution service in 32 municipalities in the province of Bergamo, served about 95,000 users in 2017, distributing over 150,000,000 cubic metres of gas through 1,000 Km of network managed and generating revenues of Euro 15.2 million. In the same period, EBITDA amounted to Euro 5.5 million.

The Merger

The Merger will be 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 30th 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 for 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, shall be transferred to Anita. As better described in the Merger plan, the aforesaid share exchange ratio may be 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 8th 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 23rd July 2018.

The final share exchange ratio will be announced as soon as it is available via a specific press release published on Ascopiave's website www.gruppoascopiave.it.

"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".

Further information on the Merger will be made available to the public on Ascopiave's website www.gruppoascopiave.it. in accordance with the current legislation.

**Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29th January 2019**

On 29th January 2019, the Regulatory Authority for Energy, Networks and the Environment published Resolution 32/2019/R/GAS implementing decision no. 4825/2016 of the Council of State for the cancellation of resolution ARG/GAS 89/10.

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

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

**Press release of Ascopiave S.p.A.**

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

Ascopiave will keep the market informed about any subsequent developments of such process.

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

On 6th 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 23rd July 2018 concerning certain amendments to the articles of association, on 20th February 2019 the expert appointed by the Court of Venice pursuant to art. 2437-*ter*, paragraph 6, Italian Civil Code, determined the unit liquidation value of the shares for which withdrawal was exercised, equal to Euro 4.047, assuming as the reference date of the assessment the date of the Meeting that approved the resolutions legitimating the withdrawal.

The determination by the expert appointed by the Court became necessary because some of the withdrawing shareholders challenged the withdrawal value determined by the Board of Directors on 8th June 2018, on the basis of the assessment prepared by the independent consultant KPMG Advisory S.p.A. and endorsed by the Board of Auditors and the auditing firm Price Waterhouse Coopers S.p.A..

In the light of the above, Asco Holding's Board of Directors, which met on the same date, resolved to launch the procedure to offer its shareholders the right to exercise the first option to buy the 28,279,062 shares, for which the right of withdrawal was validly exercised and whose liquidation value determined by the Board was challenged, at the unit price of Euro 4.047, corresponding to the liquidation value determined by the expert. The pre-emption offer notice will be filed with the Company Register of Treviso and Belluno by 7th March 2019. In order to cope with the disbursement connected with the withdrawal procedure, the Board also decided to submit to the Board of Directors of the subsidiary Ascopiave S.p.A. a request to convene the Shareholders' Meeting in order to resolve on a proposal for the extraordinary distribution of available reserves to all shareholders up to an amount of Euro 50 million.

## Goals and policies of the Group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership. As for the segment of gas sale, the Group intends to implement the necessary actions to safeguard the current levels of profitability in an ever-changing market, through a trade policy focused on the proposal of differential pricing formulas and improvement of the quality of service. On 20th February 2019, Ascopiave S.p.A.'s Board of Directors launched the first stage of a process aimed at enhancing its activities in the gas and electricity sales sector and strengthening and consolidating its presence in the gas distribution sector, in both cases also through one or more strategic partnerships.
The expressions of interest and non-binding offers from the participants will be received during this first stage.

## Synthesis data as of 31st December 2018 of jointly controlled companies consolidated through the equity method

**Estenergy S.p.A.**
The Group holds a 48.999% stake in Estenergy S.p.A., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.
The stake of the Group in Estenergy S.p.A. is recognised in the consolidated financial statements through the net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

**Balance sheet - summary data**

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| **Current assets** | **61,604** | **63,213** |
| of which | | |
| Cash and cash equivalents | 15,262 | 12,953 |
| **Non-current assets** | **67,898** | **67,147** |
| **Current liabilities** | **36,915** | **34,801** |
| of which | | |
| Current financial liabilities | 1 | 132 |
| **Non - current liabilities** | **4,354** | **4,577** |
| | **88,234** | **90,982** |
| Group inteterest | **48.999%** | **48.999%** |
| **Net profit for the period attributable of the Group** | **43,234** | **44,580** |

The recognition of higher provisions for bad and doubtful accounts is mainly attributable to the fact that the international accounting standard IFRS 9 was applied for the first time to the measurement of the estimate of losses on receivables. The provision amounts to Euro 1,517 thousand (net of the relevant tax effect) as an adjustment of the shareholders' equity on the receivables recorded as at 31st December 2017. The provisions posted to the income statement in relation to the half-yearly provision made, were equal to Euro 1,231 thousand, marking a decrease as compared to the same period in the previous year.

**Income Statement - summary data**

| (Thousands of Euro) | Full Year 2018 | Full Year 2017 |
|---|---|---|
| Revenues | 131,132 | 127,521 |
| Total operating costs | 116,865 | 111,597 |
| **Gross operative margin** | **14,267** | **15,924** |
| Amortization and depreciation | 34 | 1,707 |
| **Operating result** | **14,233** | **14,217** |
| Financial income | 206 | 204 |
| Financial charges | 34 | 4 |
| **Earnings before tax** | **14,405** | **14,418** |
| Taxes of the period | 4,125 | 4,232 |
| **Result of the period** | **10,280** | **10,186** |
| Group inteterest | 48.999% | 48.999% |
| **Net profit for the period attributable of the Group** | **5,037** | **4,991** |

**Unigas Distribuzione S.r.l.**

The Group holds a 48.86% stake in Unigas Distribuzione S.r.l., a jointly controlled entity active in the distribution of natural gas.

The stake of the Group in Unigas Distribuzione S.r.l. is recognised in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

**Balance sheet - summary data**

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| **Current assets** | **12,106** | **18,234** |
| of which | | |
| Cash and cash equivalents | 1,327 | 3,141 |
| **Non-current assets** | **48,366** | **47,867** |
| **Current liabilities** | **14,648** | **22,319** |
| of which | | |
| Current financial liabilities | 0 | 0 |
| **Non - current liabilities** | **1,728** | **1,139** |
| | **44,096** | **42,643** |
| **Group inteterest** | **48.860%** | **48.860%** |
| **Net profit for the period attributable of the Group** | **21,545** | **20,835** |

**Income Statement - summary data**

| (Thousands of Euro) | Full Year 2018 | Full Year 2017 |
|---|---|---|
| Revenues | 9,915 | 21,182 |
| Total operating costs | 3,759 | 15,885 |
| **Gross operative margin** | **6,156** | **5,298** |
| Amortization and depreciation | 2,476 | 2,417 |
| **Operating result** | **3,679** | **2,881** |
| Financial income | 6 | 4 |
| Financial charges | 47 | 145 |
| **Earnings before tax** | **3,638** | **2,740** |
| Taxes of the period | 759 | 767 |
| **Result of the period** | **2,880** | **1,973** |
| Group inteterest | 48.86% | 48.86% |
| **Net profit for the period attributable of the Group** | **1,407** | **964** |

**Asm Set S.r.l.**

The Group holds a 49% stake in Asm Set S.r.l., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Asm Set S.r.l. is recognised in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

**Balance sheet - summary data**

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| **Current assets** | **11,280** | **10,339** |
| of which | | |
| Cash and cash equivalents | 801 | 664 |
| **Non-current assets** | **4,900** | **5,078** |
| **Current liabilities** | **8,490** | **7,423** |
| of which | | |
| Current financial liabilities | 844 | 0 |
| **Non - current liabilities** | **393** | **943** |
| | **7,297** | **7,051** |
| **Group inteterest** | **49.000%** | **49.000%** |
| **Net profit for the period attributable of the Group** | **3,576** | **3,455** |

**Income Statement - summary data**

| (Thousands of Euro) | Full Year 2018 | Full Year 2017 |
|---|---|---|
| Revenues | 28,987 | 26,560 |
| Total operating costs | 25,938 | 23,855 |
| **Gross operative margin** | **3,049** | **2,705** |
| Amortization and depreciation | 5 | 202 |
| **Operating result** | **3,044** | **2,503** |
| Financial income | 19 | 18 |
| Financial charges | 9 | 9 |
| **Earnings before tax** | **3,055** | **2,511** |
| Taxes of the period | 875 | 718 |
| **Result of the period** | **2,179** | **1,793** |
| Group inteterest | 49.00% | 49.00% |
| **Net profit for the period attributable of the Group** | **1,068** | **879** |

Pieve di Soligo, 11th March 2019

Chairman of the Board of Directors
Nicola Cecconato

# Ascopiave S.p.A.

## ANNUAL FINANCIAL REPORT

## as of 31st December 2018

## Table of Contents

## Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2nd 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 31st December 2018 and as of 31st December 2017

| (Euro) | | 31.12.2018 | 31.12.2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Other intangible assets | (1) | 3,960 | 123,377 |
| Tangible assets | (2) | 27,252,939 | 28,188,929 |
| Shareholdings | (3) | 501,855,734 | 498,077,734 |
| Other non-current assets | (4) | 2,794,254 | 4,466,108 |
| Non current financial assets | (5) | 1,122,013 | |
| Advance tax receivables | (6) | 1,735,300 | 2,038,604 |
| **Non-current assets** | | **534,764,200** | **532,894,752** |
| **Current assets** | | | |
| Trade receivables | (7) | 5,273,832 | 6,419,796 |
| Other current assets | (8) | 3,549,510 | 5,737,453 |
| Tax receivables | (10) | 308,904 | 664,277 |
| Cash and cash equivalents | (11) | 58,395,983 | 9,330,156 |
| **Current assets** | | **93,559,012** | **43,222,864** |
| **ASSETS** | | **628,323,212** | **576,117,616** |
| **NET EQUITY AND LIABILITIES** | | | |
| **Total Net equity** | | | |
| Share capital | | 234,411,575 | 234,411,575 |
| Own shares | | (16,980,868) | (17,521,332) |
| Reserves | | 182,700,183 | 181,546,868 |
| **Total Net equity** | (12) | **400,130,890** | **398,437,111** |
| **Non-current liabilities** | | | |
| Provisions for risks and charges | (13) | 322,822 | 926,072 |
| Severance indemnity | (14) | 270,619 | 257,274 |
| Medium- and long-term bank loans | (15) | 55,110,559 | 54,359,925 |
| Other non-current liabilities | (16) | 8,800 | 46,279 |
| Deferred tax payables | (17) | 20,414 | 21,206 |
| **Non-current liabilities** | | **55,733,213** | **55,610,755** |
| **Current liabilities** | | | |
| Payables due to banks and financing institutions | (18) | 131,013,648 | 80,181,482 |
| Trade payables | (19) | 2,033,633 | 2,774,088 |
| Other current liabilities | (20) | 2,916,560 | 3,284,763 |
| Current financial liabilities | (21) | 36,495,268 | 35,829,417 |
| **Current liabilities** | | **172,459,109** | **122,069,750** |
| **Liabilities** | | **228,192,322** | **177,680,505** |
| **Net equity and liabilities** | | **628,323,212** | **576,117,616** |

In accordance with CONSOB resolution no. 15519 dated 27th 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 year 2018 and 2017

| (Euro) | | Full Year 2018 | Full Year 2017 |
|---|---|---|---|
| **Revenues** | (22) | **62,402,117** | **61,732,301** |
| Ricavi da terzi | | 49,881,646 | 49,644,366 |
| Ricavi da società controllate | | 12,520,471 | 12,087,934 |
| **Total operating costs** | | **19,586,111** | **16,608,697** |
| Purchase costs for other raw materials | (23) | 15,077 | 779 |
| Costs for services | (24) | 9,675,984 | 8,467,039 |
| Costs for personnel | (25) | 9,315,661 | 7,445,488 |
| Other management costs | (26) | 811,531 | 773,194 |
| Other income | (27) | 232,141 | 77,804 |
| Amortization and depreciation | (28) | 1,602,946 | 1,755,830 |
| **Operating result** | | **41,213,060** | **43,367,774** |
| Financial income | (29) | 384,576 | 237,239 |
| Financial charges | (29) | 1,195,165 | 751,641 |
| **Earnings before tax** | | **40,402,471** | **42,853,372** |
| Taxes for the period | (30) | 1,576,821 | 764,382 |
| **Result for the period** | | **41,979,291** | **43,617,754** |
| **Statement of comprehensive income** | | | |
| Components that can not be reclassified to the income statement | | | |
| Actuarial (losses) / gains from remesurement on defined-benefit obligation | | (296) | 4,875 |
| **Total comprehensive income** | | **41,978,995** | **43,622,629** |

In accordance with CONSOB resolution no. 15519 dated 27th 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 31st December 2018 and as of 31st December 2017

| (Euro) | Share capital | Legal reserve | Own shares | Other reserves | Reserves IAS 19 actuarial differences | Net result for the period | Total net equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 1st January 2018** | **234,411,575** | **46,882,315** | **(17,521,332)** | **91,086,967** | **(40,168)** | **43,617,754** | **398,437,111** |
| Result for the period | | | | | | 41,979,291 | 41,979,291 |
| IAS 19 TFR actualization for the period | | | | | (296) | | (296) |
| **Total result of overall income statement** | | | | **(0)** | **(296)** | **41,979,291** | **41,978,995** |
| 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) |
| **Balance as of 31st December 2018** | **234,411,575** | **46,882,315** | **(16,980,868)** | **93,879,041** | **(40,464)** | **41,979,291** | **400,130,890** |

| (Euro) | Share capital | Legal reserve | Own shares | Other reserves | Reserves IAS 19 actuarial differences | Net result for the period | Total net equity |
|---|---|---|---|---|---|---|---|
| **Balance as of 1st January 2017** | **234,411,575** | **46,882,315** | **(17,521,185)** | **96,818,935** | **(45,043)** | **33,699,756** | **394,246,207** |
| Result for the period | | | | | | 43,617,754 | 43,617,754 |
| IAS 19 TFR actualization for the period | | | | | 4,875 | | 4,875 |
| **Total result of overall income statement** | | | | **(0)** | **4,875** | **43,617,754** | **43,622,629** |
| Allocation of 2016 result | | | | 33,699,756 | | (33,699,756) | -0 |
| Dividends paid to shareholders | | | | -40,015,926 | | | (40,015,926) |
| Long-term incentive plans | | | | 584,202 | | | 584,202 |
| **Balance as of 31st December 2017** | **234,411,575** | **46,882,315** | **(17,521,185)** | **91,086,967** | **(40,168)** | **43,617,754** | **398,437,111** |

## Statement of cash flows FY 2018 and FY 2017

| | Full Year | |
|---|---|---|
| (Euro) | 2018 | 2017 |
| **Net income of the Group** | **41,979,291** | **43,617,754** |
| **Cash flows generated (used) by operating activities** | | |
| **Adjustments to reconcile net income to net cash** | **2,633,119** | **3,914,018** |
| Amortization and depreciation | 1,602,946 | 1,755,830 |
| Variations in severance indemnity | 13,049 | 9,346 |
| Net variation of other funds | (955,349) | 283,051 |
| Interests paid | (934,791) | (404,078) |
| Taxes paid | 3,292,399 | (29,096,550) |
| Interest expense for the year | 1,191,685 | 748,137 |
| Taxes paid | (1,576,821) | 2,286,113 |
| **Variations in assets and liabilities** | **2,087,382** | **3,692,899** |
| Accounts payable | 1,145,965 | 991,902 |
| Other current assets | 2,187,943 | 3,329,933 |
| Trade payables | (740,454) | 994,594 |
| Other current liabilities | (2,140,446) | (1,621,355) |
| Other non-current assets | 1,671,854 | (4,174) |
| Other non-current liabilities | (37,479) | 2,000 |
| **Total adjustments and variations** | **4,720,501** | **7,606,916** |
| **Cash flows generated (used) by operating activities** | **46,699,792** | **51,224,670** |
| **Cash flows generated (used) by investments** | | |
| Investments in intangible assets | | (2,520) |
| Investments in tangible assets | (547,539) | (520,274) |
| Disposal/(acquisitions) in investments and avances | (3,778,000) | (16,300,000) |
| Other net equity operations | | 584,202 |
| **Cash flows generated/(used) by investments** | **4,325,539** | **(16,238,592)** |
| **Cash flows generated (used) by financial activities** | | |
| Net changes in short-term bank borrowings | (4,250,793) | 15,894,394 |
| Net variation in current financial assets and liabilities | (6,081,614) | (25,863,967) |
| Net change in loans to associates | 665,851 | 0 |
| Purchase of own shares | 540,464 | 0 |
| Net changes in medium and long-term loans | | 19,818,518 |
| Turning on loans and mortgages | 218,000,000 | 0 |
| Repayments on loans and mortgages | (162,166,407) | 0 |
| Dividends paid to shareholders | (40,015,926) | (40,015,926) |
| **Cash flows generated (used) by financial activities** | **6,691,574** | **(30,166,982)** |
| **Variations in cash** | **49,065,827** | **(4,819,097)** |
| **Cash and cash equivalents at the beginning of the year** | **9,330,156** | **4,511,059** |
| **Cash and cash equivalents at the end of the year** | **58,395,983** | **9,330,156** |

In accordance with CONSOB resolution no. 15519 dated 27th 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 DRAWING UP THE FINANCIAL STATEMENTS AS OF 31st DECEMBER 2018

## Drafting criteria and compliance with IRFS

The Ascopiave S.p.A. Financial Statements as of 31st December 2018 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 19th 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 homogenous with the ones used for the Statement year ended 31st December 2017, except for the instances set forth in the Accounting Principles paragraph and amendments and interpretations applicable from 1st January 2018 onward. For comparative purposes, the data are presented with the income data of the 31st December 2017 Statement.

