INTERIM FINANCIAL STATEMENTS

As of 30th JUNE 2019

Ascopiave Group

Gruppo ASCOPIAVE®

Table of contents

Annexes:

In-Company Control:

- Declaration by the Manager - Certification of the Interim Financial Statements in accordance with art. 81-*ter* of Consob regulation no. 11971;
- Independent Auditors' Report limited to the auditing of the consolidated interim financial statements as of 30th June 2019.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

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

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

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

In-Company Control Committee	From	To
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.
Via Verizzo, 1030
I-31053 Pieve di Soligo TV Italy
Tel: +39 0438 980098
Fax: +39 0438 82096
Share Capital: Euro 234,411,575 fully paid in
VAT ID 03916270261
e-mail: info@ascopiave.it

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

Main economic and financial data of the Ascopiave Group

Operating results

	First half			
(Thousands of Euro)	2019	% of revenues	2018	% of revenues
Revenues	60,816	100.0%	65,242	100.0%
Gross operative margin	18,839	31.0%	24,002	36.8%
Operating result	7,735	12.7%	13,612	20.9%
Net result of activities held for sale	29,466	48.5%	20,292	31.1%
Net result for the period	34,202	56.2%	29,758	45.6%

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

Balance sheet figures

(Thousands of Euro)	30.06.2019	31.12.2018
Net working capital	168,559	59,390
Fixed assets and other non current assets	443,483	557,118
Non-current liabilities (excluding loans)	(35,268)	(51,245)
Net invested capital	**576,774**	**565,386**
Net financial position	(178,674)	(117,517)
Total Net equity	(398,099)	(447,869)
Total financing sources	**(576,774)**	**(565,386)**

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

Cash flow data

	First half	
(Thousands of Euro)	2019	2018
Net income of the Group	**4,736**	**9,466**
Cash flows generated (used) by operating activities	82,322	106,038
Cash flows generated/(used) by investments	(12,868)	(9,045)
Cash flows generated (used) by financial activities	(108,566)	(36,711)
Variations in cash	**(39,112)**	**60,282**
Cash and cash equivalents at the beginning of the period	**59,353**	**10,928**
Cash and cash equivalents at the beginning of the period - Companies held for sale	**7,297**	**4,673**
Cash and cash equivalents at the end of the period	**20,241**	**71,210**

REPORT ON MANAGEMENT

FOREWORD

The Ascopiave Group closed the first half of 2019 with a net consolidated profit of Euro 34.2 million (Euro 29.8 million as of 30th June 2018), marking an increase of Euro 4.4 million, +14.9% as compared to the same period in the previous year.
The consolidated net assets at the end of the first half of the year amounted to Euro 398.1 million, (Euro 447.9 million as of 31st December 2018) and the net capital invested to Euro 434.2 million (Euro 565.4 million as of 31st December 2018).
At the end of the first half of 2019, the Group accomplished investments for Euro 14.4 million (Euro 9.4 million as of 30th June 2018), mainly in the installation of electronic metres, and in the development, maintenance and modernisation of the networks and plant of gas distribution.
At the end of 2018, the Group launched a process aimed at enhancing its activities in the gas sales sector and consolidating its presence in the gas distribution sector and on 17th June 2019 approved a business partnership with Hera S.p.A. by signing a binding Term Sheet for the development of a primary business in northern-eastern Italy. The Term Sheet was finalised in a framework agreement on 31st July 2019. In compliance with the international accounting standard IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the economic results, the assets and liabilities, of the natural gas and electricity sales sector are shown separately in a single line of the income statement and balance sheet respectively. The economic data shown for comparison purposes were reclassified in accordance with the standard. Consequently, this Report mainly illustrates the results of the businesses on a going concern basis by describing the operating results, balance sheet and cash flows of the assets held for sale in dedicated paragraphs.

Activities

The Ascopiave Group mainly operates in the sectors of distribution and sale of natural gas, as well as in other sectors related to the core business, such as the sale of electricity, heat management and co-generation.
The Group currently holds concessions and direct assignments for the supply of the service in 228 municipalities (230 municipalities as of 31st December 2018; the change in the number of concessions managed is related to the combination of some municipalities), and has a distribution network extending for over 9,853 km[1], (over 9,809 km as of 31st December 2018), providing a service to a catchment area bigger than 1 million inhabitants.
The activity of natural gas sale to end customers is carried out through subsidiaries of the parent company Ascopiave S.p.A., controlled exclusively or jointly with other shareholders.
In the gas sale segment, Ascopiave is one of the main National operators with over 36 million cu.m[1] of gas sold in the first six months of 2019 (546 million cu.m as of 30th June 2018).