Auditing company PricewatherhouseCoopers S.p.A. performed the legal auditing of the Statement as the company in charge or 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, Statement of Comprehensive Income, 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 31st December 2018 was approved by the Board of Directors of the Company on 11th March 2019.

**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.

## Accounting principles, amendments and interpretations applied from 1st January 2018

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31st December 2018, implemented on 1st January 2018. The standards, amendments and interpretations which by their nature cannot be adopted by the Company are excluded from the list.

**IFRS 15** – *Revenue from contracts with customers*

On 28th May 2014, IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1st January 2018. On 12th April 2016, IASB issued a number of amendments to IFRS 15 in order to provide some clarifications on the identification of performance obligations, the recognition of revenues for licences on intellectual property and the principal versus agent assessment. The analyses conducted on the main existing sales agreements show that the Company was not affected by the application of the new accounting standard on the recognition of revenues.

**IFRS 9** – *Financial instruments*

The new accounting standard "IFRS 9 Financial instruments", issued by the European Commission on 22nd September 2016, came into force on 1st January 2018. For the standard, the Company developed the recognition of the existing cases as at 1st January 2018, making use of the possibility of recognising any effects, related to the retroactive restatement of values, in the shareholders' equity without restating the previous periods shown for comparison purposes. The values recognised did not show any effects connected with the adoption of the new standards.

**Other accounting standards, amendments and interpretations applicable with effect from 1st January 2018**

**IFRS 2** – *Classification and Measurement of Share-based Payment Transactions*

On 20th 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 8th December 2016, IASB published IFRIC 22 - Foreign Currency Transactions and Advance Consideration, defining the exchange rate to be used in foreign currencies transactions in Company Group's financial reports as of 31st December 2018 as the Company 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 Company's financial reports.

**IAS 40** – *Transfers of Investment Property*

On 8th 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. These amendments are applicable from 1st January 2018 and had no impact on the Company's financial reports.

## IAS/IFRS accounting standards and related IFRIC interpretations approved and applicable to the financial statements of the years starting after 1st January 2018

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 1st January 2018 or adopted earlier.

**IFRIC 23** – *Uncertainty over Income Tax Treatments*
On 7th 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. The interpretation is applicable from 1st January 2019. Early adoption is allowed, but the Company decided not to exercise this option.

**IFRS 9** – *Prepayment Features with Negative Compensation*
On 12th 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 1st 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 31st 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 1st January 2019. The Company 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 1st January 2019 the effects related to the cases existing on the same date will be recognised, without restating the previous comparative period (so-called “modified retrospective approach”) and recognising the right-of-use asset for an amount equal to the respective financial liability.

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

| (Thousands of Euro) | Adoption effects |
|---|---|
| **Non-current assets** | **362** |
| **Intangible assets** | **362** |
| - of which property use rights | 117 |
| - of which equipment use rights | 40 |
| - of which rights to use other assets | 205 |
| **Current and non-current liabilities** | **362** |
| **Non-current liabilities** | |
| - of which non-current financial liabilities | 238 |
| **Current liabilities** | |
| - of which current financial liabilities | 124 |

The discount rate used to conduct the sensitivity analysis above for the transition to the new standard is the Company's marginal cost of debt of as of 1st 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 will mainly concern operating leases relating to tangible fixed assets such as buildings, vehicles and trucks, as well as computer equipment. The adoption of IFRS 16 will determine, on 1st January 2019, the recognition of greater right-of-use fixed assets for Euro 362 thousand 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 IASB on 12th 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 1st January 2019.

## Accounting standards, amendments and interpretations already issued but not yet approved and applicable to the financial statements of periods beginning after 1st January 2018

Please find below a brief description of the new standards and interpretations already issued but not yet approved by the European Union but however applicable to financial statements beginning after 1st January 2018. The list does not include the standards and interpretations which by their nature are not adoptable by the Company.

*Annual improvements to IFRSs 2015-2017 Cycle*
On 12th 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 1st January 2019.

**IAS 19** – *Plan Amendment, Curtailment or Settlement*
On 7th 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 1st January 2019.

*Conceptual Framework for Financial Reporting*
On 29th 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 1st January 2020.

**IFRS 3** – *Business Combinations*
On 22nd 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 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 1st January 2020.

**IAS 1** and **IAS 8**
On 31st 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 1st January 2020.

## Use of estimates

The preparation of the financial statements requires the management 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 estimates moment. 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 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.
- 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 discretional 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 principles adopted by Ascopiave S.p.A. are reported below:

**Other intangible fixed assets**: intangible assets mainly 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 on 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 not subject to valuing and/or extending the residual useful life of assets, are entered in the year in which they are borne. 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 | 8.5% - 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 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 realization value, the assets are depreciated until they reach their realisable value. The realization value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.
Impairments are reported on the Income Statement with 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 sale value and the book value) is entered in the Income Statement of the year of the above-mentioned elimination.

**Shareholdings**: Share interests entered herein refer to lasting investments. The Company classifies share interests 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**: 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. 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.

**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 programs 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 companies pursuant to Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27th December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1st 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 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 1st 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 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 Company include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives, the financial regulation of which is based on the trend of the share title. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each closure of the period, until the date of regulation, 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 allotments 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 marked 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 upon period end. 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 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 differing from the account currency are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on 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 is concerned (IRES) Ascopiave S.p.A. benefited for a three-year period 2016 - 2018 of the national fiscal consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR). This option enabled 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. Asco Holding 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 Asco Holding S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, 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 on the part of 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, 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:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| (Thousands of Euro) | 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 | (3,148) | 121 |
| Concessions, licences, trademarks and similar rights | 52 | (50) | 2 | 52 | (49) | 2 |
| Other intangible assets | 12 | (12) | 0 | 12 | (12) | 0 |
| **Other intangible assets** | **3,332** | **(3,328)** | **4** | **3,332** | **(3,209)** | **123** |

The following table highlights the changes in other intangible fixed assets during the period:

| | 31.12.2017 | | | | | | 31.12.2018 |
|---|---|---|---|---|---|---|---|
| (Thousands of Euro) | Net value | Change for the year | Decrease | Amortizations during the year | Decrease in depreciation funds | Depreciations | Net value |
| Industrial patent and intellectual property rights | 121 | (0) | | 119 | | | 2 |
| Concessions, licences, trademarks and similar rights | 2 | 0 | | 1 | | | 2 |
| Other intangible assets | 0 | 0 | | 0 | | | 0 |
| **Other intangible assets** | **123** | **(0)** | **0** | **119** | **0** | **0** | **4** |

<u>Industrial patents and intellectual property rights</u>

During the year, the item "Industrial patents and intellectual property rights" did not highlight significant changes and the amortisation rate amounts to Euro 119 thousand.

<u>Concessions, licenses, trademarks and similar rights</u>

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:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| (Thousands of Euro) | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| Lands and buildings | 37,622 | (11,921) | 25,702 | 36,438 | (10,811) | 25,628 |
| Plant and machinery | 1,758 | (1,171) | 587 | 1,612 | (1,121) | 490 |
| Industrial and commercial equipment | 171 | (151) | 20 | 171 | (144) | 27 |
| Other tangible assets | 9,643 | (8,699) | 944 | 9,442 | (8,383) | 1,059 |
| Tangible assets in progress and advance payments | 0 | 0 | 0 | 985 | 0 | 985 |
| **Other tangible assets** | **48,648** | **(20,459)** | **27,253** | **48,648** | **(20,459)** | **28,189** |

The following table highlights the variations in the tangible fixed assets item during the year under consideration:

| (Thousands of Euro) | 31.12.2017 Net value | Change for the year | Decrease | Amortizations during the year | Decrease in depreciation funds | 31.12.2018 Net value |
|---|---|---|---|---|---|---|
| Lands and buildings | 25,628 | 1,184 | | 1,110 | | 25,702 |
| Plant and machinery | 490 | 147 | | 50 | | 587 |
| Industrial and commercial equipment | 27 | 0 | | 7 | | 20 |
| Other tangible assets | 1,059 | 201 | | 316 | | 944 |
| Tangible assets in progress and advance payments | 985 | (985) | | | | 0 |
| **Other tangible assets** | **28,189** | **548** | **0** | **1,484** | **0** | **27,253** |

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 increased by Euro 1,184 thousand for extraordinary maintenance works and the development of company offices.

Plants and machinery

The item Plants and machinery increased from Euro 490 thousand in the previous year, to Euro 587 thousand in the year considered. This change is due to the depreciation of the period e and investments for Euro 147 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 201 thousand, mainly related to costs for hardware and telephone equipment.

Tangible assets in progress and advance payments

The item does not show outstanding balances at the end of the year and the negative change recorded is mainly explained by the reclassification of investments in buildings made in previous years that were completed during 2018.

### 3. Shareholdings

The following table summarises the investments held by Ascopiave S.p.A. as of 31st December 2018:

| Name | Location | Share capital | Total net equity | Result for the year | % | Book value |
|---|---|---|---|---|---|---|
| **Control led companies** | | | | | | |
| AP Reti Gas S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 316,633,459 | 17,894,315 | 100% | 298,740,636 |
| Ascotrade S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 28,231,100 | 15,117,206 | 89% | 4,809,636 |
| AP Reti Gas Rovigo S.r.l. | Rovigo (RO) | 7.000.000 | 16,983,721 | 1,457,673 | 100% | 14,964,474 |
| Edigas Esercizio Distribuzione Gas S.p.A. | Pieve di Soligo (TV) | 1,000,000 | 11,714,365 | 1,408,362 | 100% | 23,317,602 |
| Ascopiave Energie S.p.A. | Pieve di Soligo (TV) | 250,000 | 11,598,269 | 3,674,600 | 100% | 28,158,191 |
| Blue Meta S.p.A. | Pieve di Soligo (TV) | 606,123 | 8,938,053 | 4,096,414 | 100% | 35,322,544 |
| Asco Energy S.p.A. | Pieve di Soligo (TV) | 1,000,000 | 1,182,636 | 1,435,426 | 100% | 609,220 |
| Amgas Blu S.r.l. | Foggia (FG) | 10,000 | 1,646,078 | 1,380,755 | 80% | 15,142,738 |
| Ap Reti Gas Vicenza S.p.A. | Pieve di Soligo (TV) | 10,000,000 | 17,551,828 | 703,837 | 100% | 16,300,000 |
| Etra Energia S.r.l. | Cittadella (PD) | 100.000 | 1,381,557 | 443,723 | 51% | 357,000 |
| **Total shareholdings in control led companies** | | | | | | **437,722,041** |

| Name | Location | Share capital | Total net equity | Result for the year | % | Book value |
|---|---|---|---|---|---|---|
| **Joint companies** | | | | | | |
| Estenergy S.p.A. | Trieste (TS) | 1.718.096 | 22,175,462 | 10,279,959 | 48.999% | 39,838,121 |
| ASM Set S.r.l. | Rovigo (RO) | 200,000 | 2,451,315 | 2,182,122 | 49.000% | 3,333,229 |
| Unigas Distribuzione S.r.l. | Nembro (BG) | 3.700.000 | 42,333,103 | 2,160,458 | 48.86% | 20,652,416 |
| **Total shareholdings in joint companies** | | | | | | **63,823,766** |

| Name | Location | Share capital | Total net equity | Result for the year | % | Book value |
|---|---|---|---|---|---|---|
| **Affil iated companies** | | | | | | |
| Sinergie Italiane S.r.l. in liquidation | (1) Milano (MI) | 1.000.000 | (6,520,402) | 4,005,334 | 30.94% | 309,400 |

| Name | Location | Share capital | Total net equity | Result for the year | % | Book value |
|---|---|---|---|---|---|---|
| **Shareholdings in other companies** | | | | | | |
| B. Cred. Coop. Prealpi | | | | | | 528 |

(1) Data as of 30th September 2018

It is to be pointed out that the net equity and results for the period of the subsidiary or jointly controlled companies reported in the tables above refer to financial statements for the periods ended 31st December 2018 and approved by the Boards of Directors of the investees.

The comparison between the value of the investments in subsidiaries and joint ventures and the share attributable to the Company highlights situations in which the value entered in the financial statement exceeds the total net assets of the subsidiary as of 31st December 2018.

For the purposes of the annual impairments test on the values booked for investments in subsidiaries and joint ventures, we determined the use value for each.

The use value was calculated by using the projected cash flows contained in the 2019-2021 business plans of the individual subsidiaries that have been approved by the Board of Directors on 25th February 2019. Following the results of the impairment tests on the individual shareholdings, no write-downs were recognised.

The main benchmarks adopted in evaluating impairment, both in terms of growth rates for other periods than those illustrated on the plans and in terms of discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGU in the consolidated financial statements.

#### 4. Other non-current assets

The following table shows the details of the items included under the “Other non-current assets” in the financial years considered:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Security deposits | 509 | 503 |
| Other receivables | 2,285 | 3,963 |
| **Other non-current assets** | **2,794** | **4,466** |

Other non-current assets decreased from Euro 4,466 thousand in 2017, to Euro 2,794 thousand in 2018, marking a decrease of Euro 1,672 thousand.

The item “Other receivables” is composed of:

- Receivables from the Municipality of Santorso, for 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 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011 to the Municipality, at the natural expiry date of the concession. The value of the credit is equal to the net book value of the divested asset, considered lower than the reconstruction value requested from the Local Body.

As of 31st December 2018, there are on-going litigations with the municipalities 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 Creazzo, 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 1,122 thousand, as shown in the following table:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Other financial receivables after 12 months | 1,122 | |
| **Non current financial assets** | **1,122** | |

The item refers to the receivables from the municipality of Creazzo. The infrastructure was delivered subsequent to the natural expiry of the concession on 31st 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 1st 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 22nd March 2018, definitively approved the settlement deed above, executed on 2nd August 2018.
Further information can be found in the “Litigations” section herein.

**6. Deferred tax assets**

Deferred tax assets decrease from Euro 2,039 thousand, to Euro 1,735 thousand, marking a decrease of Euro 304 thousand as highlighted in the table below:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Advance tax receivables | 1,735 | 2,039 |
| **Advance tax receivables** | **1,735** | **2,039** |

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:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| Description | 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 |
| Risks fund | 0 | 24.0% | 0 | 250 | 24.0% | 60 |
| Exceeding amortizations IRES | 6,280 | 24.0% | 1,507 | 6,187 | 24.0% | 1,485 |
| Exceeding amortizations previous 2007 within 2013 | 51 | 28.2% | 14 | 51 | 28.2% | 14 |
| Other | 61 | 24.0% | 15 | 23 | 28.2% | 6 |
| Personnel incentive | 366 | 24.0% | 88 | 1,512 | 24.0% | 363 |
| **Total advance taxes** | | | **1,735** | | | **2,039** |

## Current assets

### 7. Trade receivables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Receivables from customers | 2,158 | 114 |
| Receivables for invoices to be issued | 3,116 | 4,784 |
| **Trade receivables** | **5,274** | **6,420** |

Trade receivables are entered net of the advance payments in bills and mainly relate to invoicing of various administration, financial, legal and IT services that Ascopiave S.p.A. entertains with other companies of the Ascopiave Group.

The item decreases from Euro 6,420 thousand in the previous year, to Euro 5,274 thousand in the year considered, with a decrease of Euro 1,146 thousand.

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. It is noted that trade receivables will be collectable within the following year and currently there are no significant outstanding expired receivables.

| (Thousands of Euro) | 31.12.2018 |
|---|---|
| Gross trade receivable invoices issued | 2,158 |
| - allowance for doubtful accounts | 0 |
| **Net trade receivables for invoices issued** | **2,158** |
| **Aging of trade receivables for invoices issued** | |
| - to expire | 2,144 |
| - expired within 6 months | 1 |
| - overdue by 6 to 12 months | 0 |
| - expired more than 12 months | 13 |

### 8. Other current assets

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Tax consolidation receivables | 1,756 | 3,164 |
| Annual pre-paid expenses | 221 | 88 |
| Advance payments to suppliers | 207 | 1,120 |
| VAT Receivables | 1,075 | 554 |
| UTF and Provincial/Regional Additional Tax receivables | 82 | 82 |
| Other receivables | 209 | 730 |
| **Other current assets** | **3,550** | **5,737** |

Other current assets showed a decrease of Euro 2,187 thousand, from Euro 5,737 thousand in 2017, to Euro 3,550 thousand in 2018. The decrease is mainly explained by the decrease in IRES receivables from Asco Holding S.p.A. for the national tax consolidation.
The decrease is also partly explained by the reduction in advances paid to suppliers (Euro 913 thousand) and by the decrease in other receivables (Euro 521 thousand). The latter are mainly explained by the receivables from other Group companies recorded in relation to the long-term incentive plans assigned to their employees and represent the share portion of the compensation. The change is explained by the disbursement of the plan for the 2015-2017 three-year period, entered in 2018, and the registration of the portion accrued at the end of the 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Financial receivables from controlled companies | 25,894 | 21,071 |
| Other financial receivables | 136 | 0 |
| **Current financial assets** | **26,031** | **21,071** |

Current financial assets are in the tune of Euro 26,031 thousand marking an increase of Euro 4,960 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.
Hereby the composition of financial assets from subsidiary and joint-control companies for the two years is highlighted:

| (Thousands of Euro) | 31.03.2019 | 31.12.2018 |
|---|---|---|
| intercompany current account - Ascotrade S.p.A. | 3,567 | 637 |
| intercompany current account - Amgas Blu S.r.l. | 1,725 | 807 |
| intercompany current account - Ap Reti Vicenza S.p.A. | 14,697 | 15,403 |
| intercompany current account - Asco Energy S.p.A. | 5,062 | 4,224 |
| intercompany current account - ASM Set S.r.l. | 844 | - |
| **Current financial assets from subsidiary companies** | **25,894** | **21,071** |

The change, equal to Euro 4,823 thousand, is explained by the increase in loans granted to subsidiaries due to higher financial requirements compared to the previous year for all companies.
The residual amount concerns the short-term portion of the receivables from the municipality of Creazzo, as described in the paragraph “Non-current financial assets” herein.

**10. Tax receivables**

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Receivables related to IRAP | 283 | 638 |
| Other tax receivables | 26 | 26 |
| **Tax receivables** | **309** | **664** |

Tax receivables decreased from Euro 664 thousand in 2017 to Euro 309 thousand in 2018, marking a decrease of Euro 355 thousand.

**11. Cash and cash equivalents**

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Bank and post office deposits | 58,390 | 9,324 |
| Cash and cash equivalents on hand | 6 | 7 |
| **Cash and cash equivalents** | **58,396** | **9,330** |

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 58,396 thousand, with an increase from the previous year of Euro 49,066 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Share capital and reserves | 358,152 | 354,819 |
| Result for the period | 41,979 | 43,618 |
| **Total Net equity** | **400,131** | **398,437** |

The composition of the net shareholders' equity is reported below:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Share capital | 234,412 | 234,412 |
| Legal reserve | 46,882 | 46,882 |
| Own shares | (16,981) | (17,521) |
| Reserves | 93,879 | 91,047 |
| Reserve for severance pay discount ias 19 | (40) | (40) |
| Net Result | 41,979 | 43,618 |
| **Total Net equity** | **400,131** | **398,437** |

Shareholders' equity as of 31st December 2018 amounted to Euro 400,131 thousand, an increase of Euro 1,694 thousand compared to 31st December 2017. Please refer to the changes in equity for further details.

During 2018, the Shareholders' Meeting held on 26th April approved the distribution of dividends equal to Euro 40,016 thousand, corresponding to Euro 0.18 per share.

The share capital of Ascopiave S.p.A. as of 31st December 2018 consists of 234,411,575 shares with a nominal value of Euro 1.00 each.

During 2018, no own shares were purchased and the change amounting to Euro 540 thousand is entirely explained by the transfer to employees of the shares held in portfolio subsequent to the accrual of the 2015-2017 long-term incentive plan, according to which part of the bonus had to be paid in the form of shares of the company.

The changes in the net shareholders' equity in FY 2018 are reported in the following tables:

| (Number of shares) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Number of shares from shareholders' capital | 234,412 | 234,412 |
| Number of shares in portfolio | (11,728) | (12,101) |
| **Total number of shares in circulation** | **222,684** | **222,311** |

| Value of the shares in circulation (thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Ordinary shares | 234,412 | 234,412 |
| Own shares in portfolio | (16,981) | (17,521) |
| **Total value of shares in circulation** | **217,431** | **216,891** |

*Revenues (losses) entered directly in the Shareholders' Equity*

As of 31st December 2018, losses for Euro 40 thousand were entered directly in the Shareholders' Equity.

This reserve gathers accounting gains and losses deriving from the assessment of current benefit plans that shall 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** | | | | | |
| Share premium fund | 50,171,613 | A, B, C | 50,171,613 | | |
| Own shares | 16,980,868 | - | - | | |
| **EARNINGS RESERVES** | | | | | |
| Legal reserve | 46,882,315 | B | - | | |
| Extraordinary reserve | | | | | |
| Free reserve | | | | | |
| Other reserve | 75,221,033 | A, B, C | 75,221,033 | | |
| Profit / Loss brought forward | 31,554,069 | A, B, C | 31,554,069 | | |
| Other reserve | 43,666,964 | A, B, C | 43,666,964 | | |
| **Total** | **123,740,024** | | **93,838,577** | | |
| **Portion non available** | | | | | |
| **Residual value of available portion** | | | **93,838,577** | | |

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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Previsions for pension for gas sector employees | 323 | 676 |
| Other reserves for risks and charges | 0 | 250 |
| **Reserves for risks and charges** | **323** | **926** |

The decrease in the provision for risks and charges amounting to Euro 603 thousand is mainly explained by the decrease in retirement funds and by the use of the provision for risks and charges set aside in previous years for pending disputes with former employees who terminated their employment relationship with the company.
The change in retirement funds and similar obligations is mainly explained by the distribution of allowances for employees and directors in previous years in accordance with long-term incentive plans.

### 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 2018 | 257 |
| Retirement allowance | (341) |
| Payments for current services and work | 354 |
| **Severance indemnity as of 31st December 2018** | **271** |

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 2018 amounts to 1.57%.
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: 1.50%

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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Loans from Prealpi | 8,611 | 610 |
| Loans from European Investment Bank | 21,500 | 26,250 |
| Loans from BNL | 25,000 | 27,500 |
| **Medium- and long-term bank loans** | **55,111** | **54,360** |
| Current portion of medium- and long-term bank loans | 8,014 | 10,181 |
| **Medium- and long-term loans** | **63,124** | **64,541** |

Medium and long term loans, mainly represented as of 31st December 2018 by the payables of the Parent Company to BNL for Euro 25,000 thousand and the European Investment Bank for Euro 21,500 thousand, increase from Euro 54,360 thousand to Euro 55,111 thousand, marking an increase of Euro 751 thousand, explained by a new 12-year loan taken out in January 2018 with Cassa Centrale Banca and the payment of the instalments in 2018. Considering also the current portion of the loans described, the total value decreases from Euro 64,541 thousand to Euro 63,124 thousand.
Specifically:

- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has an outstanding debt as of 31st December 2018 of Euro 27,500 thousand, with the recognition of Euro 2,500 thousand in due to banks and short-term loans.

  The loan will be reimbursed in 22 constant six-month instalments from 2nd February 2019 to 2nd August 2029 and interest calculated by applying a 1.92% fixed rate.

  As a guarantee of the fulfilment of the obligations associated with the loan agreement with BNL, the subsidiary AP Reti Gas S.p.A. has transferred to the bank a share of future receivables arising from the reimbursement of the residual value of assets related to its gas distribution concessions.

  The contract envisages the fulfilment of the following financial covenants to be checked twice a year on the Company’s consolidated data:

  a) Net financial position/Ebitda ratio ≤ 3.5;
  b) RAB ≥ Euro 300,000 thousand.

  At the end of 2018, the covenants envisaged by the contract were respected since:

  a) The Net financial position/Ebitda ratio was 1.47, calculated as the ratio of consolidated Net financial position at that date, in the amount of Euro 117,517 thousand, to consolidated Ebitda, amounting to Euro 80,036 thousand;
  b) the consolidated RAB is equal to Euro 430,541 thousand.

- 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 31st December 2018 is equal to Euro 26,250 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans.

  The first loan tranche, whose original amount was Euro 35,000 thousand, will be reimbursed in 10 constant six-month instalments between 27th February 2019 and 28th August 2023; an interest rate equal to the six-month Euribor plus a 95.5 basis points spread will be applied. The second loan tranche, whose original amount was Euro 10,000 thousand, will be reimbursed in 14 constant six-month instalments, the first expiring on 27th February 2019 and the last expiring on 27th August 2025; an interest rate equal to the six-month Euribor plus a 71.5 basis points spread will be applied, in addition to the annual cost of 70 basis points related to the guarantee issued by Cassa Depositi e Prestiti S.p.A., reduced from the previous value of 135 basis points with effect from 6th June 2018.

  As a guarantee of the fulfilment of the obligations associated with the loan agreement, the Parent Company has sold to the European Investment Bank 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., as per agreement integration signed in December 2016.

  The loan agreement envisages the fulfilment of the following covenants applied to consolidated data and to be checked twice a year:

  a) Ebitda / net financial expenses ratio higher than 5;

b) Net financial position / Ebitda ratio lower than 3.5.

In addition, the bank is entitled to request a reimbursement before the deadlines envisaged by the amortisation schedule, in the following cases:

a) decrease in project cost below the amount originally envisaged by the contract;

b) anticipated reimbursement of non-EIB loans (except revolving lines of credit);

c) change in the control of Ascopiave S.p.A. or Asco Holding S.p.A.;

d) changes in the regulatory framework, which could jeopardise Ascopiave S.p.A. ability to fulfil its obligations;

e) loss of concessions, if determining a value for consolidated RAB lower than Euro 300 million.

At the end of 2018, the covenants envisaged by the contract were respected since:

a) the Ebitda/net financial expenses ratio was equal to 102.85, calculated as the ratio of Ebitda consolidated on that date, amounting to Euro 80,036 thousand, to the consolidated net financial expenses, amounting to Euro 778 thousand;

b) the net financial position/Ebitda ratio was 1.47, calculated as the ratio of the net financial position consolidated on that date, amounting to Euro 117,517 thousand, to the consolidated Ebitda, amounting to Euro 80,036 thousand.

- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt as of 31st December 2018 of Euro 9,374 thousand, with the recognition of Euro 764 thousand in due to banks and short-term loans.

  The loan will be reimbursed in 134 residual constant monthly instalments from 31st January 2019 to 28th February 2030 and interest calculated by applying a 1.83% fixed rate.

- The loan with Unicredit, taken out in 2011 to the amount of Euro 40,000 thousand, was completely repaid on 30th June 2018.

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

| (Thousands of Euro) | 31.12.2018 |
|---|---|
| Financial year 2019 | 8,014 |
| Financial year 2020 | 8,028 |
| Financial year 2021 | 8,042 |
| Financial year 2022 | 8,057 |
| After 31 dicembre 2022 | 30,984 |
| **Medium- and long-term loans** | **63,124** |

### 16. Other non-current liabilities

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Security deposits | 9 | 9 |
| Multi-annual passive prepayments | | 37 |
| **Other non-current liabilities** | **9** | **46** |

Other non-current liabilities decreased from Euro 46 thousand in the previous year, to Euro 9 thousand in the year considered, marking a decrease of Euro 37 thousand.

**17. Deferred tax payables**
The following table shows how the items are broken down at the end of each period considered:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Deferred tax payables | 21 | 21 |
| **Deferred tax payables** | **21** | **21** |

Deferred taxes amount to Euro 21 thousand, unchanged compared to the previous year.
The Company has provided a full accounting of 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:

| | 31.12.2018 | | | 31.12.2017 | | |
|---|---|---|---|---|---|---|
| Descrizione | Temporary differences | Tax rate | Total effect | Temporary differences | Tax rate | Total effect |
| Exceeding amortizations | 60 | 24.0% | 15 | 61 | 24.0% | 15 |
| Severance indemnity | 25 | 24.0% | 6 | 31 | 24.0% | 7 |
| **Total deferred tax payables** | | | **21** | | | **21** |

## Current liabilities

**18. 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Payables due to banks | 123,000 | 70,000 |
| Current portion of medium-long-term loans | 8,014 | 10,181 |
| **Payables due to banks and financing institutions** | **131,014** | **80,181** |

At the end of FY 2018, short-term bank payables are composed of short-term bank loans and negative bank account balances for Euro 123,000 thousand and short-term loan instalments for Euro 8,014 thousand. The total increase, amounting to Euro 50,833 thousand, is mainly explained by greater use of the credit available.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and the respective rates applied as of 31st December 2018:

| Bank | Type of line of credit | Credit line at 31/12/2018 | Rate at 31/12/2018 | Use of credit line at 31/12/2018 |
|---|---|---|---|---|
| Banca di Credito Cooperativo delle Prealpi | Crediti per cassa | 5,000 | n.d. | 0 |
| Banca di Credito Cooperativo delle Prealpi | Mutui | 4,687 | 1.83% | 4,687 |
| Banca Europea per gli Investimenti | Mutui | 8,750 | 0.44% | 8,750 |
| Banca Europea per gli Investimenti | Mutui | 17,500 | 0.68% | 17,500 |
| Banca Monte dei Paschi di Siena | Crediti di firma | 20,000 | n.d. | 9,700 |
| Banca Nazionale del Lavoro | Crediti per cassa | 24,763 | n.d. | 0 |
| Banca Nazionale del Lavoro | Mutui | 30,000 | 1.92% | 27,500 |
| Banca Nazionale del Lavoro | Crediti di firma | 10,000 | n.d. | 1,294 |
| Banca Popolare dell'Emilia Romagna | Crediti per cassa | 10,000 | n.d. | 0 |
| Banca Popolare Friuladria | Crediti per cassa | 11,000 | 0.10% | 8,000 |
| Banca Popolare Friuladria | Crediti di firma | 2,000 | n.d. | 0 |
| Banca Sella | Crediti per cassa | 5,000 | n.d. | 0 |
| Banco BPM | Crediti per cassa | 20,000 | 0.00% | 20,000 |
| Banco BPM | Crediti di firma | 9,485 | n.d. | 2,439 |
| Cassa centrale BCC Italiano | Mutui | 4,687 | 1.83% | 4,687 |
| Credito Emiliano | Crediti per cassa | 25,000 | 0.00% | 25,000 |
| Intesa SanPaolo | Crediti per cassa | 80,500 | 0.10% | 60,000 |
| Intesa SanPaolo | Crediti di firma | 2,500 | n.d. | 0 |
| Cassa Depositi e Prestiti | Crediti di firma | 10,781 | n.d. | 10,781 |
| Unicredit | Crediti per cassa | 33,102 | 0.10% | 10,000 |
| Unicredit | Crediti di firma | 17,964 | n.d. | 13,753 |
| Unione di Banche Italiane | Crediti per cassa | 30,000 | n.d. | 0 |
| | | **382,719** | | **224,091** |

Note: the total use of credit lines is not equal to the total bank loan because this not include the use of endorsement loan.

The higher uses existing as of 31st December 2018 compared to the previous year depend mainly on the medium/long-term loan taken out with Cassa Centrale Banca and the particularly advantageous rates applied to short-term loans.

## 19. Trade payables

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Payables to suppliers | 1,010 | 1,347 |
| Payables to suppliers for invoices not yet received | 1,023 | 1,427 |
| **Trade payables** | **2,034** | **2,774** |

Trade payables decrease from Euro 2,774 thousand in the previous year, to Euro 2,034 thousand in the year considered, marking a decrease of Euro 740 thousand. The decrease is mainly explained by the lower debit balances to suppliers for invoices received amounting to Euro 337 thousand and invoices to be received totalling Euro 404 thousand.

It is noted that trade payables are payable within the following fiscal year.

**20. Other current liabilities**

The following table shows how the items of “Other current liabilities” broken down for each period considered:

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Amounts due to social security institutions | 320 | 334 |
| Amounts due to employees | 1,363 | 1,686 |
| Payables to revenue office for withholding tax | 404 | 296 |
| Annual passive prepayments | | 91 |
| Annual passive accruals | 466 | 420 |
| Other payables | 364 | 457 |
| **Other current liabilities** | **2,917** | **3,285** |

At the end of the fiscal year, other current liabilities amount to Euro 2,917 thousand, marking a decrease of Euro 368 thousand as compared to 2017.

“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 31st December 2018 but not paid out on that date.

**21. 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) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Financial payables within 12 months | 36,495 | 35,829 |
| **Current financial liabilities** | **36,495** | **35,829** |

Current financial liabilities amount to Euro 36,495 thousand, down Euro 666 thousand compared to the previous year mainly due to the balances recorded in cash pooling current accounts with subsidiaries, through which the company manages the Group Treasury.

The item is composed of financial payables to AP Reti Gas S.p.A. for Euro 15,146 thousand, AP Reti Gas Rovigo S.r.l. for Euro 1,171 thousand, Blue Meta S.p.A. for Euro 7,016 thousand, Edigas Esercizio Distribuzione Gas S.p.A. for Euro 783, Etra Energia S.r.l. for Euro 1,417 thousand and Ascopiave Energie S.p.A. for Euro 10,963 thousand.