Strategic objectives

Ascopiave aims to pursue a value-driven strategy 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 at a regional level and aims to reach a prominent position also at the national level, taking advantage of the liberalisation process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operating processes.

[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 pondering the data of the companies consolidated with the equity method according to the relevant share.

Operating performance

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 641.1 million cu.m[1], with an increase of 0.1% as compared to the same period in 2018. The distribution network as of 30th June 2019 had an extension of 9,853 km[1], an increase of 64 km compared to the same period in the previous year.

The volumes of gas sold[2] in the first half of 2019 are equal to 536.5 million cu.m, marking a decrease of 1.7% as compared to the same period in the previous year.

The volumes of electricity sold[2] were 249.2 GWh[1], with an increase of 18.2% as compared to the same period in the previous year.

The customers portfolio managed at the reporting date included 750.5 thousand customers, marking an increase of 1.0% as compared to the same period in the previous year.

Operating results and cash flows

In the first half of 2019, the consolidated revenues are equal to Euro 60.8 million, compared to Euro 65.2 million in the first half of 2018. The decrease in the turnover is mainly due to lower revenues from distribution services (Euro -1.6 million), lower revenues from the other Group companies (Euro -1.0 million) and lower contributions for white certificates (Euro -2.4 million).

The Operating Result of the Group equals Euro 7.7 million, marking a decrease compared to Euro 13.6 million in the first half of 2018. The decrease recorded is mainly explained by the reduction in the margin of energy efficiency certificates (Euro -4.0 million), by an increase in amortisation and depreciation (Euro -0.7 million) and partly offset by lower staff costs (Euro +0.2 million).

The result achieved by the companies held for sale at the end of the first half of the year showed an improvement of Euro 9.9 as compared to the same period in the previous year.

The Net Result, equalling Euro 34.2 million, marks an increase of Euro 4.4 million compared to the first six months of 2018.

The Net Financial Position of the Group as of 30th June 2019 is equal to Euro 178.7 million, a worsening of Euro 61.2 million as compared to Euro 117.5 million as at 31st December 2018.