**Net financial position**

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

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Cash and cash equivalents | 58,396 | 9,330 |
| Current financial assets | 26,031 | 21,071 |
| Current financial liabilities | (36,495) | (35,829) |
| Payables due to banks and financing institutions | (131,014) | (80,181) |
| **Net short-term financial position** | **(83,082)** | **(85,610)** |
| Non current financial assets | 1,122 | |
| Medium- and long-term bank loans | (55,111) | (54,360) |
| **Net medium and long-term financial position** | **(53,989)** | **(54,360)** |
| **Net financial position** | **(137,071)** | **(139,969)** |

Ascopiave S.p.A. Net Financial Position saw a decrease of Euro 2,898 thousand compared to the previous year, for a total amount of Euro 137,071 thousand.

It is to be pointed out that no covenants or negative pledges are provided for in the short-term bank loans, while the loans granted by the European Investment Bank and Banca Nazionale del Lavoro S.p.A. undergo covenants – to be verified based on the results of the consolidated financial statements – described in the paragraph “Medium-long term loans” herein.

*COMMENTS ON THE MAIN INCOME STATEMENT ITEMS*

## Revenues

**22. Revenues**

The following table shows the revenues in the periods considered:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Revenues from heat supply | | 4 |
| Revenues from distribution services | 0 | 44 |
| Revenues from services supplied to Group companies | 11,855 | 11,579 |
| Other revenues | 665 | 461 |
| Distribution of dividends from controlled companies | 49,882 | 49,644 |
| **Revenues** | **62,402** | **61,732** |

At the end of the period, the item amounted to Euro 62,402 thousand, with an increase of Euro 670 thousand compared to the previous year.

At the end of the financial year, revenue from general services to Group companies increased by Euro 276 thousand, from Euro 11,579 thousand in the previous year, to Euro 11,855 thousand in the year considered.

Revenues from distribution of dividends of investee companies increased by Euro 238 thousand, from Euro 49,644 thousand in the previous year, to Euro 49,882 thousand in the year considered.

The item “other revenues” increased from Euro 509 thousand in 2017 to Euro 665 thousand in the year considered, with an increase of Euro 156 thousand; this change is mainly due to the use of the provision for labour law litigations, since at the end of the year there are no pending disputes.

## Operating costs

**23. Cost of raw materials**

The following table reports the costs relating to the purchase of raw materials during the financial periods considered:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Purchase of other raw material | 15 | 1 |
| **Purchase costs for other raw materials** | **15** | **1** |

The costs for the purchase of other raw materials increased from Euro 1 thousand in 2017 to Euro 15 thousand in 2018, marking an increase of Euro 14 thousand.

**24. Costs for services**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Mailing and telegraph costs | 90 | 100 |
| Maintenance and repairs | 1,991 | 1,704 |
| Consulting services | 3,764 | 3,066 |
| Commercial services and advertisement | 79 | 119 |
| Sundry suppliers | 391 | 390 |
| Directors' and Statutory Auditors' fees | 656 | 579 |
| Insurances | 598 | 278 |
| Personnel costs | 560 | 534 |
| Other managing expenses | 1,002 | 908 |
| Costs for use of third-party assets | 545 | 789 |
| **Costs for services** | **9,676** | **8,467** |

The costs for services amounted to Euro 9,676 thousand at the end of the period considered, recording an increase compared to the previous year of Euro 1,209 thousand. This is mainly due to the increase in expenses for maintenance and repairs, consultancy services, insurance and costs incurred for the use of third-party assets.

Personnel costs include travel and mission expenses, costs for the canteen service and for training and education and record an increase of Euro 26 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 244 thousand.

**25. Personnel cost**

Personnel costs for the relevant periods are analysed in the following table:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Wages and salaries | 7,223 | 5,648 |
| Social security contributions | 1,712 | 1,461 |
| Severance indemnity | 354 | 341 |
| Other costs | 29 | 6 |
| **Total personnel costs** | **9,319** | **7,455** |
| Capitalized personnel costs | (4) | (9) |
| **Personnel costs** | **9,316** | **7,445** |

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 increased from Euro 7,445 thousand in the previous year, to Euro 9,316 thousand in 2018 marking an increase of Euro 1,871 thousand. The increase is mainly explained by the recognition of fees paid to the Group's

General Manager and Chief Financial Officer for the termination of the employment relationship. The agreements signed with them, better described in “Significant events during the year”, led to the recognition of higher costs totalling Euro 2,411 thousand.

Capitalised personnel cost decreased Euro 5 thousand, from Euro 9 thousand in the previous year, to Euro 4 thousand in 2018, decreasing the overall personnel cost by the same amount.

The table below shows the number of employees of the Group, divided by category, at the end of 2018 and at the end of 2017:

| Type | 31.12.2018 | 31.12.2017 | Variation |
|---|---|---|---|
| Managers | 9 | 9 | 0 |
| Office workers | 79 | 78 | 1 |
| Manual workers | 4 | 4 | 0 |
| **No. of persoal employed** | **92** | **91** | **1** |

Some employees of the company are part of a multi-annual incentive scheme.

**27. Other operating costs**
The following table shows the breakdown of other operating costs in the periods considered:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Membership and ARERA fees | 234 | 208 |
| Capital losses | 146 | |
| Extraordinary losses | 37 | 34 |
| Other taxes | 139 | 203 |
| Other costs | 254 | 294 |
| Costs of contracts | 1 | 0 |
| Energy efficency certificates | 0 | 33 |
| **Other management costs** | **812** | **773** |

The item “Other operating costs” marks an increase of Euro 39 thousand compared to the previous year mainly due to the increase in capital losses recorded in 2018 for the agreed definition of the residual industrial value of the natural gas distribution plants transferred to the municipality of Creazzo as better commented in the paragraph “Non-current financial assets” of this financial report, partially offset by the decrease in other taxes for Euro 64 thousand and other costs for Euro 40 thousand.

**28. Other operating revenues**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Other income | 232 | 78 |
| **Other income** | **232** | **78** |

At the end of the year under consideration, the item amounted to Euro 232 thousand, marking an increase of Euro 154 thousand compared to the previous year. The other income recorded in 2018 pertains to compensations received from insurance companies totalling Euro 149 thousand.

**29. Amortisation, depreciation and write-downs**

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

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Intangible fixed assets | 119 | 128 |
| Tangible fixed assets | 1,484 | 1,628 |
| **Amortization and depreciation** | **1,603** | **1,756** |

The amortisation and depreciation recognised at the end of the year amounted to Euro 1,603 thousand, a decrease over the previous year of Euro 153 thousand.

**30. Net financial income and expenses**

Financial income and expenses in the years considered are analysed in the following table:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Interest income on bank and post office accounts | 7 | 2 |
| Other interest income | 377 | 235 |
| **Financial income** | **385** | **237** |
| Interest expense on banks | 84 | 4 |
| Interest expense on loans | 897 | 515 |
| Other financial expenses | 214 | 232 |
| **Financial charges** | **1,195** | **752** |
| | | |
| **Total net financial expenses** | **811** | **514** |

The item “Financial income and expenses” is negative and amounts to Euro 811 thousand, up Euro 297 thousand compared to the previous year. The increase is mainly explained by the higher interest paid on bank loans Euro +348 thousand) due to a new fixed-rate loan taken out in the period.

**31. 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:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| IRES current taxes | 1,879 | 583 |
| (Advance)/Deferred taxes | (303) | 181 |
| **Taxes for the period** | **1,577** | **764** |

Taxes for the period increase from Euro 764 thousand in the previous year, to Euro 1,577 thousand in the year considered, marking an increase of Euro 813 thousand.

The table below shows the incidence of income tax:

| | Full Year | |
|---|---|---|
| (Thousands of Euro) | 2018 | 2017 |
| Earnings before tax | 40,402 | 42,853 |
| Taxes for the period | 1,577 | 764 |
| **Percentage of income before taxes** | **3.9%** | **1.8%** |

The actual tax rate increased from 1.8% in 2017 to 3.9% in the year considered, marking an increase of 2.1%.

| | Full Year | | | |
|---|---|---|---|---|
| (Thousands of Euro) | 2017 | | 2018 | |
| Applicable ordinary rate | 24.0% | | 24.0% | |
| **Earnings before tax** | **(42,853)** | | **(40,402)** | |
| Theoretical tax burden | (10,285) | 24.0% | (9,696) | 24.0% |
| Dividend taxation | (11,319) | 13.8% | (7,070) | 17.5% |
| Non-taxable costs / (income) (vehicles, telephones) | 21,020 | -49.1% | 16,807 | -41.6% |
| Advance / deferred taxes | (181) | 0.4% | (1,495) | 3.7% |
| **IRES effective tax charge** | **(764)** | **1.8%** | **(1,454)** | **3.5%** |
| IRAP (current and deferred) | 0 | 0.0% | (162) | 0.4% |
| **Total effective tax burden** | **(764)** | **1.8%** | **(1,616)** | **3.9%** |
| | | | | |
| **Actual rate** | **1.8%** | | **3.9%** | |

# OTHER COMMENTS

## Non-recurring components

In accordance with CONSOB communication no. 15519/200, we report that the item “Cost for staff” includes costs to the tune of Euro 2,411 thousand related to the fees paid to the Group’s General Manager and Chief Financial Officer for the termination of the employment relationship notified during the year.

## Information on related parties

The Company is controlled by Asco Holding S.p.A., which holds 61.562% 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 2018, 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 receivables | Other receivables | Trade payables | Other payables | Costs | | | Revenues | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Goods | Services | Other | Goods | Services | Other |
| *Parent company* | | | | | | | | | | |
| Asco Holding S.p.A. | 42 | 1,756 | | | | | | | 101 | 1,879 |
| **Total parent company** | **42** | **1,756** | | | | | | | **101** | **1,879** |
| *Controlled and Joint controlled companies* | | | | | | | | | | |
| Ap Reti Gas S.p.A. | 858 | | 37 | 15,146 | 0 | 72 | 60 | | 3,071 | 154 |
| Ascotrade S.p.A. | 704 | 3,600 | 24 | | | 203 | 61 | | 3,835 | 9 |
| Bim Piave Nuove Energie S.r.l. | 104 | | 1 | | | | | | | |
| Bluemeta S.p.A. | 212 | 13 | 13 | 7,016 | | 22 | 29 | | 811 | 0 |
| Edigas Esercizio Distribuzione Gas S.p.A. | 52 | | 1 | 783 | | | 5 | | 313 | |
| Etra Energia S.r.l. | 6 | | 1 | 1,417 | | | 4 | | 114 | 0 |
| Ap Reti Gas Vicenza S.p.A. | 208 | 14,697 | 68 | | | 74 | | | 617 | 232 |
| Ascopiave Energie S.p.A. | 436 | 4 | 19 | 10,963 | | 15 | 27 | | 829 | 0 |
| Ap Reti Gas Rovigo S.r.l. | 52 | | 5 | 1,171 | | 33 | 6 | | 212 | 0 |
| Asco Energy S.p.A. | 245 | 5,062 | 2 | | | 10 | 10 | | 870 | 18 |
| Sinergie Italiane S.r.l. in liquidazione | 21 | | | | | | | | 53 | |
| Amgas Blu S.r.l. | 48 | 1,727 | | | | | 1 | | 339 | 11 |
| ASM Set S.r.l. | 87 | 844 | 1 | | | | 6 | | 257 | 2 |
| Unigas Distribuzione S.r.l. | 18 | | 6 | | | 17 | | | 52 | 0 |
| **Total controlled and joint controlled companies** | **3,052** | **25,947** | **177** | **36,495** | **0** | **446** | **209** | **0** | **11,374** | **424** |
| *Affiliated companies* | | | | | | | | | | |
| Asco TLC S.p.A. | 38 | | 176 | | | 711 | | | 101 | 49 |
| **Total affiliated companies** | **38** | | **176** | | | **711** | | | **101** | **49** |
| **Total** | **3,132** | **27,703** | **353** | **36,495** | **0** | **1,157** | **209** | **0** | **11,575** | **1,406** |

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 to the participation to the group consolidation having Asco Holding S.p.A. as parent company.

On 24th 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 12th March 2010 and subsequent amendments.

The Procedure took effect on 1st January 2011 and replaced the previous regulation regarding transactions with related parties, approved by the Board of Directors of the Company on 11th 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 pursuant to Consob resolution no. 15519 dated 27th July 2006.

### Financial-equity overview

| (Thousands of Euro) | 31.12.2018 | Of which related parties A | B | C | Total | % | 31.12.2017 | Of which related parties A | B | C | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | | | |
| Other intangible assets | 4 | | | | | | 471 | | | | | |
| Tangible assets | 27,253 | | | | | | 27,841 | | | | | |
| Shareholdings | 501,856 | | 435,556 | 64,133 | 499,689 | 99.6% | 498,078 | | 433,944 | 64,133 | 498,077 | 100.0% |
| Other non-current assets | 2,794 | | | | | | 4,466 | | | | | |
| Non-current financial assets | 1,122 | | | | | | | | | | | |
| Advance tax receivables | 1,735 | | | | | | 2,039 | | | | | |
| **Non-current assets** | **534,764** | | **485,927** | **64,133** | **550,060** | **102.9%** | **532,895** | | **484,315** | | **484,315** | **90.9%** |
| **Current assets** | | | | | | | | | | | | |
| Trade receivables | 5,274 | 42 | 3,143 | | 3,184 | 60.4% | 6,420 | 1 | 4,400 | 51 | 4,451 | 69.3% |
| Other current assets | 3,550 | 1,756 | | | 1,756 | 49.5% | 5,737 | 3,164 | 70 | | 3,094 | 53.9% |
| Current financial assets | 26,031 | | 25,894 | | 25,894 | 99.5% | 21,071 | | 21,071 | | 21,071 | 100.0% |
| Tax receivables | 309 | | | | | | 664 | | | | | |
| Cash and cash equivalents | 58,396 | | | | | | 9,330 | | | | | |
| **Current assets** | **93,559** | **1,798** | **29,037** | | **30,834** | **33.0%** | **43,223** | **3,165** | **10,095** | | **13,260** | **30.7%** |
| **ASSETS** | **628,323** | **1,798** | **514,964** | **64,133** | **580,895** | **92.5%** | **576,118** | **3,165** | **494,410** | | **497,575** | **86.4%** |
| **Net equity and liabilities** | | | | | | | | | | | | |
| **Total Net equity** | | | | | | | | | | | | |
| Share capital | 234,412 | | | | | | 234,412 | | | | | |
| Own shares | (16,981) | | | | | | (17,521) | | | | | |
| Reserves and result for the period | 182,700 | | | | | | 181,547 | | | | | |
| **Total Net equity** | **400,131** | | | | | | **398,437** | | | | | |
| **Non-current liabilities** | | | | | | | | | | | | |
| Provisions for risks and charges | 323 | | | | | | 926 | | | | | |
| Severance indemnity | 271 | | | | | | 257 | | | | | |
| Medium- and long-term bank loans | 55,111 | | | | | | 54,360 | | | | | |
| Other non-current liabilities | 9 | | | | | | 46 | | | | | |
| Non-current financial liabilities | | | | | | | | | | | | |
| Deferred tax payables | 20 | | | | | | 21 | | | | | |
| **Non-current liabilities** | **55,733** | | | | | | **55,611** | | | | | |
| **Current liabilities** | | | | | | | | | | | | |
| Payables due to banks and financing instit | 131,014 | | | | | | 80,181 | | | | | |
| Trade payables | 2,034 | | | | 352 | 17.3% | 2,774 | | 90 | 70 | 160 | 5.8% |
| Tax payables | | | | | | | | | | | | |
| Other current liabilities | 2,917 | | | | | | 3,285 | | | | | |
| Current financial liabilities | 36,495 | | 36,495 | | 36,495 | 100.0% | 35,829 | | 35,829 | | 35,829 | 100.0% |
| **Current liabilities** | **172,459** | | **36,495** | | **36,847** | **21.4%** | **122,070** | | **35,989** | **70** | **36,059** | **29.5%** |
| **Liabilities** | **228,192** | | **36,780** | | **36,780** | **16.1%** | **177,681** | | **35,989** | **70** | **36,059** | **20.3%** |
| **Net equity and liabilities** | **628,323** | | **36,780** | | **36,780** | **5.9%** | **576,118** | | **35,989** | **70** | **36,059** | **6.3%** |

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

***A** Parent companies*
***B** Subsidiaries and Jointly controlled companies*
***C** Other related parties*

## Income statement

| (Thousands of Euro) | Full Year 2018 | A | B | C | Total | % | Full Year 2017 | A | B | C | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Of which related parties | | | | | | Of which related parties | | | | |
| **Revenues** | **62,402** | **101** | **11,792** | | **11,893** | **19.1%** | **61,732** | **34** | **11,059** | **160** | **11,253** | **18.2%** |
| **Total operating costs** | **19,586** | | | **2,672** | **2,672** | **13.6%** | **16,609** | | **2,343** | **585** | **2,928** | **17.6%** |
| Purchase costs for other raw materials | 15 | | 0 | | | 0.5% | 1 | | | | | |
| Costs for services | 9,676 | | 1,637 | | 1,637 | 16.9% | 8,467 | | 1,124 | 585 | 1,709 | 20.2% |
| Costs for personnel | 9,316 | | | 2,411 | 2,411 | 25.9% | 7,445 | | 1,219 | | 1,219 | 16.4% |
| of which non-recurring | 2,411 | | | 2,411 | 2,411 | 25.9% | | | | | | |
| Other management costs | 812 | | | | | | 773 | | | | | |
| Other income | 232 | | | | | | 78 | | | | | |
| Amortization and depreciation | 1,603 | | | | | | 1,756 | | | | | |
| **Operating result** | **41,213** | **101** | **11,792** | **(2,672)** | **9,221** | **22.4%** | **43,368** | **34** | **8,716** | **(425)** | **8,325** | **19.0%** |
| Financial income | 385 | | 269 | | 269 | 59.9% | 237 | | 38 | | 38 | 16.0% |
| Financial charges | 1,195 | | 203 | 6 | 209 | 17.5% | 752 | | 194 | | 194 | 25.9% |
| **Earnings before tax** | **40,402** | **101** | **11,858** | **(2,678)** | **9,281** | **23.0%** | **42,853** | **34** | **8,560** | **425** | **8,168** | **19.1%** |
| Taxes for the period | 1,577 | | | | | | 764 | | | | | |
| **Taxes for the period** | **41,979** | | | | | | **43,618** | | | | | |
| **Net result for the period** | **41,979** | | | | | | **43,618** | | | | | |

### Legend for the Related parties column heading:

***A*** *Parent companies*
***B*** *Subsidiaries and Jointly controlled companies*
***C*** *Other related parties*

## Net financial indebtedness

| (Thousands of Euro) | 31.12.2018 | Of which related parties | | | | | 31.12.2017 | Of which related parties | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A | B | C | Total | % | | A | B | C | Total | % |
| A Cash and cash equivalents on hand | 6 | | | | | | 7 | | | | | |
| B Bank and post office deposits | 58,390 | | | | | | 9,324 | | | | | |
| **D Liquid assets (A) + (B) + ( C)** | **58,396** | | | | | | **9,330** | | | | | |
| E Current financial assets | 26,031 | | 25,894 | | 25,894 | 99.5% | 21,071 | | 21,071 | | 21,071 | 100.0% |
| F Payables due to banks | (123,000) | | | | | | (70,000) | | | | | |
| G Current portion of medium-long-term loans | (8,014) | | | | | | (10,181) | | | | | |
| H Current financial liabilities | (36,495) | | (36,495) | | (36,495) | 100.0% | (35,829) | | (35,829) | | (35,829) | 100.0% |
| **I Current financial indebtedness (F) + (G) + (H)** | **(167,509)** | | **(36,495)** | | **(36,495)** | **21.8%** | **(116,011)** | | **(35,829)** | | **(35,829)** | **30.9%** |
| **J Net current financial indebtedness (I) - (E) - (D)** | **(83,082)** | | **(10,601)** | | **(10,601)** | **12.8%** | **(85,610)** | | **(14,758)** | | **(14,758)** | **17.2%** |
| K Medium- and long-term bank loans | (55,111) | | | | | | (54,360) | | | | | |
| L Non current financial assets | 1,122 | | | | | | | | | | | |
| **N Non-current financial indebtedness (K) + (L) + (M)** | **(53,989)** | | | | | | **(54,360)** | | | | | |
| **O Net financial indebtedness (J) + (N)** | **(137,071)** | | **(10,601)** | | **(10,601)** | **7.7%** | **(139,969)** | | **(14,758)** | | **(14,758)** | **10.5%** |

### Legend for the Related parties column heading:

***A*** *Parent companies*
***B*** *Subsidiaries and Jointly controlled companies*
***C*** *Other related parties*

## Statement of cash flows

| (Thousands of Euro) | Full Year 2018 | Of which related parties A | B | C | Total | Full Year 2017 | Of which related parties A | B | C | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net income of the year** | **41,979** | | | | | **43,618** | | | | |
| **Cash flows generated (used) by operating activities** | | | | | | | | | | |
| **Adjustments to reconcile net income to net cash** | **2,633** | | | | | **3,914** | | | | |
| Amortization | 1,603 | | | | **0** | 1,756 | | | | **0** |
| Variations in severance indemnity | 13 | | | | **0** | 9 | | | | **0** |
| Net variation of other funds | (955) | | | | **0** | 283 | | | | **0** |
| Interests paid | (935) | | | | **0** | (404) | | | | **0** |
| Interest expense for the year | 3,292 | | | | **0** | 2,286 | | | | **0** |
| Taxes paid | 1,192 | | | | **0** | 748 | | | | **0** |
| Taxes for the year | (1,577) | | | | **0** | (764) | | | | **0** |
| **Variations in assets and liabilities:** | 2,087 | | | | | 3,693 | | | | **0** |
| Accounts payable | 1,146 | (41) | 1,257 | 51 | **1,267** | 992 | 35 | 1,300 | 109 | **1,445** |
| Other current assets | 2,188 | 1,408 | 70 | 0 | **1,478** | 3,330 | 1,514 | 70 | 21 | **1,605** |
| Trade payables | (740) | 0 | (90) | (70) | **(160)** | 995 | 0 | (1,496) | 63 | **(1,433)** |
| Other current liabilities | (2,140) | 0 | 0 | 0 | **0** | (1,621) | 0 | 0 | 0 | **0** |
| Other non-current assets | 1,672 | 0 | 0 | 0 | **0** | (4) | 0 | 0 | 0 | **0** |
| Other non-current liabilities | (37) | 0 | 0 | 0 | **0** | 2 | 0 | 0 | 0 | **0** |
| **Total adjustments and variations** | **4,721** | **1,367** | **1,237** | **(19)** | **2,585** | **7,607** | **1,549** | **(126)** | **193** | **1,606** |
| **Cash flows generated (used) by operating activities** | **46,700** | **1,367** | **1,237** | **(19)** | **2,585** | **51,225** | **1,549** | **(126)** | **193** | **1,606** |
| **Cash flows generated (used) by investments** | | | | | | | | | | |
| Investments in intangible assets | | | | | **0** | (3) | | | | **0** |
| Investments in tangible assets | (548) | | | | **0** | (520) | | | | **0** |
| Disposals / (Acquisition) of investments and advances | (3,778) | 0 | 3,778 | 0 | **(3,778)** | (16,300) | 0 | (16,300) | (309) | **(16,609)** |
| Other net equity operations | | | | | **0** | 584 | | | | **0** |
| **Cash flows generated/(used) by investments** | **(4,326)** | **0** | **3,778** | **0** | **(3,778)** | **(16,239)** | **0** | **(16,300)** | **(309)** | **(16,609)** |
| **Cash flows generated (used) by financial activities** | | | | | | | | | | |
| Net changes in short-term bank borrowings | (4,251) | | | | **0** | 15,894 | | | | **0** |
| Net variation in current financial assets and liabilities | (6,082) | 0 | (4,157) | 0 | **(4,157)** | (25,864) | 0 | (24,725) | (1,139) | **(25,864)** |
| Net change in loans to associates | 666 | 0 | 0 | 0 | **0** | | 0 | 0 | (3,412) | **(3,412)** |
| Disposals / (Acquisition) of own share | 540 | 0 | 506 | 0 | **506** | 19,819 | 0 | (5,341) | 0 | **(5,341)** |
| Net changes in medium and long-term loans | | | | | **0** | | | | | **0** |
| Ignitions loans and mortgages | 218,000 | | | 0 | **0** | | 1,549 | (9,475) | 2,454 | **(5,472)** |
| Redemptions loans and mortgages | (162,166) | | | 0 | **0** | | 0 | (5,341) | (3,420) | **(8,761)** |
| Dividends distributed to shareholders | (40,016) | | | | **0** | (40,016) | | | | **0** |
| **Cash flows generated (used) by financial activities** | **6,692** | **0** | **(3,651)** | **0** | **(3,651)** | **(30,167)** | **1,549** | **(44,882)** | **(5,517)** | **(48,849)** |
| **Variations in cash** | **49,066** | | | | **0** | **4,819** | | | | **0** |
| **Cash and cash equivalents at the beginning of the period** | **9,330** | | | | **0** | **4,511** | | | | **0** |
| **Cash and cash equivalents at the end of the period** | **58,396** | | | | **0** | **9,330** | | | | **0** |

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

***A*** *Parent companies*
***B*** *Subsidiaries and Jointly controlled companies*
***C*** *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 and Jointly controlled companies:

- Amgas Blu S.r.l.
- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.

- Asco TLC S.p.A.
- Ascotrade S.p.A.
- ASM Set S.r.l.
- Blue Meta S.p.A.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.
- Ascopiave Energie S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Unigas Distribuzione S.r.l.
- Veritas Energia S.p.A.

Group C – Other related parties:

- 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 31st December 2018 and 31st December 2018 is detailed as follows:

| (Thousands of Euro) | A | B | C | D | 31.12.2018 Totale | Fair value |
|---|---|---|---|---|---|---|
| Other non-current assets | | | 2,794 | | 2,794 | 2,794 |
| 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 | | | | 4,950 | 4,950 | 4,950 |
| Current financial liabilities | | | | 36,495 | 36,495 | 36,495 |

| (Thousands of Euro) | A | B | C | D | 31.12.2017 Totale | Fair value |
|---|---|---|---|---|---|---|
| Other non-current assets | | | 4,534 | | 4,534 | 4,534 |
| Non-current financial assets | | | 0 | | 0 | 0 |
| Trade receivables and Other current assets | | | 57,560 | | 57,560 | 57,560 |
| Current financial assets | | | 21,071 | | 21,071 | 21,071 |
| Cash and cash equivalents | | | 9,330 | | 9,330 | 9,330 |
| Medium- and long-term bank loans | | | | 54,360 | 54,360 | 54,360 |
| Other non-current liabilities | | | | 306 | 306 | 306 |
| Non-current financial liabilities | | | | 422 | 422 | 422 |
| Payables due to banks and financing institutions | | | | 80,181 | 80,181 | 80,181 |
| Trade payables and Other current liabilities | | | | 44,233 | 44,233 | 44,233 |
| Current financial liabilities | | | | 12,696 | 12,696 | 12,696 |

**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 is 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 in the Company.

Diluted earnings per share are equal to basic earnings 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 basic earnings per share, identified according to the method forecast by IAS 33, are reported below:

| (Thousands of Euro) | Value as at 31 December 2018 | Value as at 31 December 2017 |
|---|---|---|
| Net profit attributable to parent company shareholders | 41,979 | 43,618 |
| 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 | 11,727,609 | 12,100,873 |
| Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share | 222,683,966 | 222,310,702 |
| **Earnings per share (in Euro)** | **0.1885** | **0.1962** |

## Fees to the Auditing Company

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees paid in 2018 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. | Ascopiave S.p.A. | 97 |
| Statutory audit of separate accounts | PricewaterhouseCoopers S.p.A. | Ascopiave S.p.A. | 7 |
| Other services | PricewaterhouseCoopers S.p.A. | Ascopiave S.p.A. | 13 |
| **Total** | | | **118** |

## Commitments and risks

**Guarantees given**

As of 31st December 2018, the company provided the following potential bank guarantees:

| (Thousands of Euro) | 31st of December 2018 | 31st of December 2017 |
|---|---|---|
| On credit lines | 54,582 | 33,065 |
| On electricity supply agreements | 3,000 | 5,000 |
| Guarantees on credit lines (letter of comfort) | 115 | 127 |
| On execution of works (letter of comfort) | 829 | 953 |
| Agreements on incentives art. 4 of Law no. 92/2012 | | 22 |
| On UTF offices and regions for taxes on gas (letter of comfort) | 3,977 | 4,237 |
| On UTF offices and regions for taxes on electricity (letter of comfort) | 119 | 119 |
| On distribution concession (letter of comfort) | 2,040 | 2,194 |
| On agreements for transport of gas (letter of comfort) | 4,463 | 4,494 |
| On agreements for transport of electricity (letter of comfort) | 14,700 | 14,755 |
| On purchase of gas agreements (letter of comfort) | | 22 |
| On purchase of company shares (letter of comfort) | 500 | 500 |
| **Total** | **84,325** | **65,489** |

The items "Letters of comfort on credit lines" include letters of comfort issued by Ascopiave S.p.A. in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation for a total amount of Euro 25,332 thousand (Euro 26,665 thousand as of 31st December 2017).

## Risk coverage 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 23rd November 2008, it is noted that the company has not entered into agreements not disclosed in the balance sheet.

**Management of financial risk: objectives and criteria**

The 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**

The exposure of Ascopiave S.p.A. to the risk of interest rate fluctuation is mainly connected to the variable interest rate loans taken out with credit institutions, being the Company responsible for managing the financial requirements of the subsidiaries.

Because of the seasonality of the natural gas business cycle which characterises the investees, Ascopiave S.p.A. aims to manage the need for cash by means of temporary credit lines at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk.

Furthermore, the Company manages medium-long term loans at variable and fixed rates with primary bank institutions, with an outstanding debt as of 31st December 2018 of Euro 63,124 thousand and due dates between 31st January 2019 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2019 and 2025, with residual balance as of 31st December 2018 of Euro 26,250 thousand (Euro 34,541 thousand as of 31st December 2017), represented exclusively by the loan granted in August 2013 by the European Investment Bank.

On the other hand, the loan taken out with BNL in August 2017, with a residual debt as of 31st December 2018 of Euro 27,500 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 31st December 2018 of Euro 9,374 thousand, are not exposed to interest rate risks, as they envisage the application of a fixed rate.

The loans taken out with BNL and the European Investment Bank are subjected to convents that have been respected.

Please refer to Paragraph "Medium and Long Term Loans" for additional details.

### Sensitivity analysis of the interest rate risk

The following table shows the sensitivity of the Company's earnings before tax, based on possible variations in interest rates, keeping all the other variables constant.

| (Thousands of Euro) | January | February | March | April | May | June | July | August | September | October | November | December | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Financial Position 2018 | (141,376) | (143,231) | (144,914) | (141,467) | (134,302) | (132,804) | (131,605) | (132,797) | (138,920) | (138,250) | (137,042) | (138,193) | |
| Borrowing rates of interest | 0.82% | 0.49% | 0.31% | 0.19% | 0.23% | 0.23% | 0.24% | 0.49% | 0.65% | 0.31% | 0.56% | 0.52% | |
| Lending rates of interest | 0.51% | 0.52% | 0.51% | 0.50% | 0.49% | 0.53% | 0.53% | 0.53% | 0.53% | 49.00% | 0.56% | 0.48% | |
| Borrowing rate of interest plus 200 basis points | 2.82% | 2.49% | 2.31% | 2.19% | 2.23% | 2.23% | 2.24% | 2.49% | 2.65% | 2.31% | 2.56% | 2.52% | |
| Lending rates of interest plus 200 basis points | 2.51% | 2.52% | 2.51% | 2.50% | 2.49% | 2.53% | 2.53% | 2.53% | 2.53% | 2.49% | 2.56% | 2.48% | |
| Borrowing rate of interest reduced of 50 basis points | 0.32% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.15% | 0.00% | 0.06% | 0.02% | |
| Lending rates of interest reduced of 50 basis points | 0.01% | 0.02% | 0.01% | 0.00% | 0.00% | 0.03% | 0.03% | 0.03% | 0.03% | 0.00% | 0.06% | 0.00% | |
| Net Financial Position recalculated with the increase | (141,616) | (143,451) | (145,160) | (141,700) | (134,530) | (133,023) | (131,829) | (133,022) | (139,148) | (138,485) | (137,262) | (138,427) | |
| Net Financial Position recalculated with decrease of | (141,316) | (143,176) | (144,853) | (141,409) | (134,245) | (132,750) | (131,549) | (132,740) | (138,863) | (138,191) | (136,986) | (138,134) | Total |
| Effect on pre-tax result of the increase of 200 basis points | (240) | (220) | (246) | (233) | (228) | (218) | (224) | (226) | (228) | (235) | (225) | (235) | (2,757) |
| Effect on pre-tax result of the decrease of 50 basis points | 60 | 55 | 62 | 58 | 57 | 55 | 56 | 56 | 57 | 59 | 56 | 59 | 689 |

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 2,757 thousand (2017: Euro 2,732 thousand) or positive for Euro 689 thousand (2017: Euro 683 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 the operating or investment assets, on the other hand, and the expiry and debt renewal characteristics.

Under note 14, medium/long-term financial payables are detailed according to their date of expiry, as of 31st December 2018.

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 allow meeting the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

## Management of Capital

The main purpose of capital management in Ascopiave is to ensure a steady credit rating and adequate levels of capital indicators. Ascopiave S.p.A. may adjust dividends paid to shareholders, reimburse capital or issue new shares.

Ascopiave verifies its capital through the debt to capital ratio, which is the ratio between equity and the grand total of share capital and equity. Ascopiave includes it its equity on going financing, trade payables and other payables, net of cash and cash equivalents.

| (Thousands of Euro) | 31.12.2018 | 31.12.2017 |
|---|---|---|
| Medium- and long-term bank loans | 55,111 | 54,360 |
| Financial position in the medium-long term | 72,618 | 70,851 |
| **Financial gross debit** | 127,728 | 125,211 |
| Share capital | 234,412 | 234,412 |
| Reserves | 123,740 | 120,408 |
| Group's Net Result | 41,979 | 43,618 |
| **Total Net equity** | **400,131** | **398,437** |
| **Total capital and gross debit** | **527,860** | **523,648** |
| Debit/Net assets ratio | 0.32 | 0.31 |

## 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 2018

On 28th 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 on 28th January 2019 between Ascopiave, Unigas and, limited to the assumption of certain commitments, Anita S.r.l., as the reference partner of Unigas (the "Framework Agreement"). On the same date, the Boards of Directors of Ascopiave and Unigas approved the Merger plan, which will be 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 will be made available in accordance with the applicable legislation.

The completion of the combination is expected, subject to the approval by the aforementioned Shareholders' Meetings and the issue of a positive opinion on the adequacy of the share exchange ratio by Reconta Ernst & Young S.p.A., within the first half of 2019.

Pursuant to the Framework Agreement, Ascopiave and Unigas may withdraw from their respective obligations relating to the completion of the combination upon the occurrence of certain extraordinary events, to date unpredictable, which could have a significant impact on either of the two companies involved in the Merger.

The Merger will be 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 30th 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 for 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, shall be transferred to Anita. As better described in the Merger plan, the aforesaid share exchange ratio may be 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 8th 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 23rd July 2018.

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

Ascopiave will keep the market informed about any subsequent developments of such process.

## Litigations

LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 31st December 2018 the following are pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending before the Court of Appeal of Venice filed by the Municipality of Costabissara. The Municipality, by a deed notified on 12th December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19th May 2016, the Court scheduled the pre-trial hearing for 7th March 2019. The Arbitration Commission ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interests at the date of filing the Award.

It appears that the Parties have reached an agreement on the global amount of Euro 3,000 thousand. Contacts are underway to prepare a settlement agreement.

LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 31st December 2018 the following are pending:

MUNICIPALITY OF SANTORSO:

An arbitration is pending between Ascopiave S.p.A. and the Municipality of Santorso for the establishment of the residual industrial value of the distribution plants (delivered in 2007 to the new operator).

On 20th April 2017, following the filing of the Statements of Defence and their counter-argument, the last oral hearing was held.

By Court Order dated 2nd May 2017, the Panel rejected the application for document submission relating to the RAB filed by the Company.

By final award dated 18th July 2017, the Panel 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.

The Municipality filed an appeal.

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

ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st December 2018 the following are pending:

GUIDELINES – MINISTERIAL DECREE 22nd MAY 2014

An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgment no. 10341 dated 17th October 2016, by which the Regional Administrative Court of Latium rejected the main appeal against Ministerial Decree 22nd 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 20th May 2015, amending Ministerial Decree 226/2011.

As concerns the appeal filed by Ascopiave, the merit hearing was scheduled for 20th Septemeber 2018.

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

In this regard, please note that, compared to a similar appeal filed by other distribution companies, 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, thereby agreeing on the fact that such matter is not irrelevant/ungrounded.

Also as regards the aforementioned ruling, Ascopiave's lawyers submitted an application to the judge in order to advance the discussion, subsequent to which the hearing for the discussion was scheduled for 20th September 2018.

As foreseen and as already happened in the past, the Council of State referred the matter to the European Court of Justice. The Company's lawyers have already made contacts to unify the judgments deriving from the aforementioned referrals.

ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014

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

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

CONTESTATION OF PASUBIO GROUP S.P.A. CONTRACT DOCUMENTS:

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 10th 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 9th 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 2nd 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 3rd April 2017 Ascopiave stipulated a sale agreement to purchase the share interest of Pasubio Group, becoming its sole shareholder.

The discussion on the substance of the appeal is yet to be scheduled.

ANAC GUIDELINES ON ART. 177 LEGISLATIVE DECREE 50/2016

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

Article 177 of Legislative Decree 50/2016 establishes that, from 18th 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 2nd 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 is scheduled for 22nd May 2019.

ATEM VI3 INVITATION TO TENDER

Although not pending as of 31st December 2018, AP Reti Gas S.p.A. and AP Reti gas Vicenza S.p.A. filed an appeal before the Regional Administrative Court for Veneto, notified on 16th January 2019, for the cancellation of the Call for tenders published in the Official Gazette on 17th December 2018.

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

CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31st December 2018 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 22nd 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 29th 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 7th 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 28th 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:

- 7 procedures are in progress (they have been sent to the Legal Office and are awaiting filing);
- 1 procedure has been filed (hearings already scheduled/under scrutiny);
- 4 procedures are in execution of judgment;
- 11 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 3 procedures have been suspended (for various reasons);
- 200 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 (including Unigas Distribuzione S.r.l.). 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 31st December 2018, 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 187 thousand. For the other companies of the Group these costs amount approximately to Euro 112 thousand (including Unigas Distribuzione S.r.l. costs).

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

Regarding other 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).
Since 2008, some companies of the Ascopiave Group 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.
With reference to the outcome of the pending litigations, the first degree of judgment is favourable to Agenzia delle Entrate: therefore, the companies decided to file an appeal against the judgement of the provincial tax commission.

## 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, shall propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.125 Euro per share, for a total of Euro 27.8 million; this amount is calculated on the basis of outstanding shares at the end of 2018.
Ascopiave S.p.A. announces that, if approved, the dividend will be paid on 8th May 2019 c with ex-dividend date on 6th May 2019 (record date on 7th May 2019).
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.
During the same meeting, Ascopiave S.p.A.'s Board of Directors considered the request received from the parent company Asco Holding S.p.A. to convene the Shareholders' Meeting, pursuant to art. 2367, Italian Civil Code, and art. 125-*ter*, paragraph 3, Legislative Decree dated 24th February 1998, no. 58, whose agenda is "*Extraordinary distribution of available reserves. Related and consequent resolutions*". Specifically, the distribution of an extraordinary dividend was requested in favour of all shareholders, up to Euro 50 million, sufficient to guarantee the payment to Asco Holding of a dividend equal to a maximum amount of Euro 30 million. The company has started the assessment of the sustainability of such extraordinary dividend, including the request of a fairness opinion from an external advisor.

Pieve di Soligo, 11th March 2019

The Chairman of the Board of Directors
Mr Nicola Cecconato

# DECLARATION

**regarding the Financial Statements for the accounting period 2018, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14th 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 24th 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 1st January 2018 –31st December 2018

2) We also declare that:

2.1 the financial statements for the period ended 31 December 2018:

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.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 11th March 2019

| Chairman of the Board of Directors | Officer Responsible for the preparation of Corporate Financial Reports |
|---|---|
| dr. Nicola Cecconato<br>signature | dr. Riccardo Paggiaro<br>signature |

# DECLARATION

**regarding the Consolidated Financial Statements for the accounting period 2018, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14th May 1999, subsequent amendments and additions.**

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- 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 1st January 2018 –31st December 2018

2) We also declare that:

2.1 the financial statements for the period ended 31 December 2018:

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 – 11th March 2019

| Chairman of the Board of Directors | Officer Responsible for the preparation of Corporate Financial Reports |
|---|---|
| dr. Nicola Cecconato<br>signature | dr. Riccardo Paggiaro<br>signature |

# REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE

In accordance with Art.123 bis Financial Law
Issuer: Ascopiave S.p.A.
Website: www.gruppoascopiave.it
Financial Year of Reference: 2018
Date of approval of the Report: 18th March 2019

## 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 16th 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 12th 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 20th July 2016 and approved by Consob under resolution no. 19704 dated 3rd 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:** The Legislative Decree dated 24th February 1998, no. 58.

## ISSUER PROFILE

Ascopiave Group works in the field of natural gas, and mainly in its distribution and sale to final consumers.
For the area of its client basin and for the quantities of gas sold, Ascopiave is currently one of the main operators of the sector at national level.

The Group owns the distribution network managed, which extends for more than 8,600 kilometres, supplying the service to a customer base of more than one million inhabitants to over 200 municipalities.

The sales of natural gases are performed by many companies, some of which are at joint control. Totally considered, the controlled companies of the Group sell to the final customers more than 1 billion of cubic metres of gas.

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).

The Report on Corporate Governance and company structure, which is also published in a separate folder, and the Company Charter, can all be viewed on the Company's website (www.gruppoascopiave.it).

## 1. INFORMATION on OWNERSHIP STRUCTURES (Art. 123 bis, first paragraph Consolidated Finance Law) as of 31 December 2018

### a) Structure of Share Capital

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:

| | N° Shares | % against S. C. | Listed/Not Listed | Rights and Obligations |
|---|---|---|---|---|
| **Ordinary Shares** | 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 Charter. |

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 issue shares.

Although it is not an incentive plan with increases, including bonus share capital, it should be noted that the Shareholders' Meeting on 26th 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 Financial Law.

**b) Restrictions concerning the of equities**

There are no restrictions concerning the transfer of equities.

**c) Significant share-holdings**

As of 31st December 2018, own shares held in the Issuer's portfolio are equal to 11,727,609 [1]. As of that date, the significant shares in the Issuer's capital, according to that resulting from the communications made in accordance with Article 120 Consolidated Finance Law, are as follows:

| Declarant | Direct Shareholder | % ordinary capital | % on voting capital |
|---|---|---|---|
| *Asco Holding S.p.A.* | ***Asco Holding S.p.A.*** | 61,562% | 61,562% |
| *Amber Capital UK LLP* | *Amber Active Investors Limited* | 5,189% | 5,189% |

[1] Including no. 1.975 bonus shares, with a value of Euro 1,00

| | | | |
|---|---|---|---|
| *Ascopiave S.p.A.* | Ascopiave S.p.A. | 5,003%(1) | 5,003%(1) |
| *ASM Rovigo S.p.A.* | *ASM Rovigo S.p.A.* | 4,399% | 4,399% |

**d) Equities granting special rights**

No equities have been issued that grant special control rights.

**e) Employees share participation: Exercise of 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**

There are not agreements between the Shareholders known to the Issuer pursuant to art. 122 of Consolidated Financial Law.

**h) Change of control clauses and statute 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 Statute for any derogation to the provisions of the Consolidated Financial Law. The Issuer's Statute does not furthermore provide for the application of the neutralization rules pursuant to Art. 104-bis, subpar 2 and 3 of the Consolidated Financial Law.

**i) Power to increase Share Capital and for purchase of treasury stock**

The Board of Directors has obtained no powers from Shareholders' Meeting pertinent to the increase of Share Capital.
On 26th April 2018, the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2018 Plan") to replace the authorization to purchase and manage own shares granted by the Shareholders Meeting on 28th April 2017, which therefore is to be considered as revoked, as far as the not implemented part is concerned.

The 2018 Plan authorises 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 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 26th 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 31st December 2017, equal to € 74,949,137.55.
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 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 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 Financial Law.

The number of the treasury shares in the portfolio as of 31st December 2018 amounts to 11,727,609[2], equal to 5.003% of the share capital, for a counter value equal to Euro 16,980,868.26.

**l) Management and Co-ordination Activity**

Despite the Issuer participates in the consolidated taxation in the hands of the consolidating Asco Holding S.p.A. and there are some relationships of economic nature 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 following 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, Ascopiave 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 Charter, 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 Code of Self-Conduct is publicly available on the website of the Italian Stock Exchange (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

[2] Including no. 1.975 bonus shares, with a value of Euro 1,00

The dispositions of the Issuer's Charter 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.

The Company Charter 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 Charter (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 Charter, 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 Charter 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 which 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 Statute.

After the vote of the assembly, if two or more lists have been presented:

(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 28th April 2011, notwithstanding the provisions of Art. 15, the share for the less represented category shall be equal to one-fifth (rounding to excess). The share of one-fifth shall be 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 Statute.
However, in 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 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 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 Charter, 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 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.

**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 Code of Self-Conduct.

Furthermore, please refer to the replacement procedure of the Directors already envisaged by the existing Statute. In particular, the three-year term of the duration in office of all Directors, pursuant to Art. 15 of the Company Statute require periodic appointments as provided by the relevant Statute 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 Statute.

### 4.2. STRUCTURE

In accordance with Article 14 of the Company Charter, the Board of Directors comprises five (5) members, who need not necessarily be 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 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 2017.

The Ascopiave Board of Directors, appointed during the Meeting of 28th April 2017, currently comprises 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 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.

The 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 |
|---|---|---|---|
| **List n. 1**<br>Asco Holding S.p.A. | 1. Dimitri Coin<br>2. Nicola Cecconato<br>3. Enrico Quarello<br>4. Greta Pietrobon<br>5. Antonella Lillo | 1. Dimitri Coin<br>2. Nicola Cecconato<br>3. Enrico Quarello<br>4. Greta Pietrobon<br>5. Antonella Lillo | 81,24% |
| **List n. 2**<br>Jointly presented by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and<br>ASM Rovigo S.p.A. | 1. Giorgio Martorelli<br>2. Claudio Paron | 1. Giorgio Martorlli | 18,75% |

For the detailed composition of the Board of Auditors, please 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, President and CEO, beginning of term 04th 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 Chartered 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 28th April 2011, at his third mandate: he is an entrepreneur in the agro-nursery sector and in the real estate-commercial sector (independent non-executive director).
  Born in Treviso on June 1st 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 14th February 2012, at his third mandate (independent non-executive director). Born in Castelfranco Veneto (TV) on November 10th 1974. He carries out management activities in companies of organized distribution, he has been director of national companies.
- Mrs. Greta Pietrobon, in office since 24th April 2014, at her second mandate (independent non-executive director). Born in Paese (TV) on October 18th 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).
- Lawyer Antonella Lillo, at her first term, in office since May 4th 2017 (non-executive director). Born in Treviso on August 19th 1961. She is registered in the Association of Lawyers, admitted to legal aid before the higher courts. She collaborates permanently with banks. She has taught in courses organized by Professional Associations and Entrepreneurial Associations and has published articles on banking and financial law. She has been consultant for real estate investment funds and since 2014 she has been a member of STEP (Society of Trust and Estate Practitioners). She is registered in the list of arbitrators of the National Arbitration Court. Since December 2017 she has been a member of the Board of Directors of Italian Wine Brands SpA, since May 2018 she has been a member of the Board of Directors of Somec SpA, and, since the same month, a member of the Board of Directors of Autostrade Meridionale SpA
- Mr. Giorgio Martorelli, at his first term, in office since May 4th 2017 (non-executive independent director). Born in Macerata on April 3rd 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, infrastructure 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 under the Investor Relations section.

**Diversity policies**

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.

Furthermore, 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 in the Investor Relations section, to have more information about their training, professional paths, and skills.

**Maximum accumulation of 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 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 divulgation of information during meetings and in the pre-board report.

## 4.3. 4.3. ROLE OF THE BOARD OF DIRECTORS

During the financial year 2018 17 (seventeen) Board meetings were held on the following dates: 17 January 2018; 31 January 2018; 12 February 2018; 21 February 2018; March 7, 2018; March 14, 2018; April 16, 2018; May 14, 2018; June 25, 2018; 6 July 2018; 20 July 2018; August 1, 2018; 8 August 2018; October 15, 2018; November 14, 2018; 10 December 2018 and 21 December 2018.

The duration of the board meetings was on average about 2 hours and fifty minutes.

At the date of this report, from the beginning of 2019, no. 7 (seven) meetings on 28 January 2019, 11 February 2019, 20 February 2019, 25 February 2019, 4 March 2019, 11 March 2019 and 18 March 2019.

The 2018 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 6 (six) further meetings on the following dates:

- 13th May 2019 – approval of the Quarterly Report as of 31st March 2019;
- 5th August 2019 – approval of the Half Year Report as of 30th June 2019;
- 11th November 2019 – approval of the Quarterly Report as of 30th September 2019;

During the financial year 2018, 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 dated 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 March 4th 2019, 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 2018, 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 2018, the General Manager of the Company, before ending his relationship with the Company, which took place on November 15th 2018, has participated in 12 (twelve) 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 Board of Directors meetings, upon request of the President 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 16th 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).

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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 Statute 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.
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 14th March 2018, regarding the year 2017 and on 11th March 2019, regarding the year 2018, 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 16th 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.

In 2013, the adoption of the organizational, management and control models in compliance with the requirements of the Legislative Decree 231 has also been completed in all the subsidiaries of the Issuer. Each of these companies has adopted its own "model 231", it has set up a body in charge of supervising the implementation and effectiveness of Model 231, and adhered to the Code of Ethics of the Ascopiave Group.

In 2016, also the Board of Directors of the newly formed company AP Reti Gas SpA, the latter company's gas distribution branch of the transferring company Ascopiave SpA, effective from 1st July 2016, adopted its own "231 model", and signed the Ethics Code of the Ascopiave Group dated 14th May 2013.

In 2017 the Sole Director of the company AP Reti Gas Vicenza S.p.A. (ex Pasubio Group SpA, company acquired by Ascopiave SpA on 3rd April 2017) updated the "231 model" and adhered to the Ascopiave Group's Code of Ethics.

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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 charter to comply with the law.

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In line with the Application Guideline 1.C.1, let. g) on 14th March 2016, 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 2018, on March 4th 2019, in accordance with the Self-Regulatory Code which provides for a self-assessment at least once a year self-assessment, the new 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 2018, 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.

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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 PARTIES

### Managing Directors

By resolution dated 09th 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, 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 , already subject to communication to the Market, 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, 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.

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 Ascopiave 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 Ascopiave and/or its subsidiaries or investee companies, for commitments falling within the activities referred to in the related corporate purpose, for amounts up to € 5,000,000.00 per transaction or series of related transactions.

With regard to the "company management", it should be noted that the corporate and organizational structure of the Ascopiave Group is characterized by the presence of a Parent Company (Ascopiave SpA) which controls the companies operating in the different business sectors for the distribution of raw materials and sales to end customers). Within this Group organization, also taking into account the application of the unbundling legislation for the Independent Operator and for the vertically integrated company (so-called unbundling), it is noted that the structure of the bodies and powers is completed by the administrative bodies and the delegated bodies of the subsidiary companies which are assigned with the management of the distribution business and the sales business, it is attributed to administrative bodies and senior management distinct from those of the Parent Company. In light of this Group structure and of the different businesses, it is noted that the typical management activities of the Ascopiave Group do concentrate the different functions in a single delegated body.

**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 Charter, 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 2018, in the Board of Directors of the Issuer there were three independent 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 on 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.

In line with the provisions of the Application g Principle 3.P.2 of the Corporate Governance 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 Finance Law, since every 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 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 March 14th 2018 and on March 4th 2019. As part of the assessments, the Application Criterion 3.C.1 of the Code of Conduct was applied.

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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 control will be explained in the Auditors' report at the meeting of 28th April 2017 in accordance with Article 2429 Civil Code.
Similarly, at its meeting on 09th May 2017 the new Board of Auditors verified, pursuant to the Application Criteria 3.C.5, the correct application of the criteria and procedures adopted by the Board to assess the independence of its members; such assessment will be disclosed within the statutory auditors 'report to the Shareholders' Meeting pursuant to art. 2429 of the Civil Code

The independent administrators never met during the year 2018 in the absence of the other administrators as no other circumstance demanding the necessity of these reunions occurred. There are various reasons that contributed to the non-convocation of special reunions of the independent administrators. For example, the fact that the administrators have always received with large advance all the necessary information for their effective, deep and not formal participation to the reunions of the Board of Directors was determining. This permitted the timely formulation of eventual remarks on the opportunity and correctness of each single proposed decision. Furthermore, the adoption of the Code on Related Parties Transactions, its punctual application, the previous declaration, during the opening of the Board's works, of any conflicts of interests according to article 2391 of Civil Code and the subsequent abstention of the administrators in conflict, are symptomatic elements of a correct modus operandi that guarantees the absence of conflicts of interest and explains the reason why the necessity of facing these problems without the presence of the so-called not-independent administrators never appeared during the financial year.

### 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.3. of the Code. This figure, in fact, is expressly envisaged by the Application Guideline 2. C.3. 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 19th October 2016, the adoption of the new "Procedure for the 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 3rd 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 23rd June 2015 appointed as the Information Officer Mrs. Irene Rossetto and Mr. Giacomo Bignucolo, as her substitute, assigning them the task of complying with law and regulatory requirements come under the responsibility of the Information Officer, with particular reference to those dealing with mandatory corporate information and market disclosure of information on transactions subject to the "Code Internal dealing "(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 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 19th 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 March 22nd 2017 (published in 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.
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 (http://www.gruppoascopiave.it/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.

## 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 functionality of the compensation committee**

The Compensation Committee of the Issuer is composed by three Directors.

Following the renewal of the 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 Dimitri Coen has been appointed as members of the Remuneration Committee, with the 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 Ascopiave Remuneration Committee from 2011 to date, in compliance with Principle 6.P.3 of the Code of Conduct.

During the fiscal year 2018, six meetings of the Compensation Committee were held on 7th March 2018, 12th March 2018, 06th August 2018, 26th November 2018, 3rd December 2018 and 17th December 2018. The meetings duration was of about 15 minutes.
The Committee furthermore met after the end of the fiscal year, on 21th January 2019, 25th January 2019, 26th January 2019, 4th February 2019, 18th February 2019 and 1st March 2019. As of today, no further Committee meetings have been scheduled for the financial year 2019..

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 Finance 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 2018, the Committee met to discuss the following issues, among others:
- Revision of the variable incentive systems;
- Removal of the Lock-up on 2015-2017 PILT shares;
- Remuneration Report pursuant to art. 123-ter of the TUF: assessments on the 2018 Remuneration Policy, verification of the consistency of remuneration paid in 2017 and the 2017 remuneration policy;
- Exam of the MBO Plan 2017 results;
- Compensation Survey of the Chairman, of the directors with special duties and of non-executive directors.

After the end of the fiscal year, on 1st March 2019, 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 2018*" plan.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., let. 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).

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 published pursuant to art. 123-ter of the Financial Services Act.

In particular, please refer to the Remuneration Report for:

- 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.

## 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 11th September 2006, simultaneously approved the Control and risks Committee Regulations, in compliance with the new Code of Self-Discipline, with following modifications dated 23rd February 2011 and 24th 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.

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; in addition, the Director Giorgio Martorelli, has significant experience in financial matters, as well as risk management, acquired during professional experiences.

In 2018, 7 (seven) meetings of the Control and Risk Committee were held on 31 January 2018, 14 March 2018, 14 May 2018, 5 July 2018, 31 July 2018, 14 November 2018 and 10 December 2018. The

average duration of the meetings was approximately forty minutes. For details on the participation of members in Committee meetings, see the contents of the attached Table 2.
For the year 2019, 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, 4 (four) Committee meetings were held on 28 January 2019, 18 February 2019, 4 March 2019 and 18 March 2019.
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 Audit 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:

(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 periodic reports prepared by the internal audit department on the progress of the work in the field of internal auditing, 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.
During the meetings, the Committee also discussed the most suitable initiatives with regards the auditing activities for 2018, 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).

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).

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).

The Board of Directors has set the internal control and risk management guidelines, so that the main risks for the Issuer and its subsidiaries shall be correctly identified and adequately measured, managed and monitored, by determining the compatibility of these risks with a company management in line with the identified strategic objectives, pursuant to the Application criteria 7. C.1., lett. a).

In 2018, 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.

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.

**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 Audit 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 internal control and risk management system, as well as those relating to the approval of periodic financial reports.
The head of the Internal Audit 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 27th March 2008 an organizational, management and control framework, pursuant to Art. 6 of the Legislative Decree dated 8th 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 19th 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.

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:

- a set of company procedures relevant for the preparation and circulation of financial information, comprising, among others, operating instructions, reporting and accounting calendar;
- an 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 262, 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;
- a process of periodical evaluation of the appropriateness and of the effective application of the identified key controls. The evaluation is performed every 6 months with the preparation of the balance and of the half-year report and is performed by the internal audit department, based on the indication of the Manager in charge. The tests on semi-annual controls are performed based on the priorities identified during the risk assessment;
- a process of certification 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 President and Chief Executive Officer, who presents 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 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.
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## 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 Ascopiave.

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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:

- has identified 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;
- has implemented, 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;
- has adapted this system to the dynamics of the operative conditions and legislative and regulatory situation;
- has asked the internal audit department, which depends under the organizational point of view from the same Chairman and Chief Executive Officer, to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;
- has set up a constant flow of information with the control and risks Committee and with the Board of Directors on issues and concerns raised, so that the Committee (or the Board) has been able to take appropriate action.

## 11.2. RESPONSIBLE FOR THE INTERNAL AUDITING

The responsible for internal auditing is, since June 2015, Mr. Sandro Piazza, advisor with proper professional qualifications and independence, who has gained extensive experience in the field of internal audit and compliance activities. Previously, up to May 2015, the Department was headed by Mr. Christian Ceresatto.

The appointment of Mr. 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.

Pursuant to the Guideline 7. C.3., lett. b) The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.
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For the execution of the tasks assigned, the Internal Audit function comprises, in addition to the Manager, two additional resources with specific expertise in economics and finance. In particular, the internal audit function has been integrated in 2016 with a person having extensive experience in administration and accounting, mainly devoted to the monitoring of the Company and the Group's administrative and accounting processes.

The internal audit function 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 Audit 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 Audit 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 Party responsible for the Internal Auditing, 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.

For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the Head of Internal Audit 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 Internal Audit performed a verification of the internal control system and risk management of the Issuer on the of the control instruments implemented in the

The Head of 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.

**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.

During the meeting of 28th January 2019, the Board of Directors of Ascopiave S.p.A. approved the launch of a project to update the organization, management and control model with reference to changes in regulations, changes in the organizational structure and/or changes in the Company's procedure, which have occurred since the approval date of the current version of the 231 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 (President of the Board), from Luca Biancolin - who also holds the position of member of the Board of Statutory Auditors of Ascopiave S.p.A. and by Lawyer Elisa Pollesel.

During the previous mandate, the Supervisory Body was composed by Lawyer Elisa Pollesel (President of the Body), Ruggero Paolo Ortica - professional in economic and financial matters and by Irene Rossetto, of the Internal Auditing Function (internal member, appointed on 10th November 2016, following the resignation of Cristiano Ceresatto)

During the period covered by this report, while carrying out the tasks assigned by law and by the Ascopiave Board of Directors to the Supervisory Body, 9 meetings were held; in 2017 1 meeting was hold, all documented by appropriate records kept by the Chairman.
The abstract of the above model consists of a general part showing the normative system of reference, the process of definition of the model and the constituent elements of the model itself; it also includes various special parts dealing with the special cases of crime that the model is intended to prevent, among which:

- crimes against the public administration
- corporate crimes
- *market abuse*
- safety at work
- environmental crimes
- computer crimes
- receiving of stolen goods and money 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 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 14th May 2013, is available on the Issuer's website www.gruppoascopiave.it in the section Corporate Governance/Sistema e regole/Codice Etico.

## 11.4. AUDITING COMPANIES

Auditing is entrusted to the company PriceWaterhouseCoopers S.p.A.
The appointment was made by the Shareholders' Meeting on 23rd April 2015. The appointment will expire upon approval of the financial statement as of 31st December 2023.

## 11.5. MANAGER RESPONSIBLE FOR DRAWING UP THE COMPANY ACCOUNTING DOCUMENTS

The Board of Directors of Ascopiave SpA, which met on October 15th 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 31st 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, a graduate in Economics and Commerce from the Ca 'Foscari University of Venice in 2001, a Chartered 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.
The outgoing CFO and Manager in charge, dott. Cristiano Belliato, on September 28, 2018, resigned to embark on a new career path, maintaining his duties and responsibilities until October 30, 2018.

In accordance with Article 25 of the Issuer's Charter, 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 chartered 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 147quinquies 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 SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

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 the Board of Statutory Auditors and of the Internal Audit 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., Antonio Schiro, on 25th February 2019 a meeting was held for the exchange of information pursuant to art. 151 of the 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 12th 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, 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 Charter.
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 Charter, 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 (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 Charter 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 Charter.
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.

## 14. COMPOSITION 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 Standing 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, the 2 lists that were presented:

| ISSUER PARTY | LIST OF CANDIDATES | LIST OF APPOINTED SUBJECTS | % VOTES OBTAINED IN RELATIONSHIP WITH THE VOTING CAPITAL |
|---|---|---|---|
| **List n. 1**<br>Asco Holding S.p.A. | **Statutory auditors**<br>1. Luca Biancolin<br>2. Roberta Marcolin<br>**Alternate auditor**<br>1. Achille Venturato | **Statutory auditors**<br>1. Luca Biancolin<br>2. Roberta Marcolin<br>**Alternate auditor**<br>1. Achille Venturato | 81,15% |
| **List n. 2**<br>Jointly presented by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A. | **Statutory auditor**<br>1. Antonio Schiro<br>**Alternate auditor**<br>1. Pierluigi De Biasi | **Statutory auditor**<br>1. Antonio Schiro<br>**Alternate auditor**<br>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 Chartered Accountants of Rovigo and of the Register of Credit Brokers at the UIC. He is freelance independent advisor in his studio "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 Chartered 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 Chartered 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.

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 2018, 12 (twelve) meetings of the Board of Statutory Auditors were held on the following dates: 31 January 2018, 21 February 2018, 7 March 2018, 14 March 2018, 30 March 2018, 26 April 2018, 21 May 2018, 6 July 2018, 2 October 2018, 29 October 2018, 14 November 2018 and 10 December 2018.
The average duration of the meetings was four hours.
For details on the participation of the Auditors to the meetings, see Table 3 attached to this report.

During 2019, 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 15th February, 25th February and 11th March 2019. The meetings planned for 2019 are 12 (twelve).

There have been no changes to the composition of the Board subsequent to balance sheet date.

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**Diversity policies**

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.

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 in the Investor Relations section, for the training, professional paths and skills acquired.

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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 Charter, and therefore at least once a quarter.

The Board of Auditors, at its meeting on 9th 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. The verification did not reveal any element that lead to the disappearance of this need for independence. During 2018, 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.

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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 divulgation 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 Audit and with the control and risks Committee, in line with the Application Guidelines 8.C.4 and 8. C.5. of the Code.

## 15. RELATIONSHIP WITH THE SHAREHOLDERS

The Issuer has judged that it be in 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 subpar. 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.
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 24th 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), 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 Charter, 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 Charter).
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 Charter 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 Shareholder participation in the Meetings, the Charter 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 Charter).

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Regarding Guideline 9.C.3 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 resolved to adopt 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 valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

The Regulations include 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 Charter), 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.
Said 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 on 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 al 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 Charter 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
.

***

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 taking a knowledgeable decision, where such is the task of the Meeting. 2 (two ) Directors have attended the meeting held on 26th April 2018.

The method of exercise of the Compensation Committee functions were presented to the shareholders, during the meeting, on 26th April 2018, by the publication of the Report on Compensation and the discussion about the contents of the same.

In 2017, no communications have been sent, pursuant to Art. 120 of the Financial Law.
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 Charter, 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 Charter require 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.

## 17. FURTHER OPERATIONS OF CORPORATE GOVERNANCE

In 2012, the Board of Directors of the Issuer approved, and updated on 16th 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.

## 18. CHANGES SINCE THE END OF THE 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 21st DECEMBER 2018 BY THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations of the Chairman of the Corporate Governance Committee formulated in the communication of December 21st 2018 were examined by the Board of Directors on March 18th 2019, after examination by the Control and Risk Board
At this meeting, the Board of Directors examined the recommendations of the Governance Committee identified in 2018, as well as a follow-up of the implementation level of the recommendations referring to the previous year (2017). The recommendations made in the letter were also submitted to the Board of Statutory Auditors.

The actions undertaken by Ascopiave are summarized below in line with the recommendations made by the Corporate Governance Committee to strengthen, in the context of the remuneration policies, the linking of variable remuneration to parameters linked to long-term objectives, on 7th March 2018, the Ascopiave Remuneration Committee evaluated a proposal to revise the variable incentive systems, subsequently approved by the Board of Directors on 14th March 2018, aimed at increasing the weight of the long-term variable remuneration in the Company remuneration policy. Subsequently, the Shareholders' Meeting of 26th April 2018 approved the long-term stock option incentive plan based on LTI 2018 - 2020, tool envisaged by the Ascopiave's remuneration policy for pursuing the objective of sustainability of the company's activities in the medium-long term.

**TABLES**

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE**

| | N° Shares | % vs. Share Capital | Listed/Non-Listed | Rights and Obligations |
|---|---|---|---|---|
| **Ordinary Shares** | 234.411.575 | 100% | STAR | Each share is equivalent to one vote. Shareholders' rights and obligations ate those stated in Articles 2346 et seq civil code and company charter |

**MAIN SHAREHOLDINGS AS AT 31 DECEMBER 2018 (PURSUANT TO ART. 120 of the FINANCIAL LAW)**

| **Declarant** | **Direct Shareholder** | **Ownership % of ordinary capital** | **Ownership % of voting capital** |
|---|---|---|---|
| Asco Holding S.p.A. | Asco Holding S.p.A. | 61,562% | 61,562% |
| Amber Capital Uk LLP | Amber Active Investors Limited | 5,189% | 5,189% |
| Ascopiave S.p.A | Ascopiave S.p.A. | 5,003% (1) | 5,003 (1) |
| ASM Rovigo S.p.A. | ASM Rovigo S.p.A. | 4,399% | 4,399% |

(1)Figures referring to shares actually owned by Ascopiave S.p.A. as at 31st December 2018, including n. 1.975 bonus shares, carrying value € 1.0

**TABLE 2: STRUCTURE BOARD OF DIRECTORS AND COMMITTEES**

| Board of Directors | | | | | | | | | | | | | Control and Risk Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Position* | **Components** | **Date of Birth** | **Date first appointment *** | **Start of Term** | **End of Term** | **List **** | **Exec.** | **Non-exec.** | **Indip. From Code** | **Indip. TUF** | **N. other offices ***** | (*) | (*) | (**) | (*) | (**) |
| **Chairman CEO •** | Nicola Cecconato | 1965 | 04/05/2017 | 04/05/2017 | Fin Stats 2019 | | X | - | - | - | 2 | 11/11 | | | | |
| **Director** | Dimitri Coin | 1970 | 28/04/2011 | 04/05/2017 | Fin Stats 2019 | M | - | X | X | X | 0 | 18/18 | P (until 04/05/2017) | 4/4 | P | 3/3 |
| **Director** | Quarello Enrico | 1974 | 14/02/2012 | 04/05/2017 | Fin Stats 2019 | M | - | X | - | - | 0 | 16/18 | M (until 04/05/2017) P (from 04/05/2017) | 7/7 | M | 3/3 |
| **Director** | Pietrobon Greta | 1983 | 24/04/2014 | 04/05/2017 | Fin Stats 2019 | M | - | X | X | X | 0 | 18/18 | M (from 04/05/2017) | 3/3 | **-** | **-** |
| **Director** | Antonello Lillo | 1961 | 04/05/2017 | 04/05/2017 | Fin Stats 2019 | M | - | X | - | - | 1 | 11/11 | | **-** | M (from 04/05/2017) | 1/1 |
| **Director** | Giorgio Martorelli | 1976 | 04/05/2017 | 04/05/2017 | Fin Stats 2019 | M | - | X | - | . | 2 | 11/11 | M (from 04/05/2017) | **3/3** | - | - |
| **-------------------------------TERMS EXPIRED DURING THE FINANCIAL YEAR-------------------------------** | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| **N. of meetings held during financial year: 17** | | | | | | Control and Risk Committee: 7 | | | | | Remuneration Committee: 6 | | | | | |
| **State quorum requested for the election of one or more minority directors (Art. 147-ter TUF): 2.5%** | | | | | | | | | | | | | | | | |

**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: STRUCTURE OF THE BOARD OF AUDITORS

| Board of Statutory Auditors | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ***Office*** | **Members** | **Date of Birth** | **Date first apptment *** | **Start of Term** | **End of Term** | **List (M/m)**** | **Auditor Independence** | **Attendance in meetings ***** | **Other offices held ******* |
| **President** | Antonio Schiro | 1970 | 28/04/2017 | 28/04/2017 | Fin Stats 2019 | m | X | 10/10 | 1 |
| ***Standing Auditor*** | Luca Biancolin | 1952 | 24/04/2014 | 28/04/2017 | Fin Stats 2019 | M | X | 12/12 | 0 |
| ***Standing Auditor*** | Roberta Marcolin | 1968 | 28/04/2017 | 28/04/2017 | Fin Stats 2019 | M | X | 10/10 | 2 |
| ***Alternate Auditor*** | Achille Venturato | 1966 | 24/04/2014 | 28/04/2017 | Fin Stats 2019 | M | X | - | - |
| ***Alternate Auditor*** | Pierluigi De Biasi | 1956 | 28/04/2017 | 28/04/2017 | Fin Stats 2019 | m | X | - | - |
| **Auditors retired during accounting period** | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| **Number of meetings held during financial year: 12** | | | | | | | | | |
| **State quorum requested for the election of one or more minority directors (Art. 148 TUF): 2,5%** | | | | | | | | | |

**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 (TUF) 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- quinquiesdecies of Consob Issuer Regulations.

## TABLE 4: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

| ***Nicola Cecconato***<br>*CEO (from 04/05/2017)* | **Office** | **Company** |
|---|---|---|
| | *Director*<br>*(since May 2017)* | *Pasta Zara S.p.A.* |
| | *Chairman of the Board of Directors (until August 2018)* | *Veneto Sviluppo S.p.A* |
| | *Non-executive Chairman (since December 2018)* | *AP Reti Gas S.p.A.* |

| ***Antonella Lillo***<br>*Non-exectutive director*<br>*(in office from 04/05/2017)* | **Office** | **Company** |
|---|---|---|
| | *Director*<br>*(since December 2017)* | IWB S.p.A. |
| | *Director (since May 2018)* | Somec S.p.A. |
| | *Director (since May 2018)* | Autostrade Meridionali S.p.A. |

| *Giorgio Martorelli*<br>*Independent director (from 04/05/2017)* | *Office* | Company |
|---|---|---|
| | *Director* | Amber Capital Italia SGR S.p.A. |

| *Enrico Quarello*<br>*Independent director(from 14/02/2012)* | *Office* | Company |
|---|---|---|
| | *Director* | AP Reti Gas S.p.A. |

## TABLE 5: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

| ***Antonio Schiro***<br>*Chairman of the Board of Auditors*<br>*(from28/04/2017)* | **Office** | **Company** |
|---|---|---|
| | *Chairman of the Board of Directors*<br>(from July 2017) | Guerrato S.p.A. |

| ***Roberta Marcolin***<br>*Member of the Board of Directors*<br>*(from 28/04/2017)* | **Office** | **Company** |
|---|---|---|
| | *Member of the Board of Directors*<br>*(until 02/01/2018)* | Sangemini Acque S.p.A. |

***ASCOPIAVE S.P.A.***

*Pieve di Soligo (TV), Via Verizzo n. 1030*

*Share Capital € 234.411.575,00 fully paid-up*

*R.E.A, Treviso – Tax Number 03916270261*

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE MEETING OF ASCOPIAVE S.P.A. SHAREHOLDERS**

**(pursuant to Article 153, Legislative Decree 58/1998 and Article 2429 of the Civil Code)**

oOo

Dear Shareholders,

The Board of Statutory Auditors, pursuant to Article 153, Legislative Decree 58/1998 (TUF, Consolidated Law on Finance) and Article 2429.2 of the Civil Code, is required to relate to the Shareholders' Meeting on the supervisory activities performed, on the omissions and improper events, if any.  In addition, the Board of Statutory Auditors may submit observations and proposals in connection with the financial statements, their approval and subjects under its jurisdiction.

During the financial year, supervisory activities were performed as envisaged by applicable rules and regulations for the Board of Statutory Auditors.

In compliance with the provisions of Article 2403 Civil Code ("*Duties of the Statutory Auditors*"), the Board performed the supervision activities by checking compliance with the law and the company charter, with the principles of fair administration and specifically with the consistency and proper functioning of the organizational, administrative and accounting structure adopted by the company.

The legal audit of the accounts pursuant to Article 14. Legislative Decree 39/2010 has been assigned to the external auditing company PricewaterhouseCoopers S.p.A.  (PWC).

In the accounting period ended 31$^{st}$ December, 2018, we performed the supervisory activities envisaged by law, pursuant to the principles of the Code of Behaviour for the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants and Chartered Accountants.

With regard to the activities performed during the accounting period, also in compliance with the Consob Communication DEM/1025564 dated 6th April 2001, subsequent amendments, additions and specific indications contained in the Code of Self-Discipline, we report the following:

1) We have kept watch on compliance with the law and the company charter at intervals envisaged in Article 23.3 of the bylaws. We obtained, from the Directors, the information relevant to all activities and the main transactions of economic, financial and equity importance performed by the Company, its subsidiaries and affiliates during the accounting period. In connection, we can reasonably affirm that such operations are in compliance with the law and with the company charter, and have not been deemed as overtly imprudent or hazardous or in contrast with the resolutions passed by the management or such as to compromise the integrity of the company's assets. Moreover, in the memo submitted by the Directors to the Board of Statutory Auditors as stated by law, there are no operations deemed in contrast with the Company's interests.
2) We have judged as complete the information submitted by the Board in its Report on Operations about atypical and/or unusual transactions, including those with subsidiaries, and or related parties. In their report on operations and explanatory notes to the financial statements, the Directors list and describe the ordinary activities with associated companies and intra-group. We have examined said information and believe the operations are congruent and in the company's best interests.
3) The External Auditors PWC S.p.A. have issued their reports in accordance with Articles 14 and 16, Legislative Decree N. 39/2010, regarding the statutory and the consolidated financial statements of the Group as of 31st December 2018, prepared under the International Financial Reporting Standards – IFRS adopted by the European Union. Said papers reflect the following:
   - "the statutory financial statements represent, properly and truthfully, the equity and financial situation of the Company as of 31st December, 2018, its economic results, and cash flow for the period, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions of Article 9, Legislative Decree N. 38/05";
   - "the consolidated financial statements represent, properly and truthfully, the equity and financial situation of the Company as of 31st December 2018, its economic results, and cash flow for the period, in compliance with the International Financial Reporting Standards

adopted by the European Union and with the provisions of Article 9, Legislative Decree N. 38/05";

- "the report on operations, the specific information in the corporate governance report and the ownership structure stated above are consistent with the financial statements of Ascopiave SpA as of 31st December 2018, and have been prepared in compliance with the law".

During the meetings with the external auditors, the parameters adopted for preparing the financial statements and defining the main items of the balance sheet and income statement were a matter of in-depth analysis.

4) The external auditors PWC S.p.A., in charge of the legal audit, has issued the report on the non-financial consolidated disclosure pursuant to Article 3.10 Legislative Decree 254/2016 and Article 5, CONSOB regulation number 20267 relating to Ascopiave S.p.A. and its subsidiaries for the fiscal year as of 31 December 2018, prepared pursuant to Article 4 of the Decree and approved by the Board of Directors on 11th March 2019.

5) No claims pursuant to Art. 2408 of the Civil Code were submitted during the year.

6) No other complaints pursuant to Art. 2409 of the Civil Code were received during the year. Regarding the accounting period 2018, the fees of the external auditors, PWC S.p.A. for the legal audit activities, amounted to € 378.000 (three-hundred-seventy-eight thousand), of which € 97.000 (ninety-seven-thousand) relating to the accounting and € 7.000 (seven-thousand) for the legal audit of separate annual statements of the Parent Company; € 215.000 (two-hundred-fifteen-thousand) relating to the audit and € 59.000 (fifty-nine-thousand) for the legal audit of separate annual statements of the subsidiaries; € 13000 (thirteen-thousand) for Other Services provided to Ascopiave S.p.A..

   No activities were assigned to PWC S.p.A. falling outside of Art. 16.1-ter of (TUF, Consolidated Law on Finance) and related CONSOB regulations.

7) In view of the declaration of independence issued by PWC S.p.A. in accordance with Art. 17.9a), 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 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 (the Company) in compliance with the regulations and principles of ethics and independence envisaged by the Italian legislation on the accounting audit of financial statements”.

8) The Board of Statutory Auditors held 12 meetings regarding its own role.

The Board of Statutory Auditors attended all the 17 meetings held by the Board of Directors and the Ordinary Meeting of the Shareholders on 26th April 2018 .

The Board of Statutory Auditors also attended all the 7 sessions held by the Internal Control and Risk Committee and all the 6 meetings of the Remuneration Committee.

9) We collected information and supervised, under our scope of work, on compliance with the principles of fair administration and consistency of the Company’s organizational structure, through the acquisition of information from Managers of the Group and meetings with external auditors, to the end of mutually exchanging relevant facts and figures.

10) We assessed and kept watch on the consistency of the internal control system and met, in our meetings, the Internal Auditing Manager of the Company, making an in-depth analysis of the corrective measures proposed and receiving continuous updates, on at least a quarterly basis, of the related status, in particular, examining observations referred to ‘compliance’ issues. In this regard, we have taken note of the activities performed by the Internal Auditing Manager during 2018. Our activities have revealed nothing untoward to deserve a mention of inconsistency or criticality relating to the internal control system.

11) We supervised and evaluated the consistency of the administrative-accounting system as a reliable tool for representing operations correctly, through:

(i) examination of the report issued by the Officer responsible for the preparation of Corporate Financial Statements about Administration and Accounting as well as Internal Controls and Corporate Reports.

(ii) receipt of information on a full and regular basis from the Managers of the Group

(iii) relations with the Control Bodies of subsidiaries in compliance with Art. 151.1 and 151.2, Legislative Decree 58/98;

(iv) attending the works of the Internal Control and Risk Committee;

(v) receipt of regular updates regarding the work performed by the Supervisory Committee appointed by the Company pursuant to the provisions stated in the Legislative Decree 231/2001.

We herein confirm that our inspections have revealed nothing untoward to deserve a mention of criticality about the Administration and Accounting system.

12) We collected information and supervised, under our scope of work, the consistency of the instructions given by the Company to its subsidiaries in compliance with Art. 114.2, Legislative Decree 58/98, through the acquisition of information from the Managers of the Group, meetings with external auditors, exchange of information from the Statutory Auditors of the Subsidiaries, to the end of mutually exchanging relevant facts and figures.

13) Consequent to meetings with the External Auditors, in accordance with Article 150.2 Legislative Decree 58/98, no facts or situations that should be highlighted in the present report, have emerged.

14) We have focused our attention on the compliance with the Code of Self-Discipline and the implementation of the Code of Ethics of Ascopiave S.p.A., pursuant to Article 149.1, C-bis, Consolidation Law on Finance.

The Board of Statutory Auditors has taken note of the verification by the Board of Directors relating to the independence of the Directors, checking the proper application of the benchmarks and inspection procedures adopted. The Board of Statutory Auditors has also verified the independent nature of its own members, pursuant to the principles stated in the applicable Code of Self-Discipline.

15) We examined and obtained information about activities of an organizational and procedural nature, following Legislative Decree 231/2001 and 61/2002, governing the administrative liability of Public Bodies regarding violations under the scope of said law. The Supervisory Committee appointed by the Board of Directors illustrated to the Board of Statutory Auditors, the activities performed during 2018, highlighting the compliance activities with the provisions of the law.

16) With regard to the provisions of “International Accounting Standards – IAS 24” governing the definition of related parties, we herein report that the subject has been thoroughly indicated in the section “Interaction with related parties” under the chapter “Other comments to the annual report 2018”.

17) The Officer responsible for the preparation of Corporate Financial Statements has issued the declaration pursuant to the guidelines of Article 154-bis, Legislative Decree n. 58/1998, referring to the statutory and consolidated financial statements of Ascopiave S.p.A., closing on 31st December 2018, offering a positive global evaluation.

18) The Board of Statutory Auditors, underlines, under significant events subsequent to the balance sheet date that on 28th January 2019, the Boards of Directors of Ascopiave S.p.A. and Unigas Distribuzione Srl approved a business combination to be implemented by means of the merger through acquisition of Unigas Distribuzione S.r.l. in Ascopiave S.p.A , immediately followed by the concentration in Edigas Esercizio Distribuzione Gas S.p.A. of Unigas Distribuzione S.r.l.’s operating activities in the network segment. The Boards of Directors of Ascopiave and Unigas approved the Merger plan, which will be submitted for validation to the respective Shareholders’ Meetings and to 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. The Merger will be 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.

19) The Board of Statutory Auditors, underlines, under significant events subsequent to the balance sheet date that on 20th February 2019, Ascopiave S.p.A.’s Board of Directors, as announced to the market on 15th October 2018, approved the launch of the first stage of a process aimed at (i) enhancing its activities in the gas and electricity sales sector and (ii) strengthening and consolidating its presence in the gas distribution sector, in both cases also through one or more strategic partnerships. The expressions of interest and non-binding offers from the participants

will be received during this first stage within 15th April 2019. The operators contacted to participate in the process are over 20 to date.

20) The Board of Statutory Auditors has also received the information report concerning the impairment test run by the auditing firm EY S.p.A. governing the goodwill and financial fixed assets of relevant values entered in the financial statements. The related details have been provided by the Board of Directors in the financial statements, consistent with the provisions of the international accounting principles and Consob guidelines.

We are not aware of any other relevant facts or elements worthy of bringing to the attention of the Shareholders.

In virtue of the above, on the basis of the activities of checks and controls done during the course of the year, we envision no hurdles to the approval of the Financial Statements as at 31st December 2018, along with the proposal of the Board of Directors related to the distribution of dividends to the Shareholders.

Antonio Schiro - Chairman of the Board of Statutory Auditors

Luca Biancolin – Standing Auditor

Roberta Marcolin – Standing Auditor

Pieve di Soligo, 29th March 2019