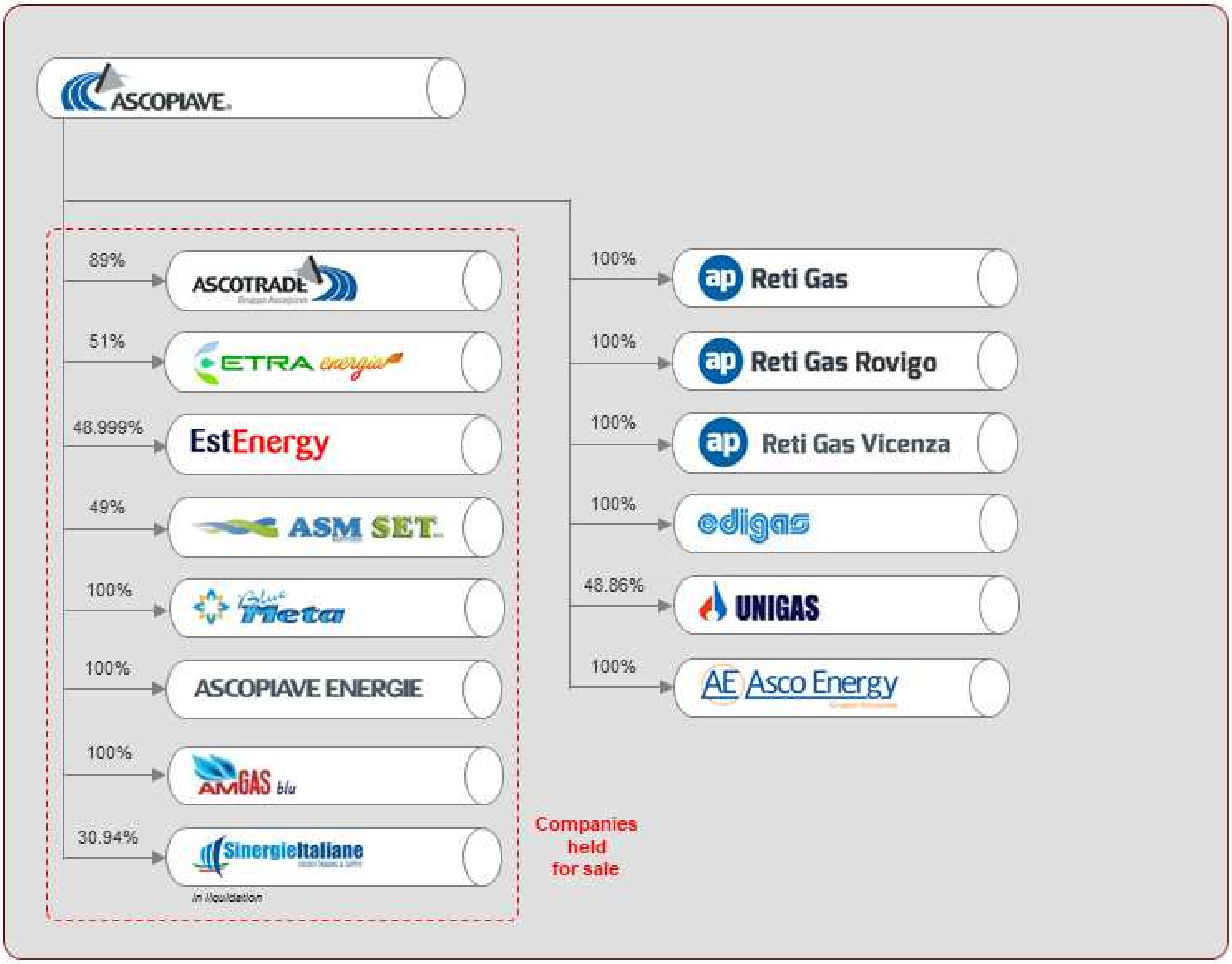
The increase in financial indebtedness is determined by the cash flow of the period (Euro +45.3 million, given by the sum of the net result and amortisations and depreciations) and by the management of current assets, which has generated financial resources for Euro 37.0 million. The investment activity has absorbed financial resources for Euro 12.8 million. Equity management (distribution of dividends and dividends received from companies consolidated using the equity method) has absorbed resources for Euro 130.6 million (Euro 48.8 million related to the reclassification of assets and liabilities held for sale).

The ratio between Net financial position and Net equity as of 30th June 2019 was equal to 0.45 (0.26 as of 31st December 2018).

[2] Data relating to Group companies held for sale.

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 30th June 2019.



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.

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, external 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 connect the main local players 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.

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 2018, the end customers with supplies on the free market were around 43% for electricity and about 51% for gas and the preference for fixed-price offers is confirmed.

The Regulatory Authority for Energy, Networks and the Environment has continued to favour the transition towards full liberalisation, encouraging in particular the use of the 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 is confirmed for 1st July 2020. 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.

Companies in the sector are increasingly using digital channels to promote offers to household end customers in the electricity market, even if in 2018 the percentage of end customers who decided to accept offers promoted through this channel decreased compared to 2017. Price still remains one of the most important elements in the choice of the supply, although alternative energy services and new digital innovative products are also establishing themselves.

The utilities will have to adapt quickly to a new energy system 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.

Reference economic context

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 the first half of 2019 include:

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

2nd Quarter 2019

Natural Gas

By virtue of **Resolution 108/2019/R/gas dated 26.03.2019**, the Authority updated the economic supply conditions for the consumer protection service for the April - June 2019 quarter.

With **Resolution 107/2019/R/com dated 26.03.2019**, the Authority approved the update, commencing 1st April 2019, 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 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 76.51 Euro Cents per cubic metre, including taxes, divided as follows: 32.19% for natural gas supply and for the activities related to it; 6.66% for retail sales; 19.11% for distribution, metering, transportation and distribution equalisation services, and quality; 4.23% for general system costs, set by law; 37.81%, including excise duties (19.98%), the regional additional tax (2.65%) and VAT (15.18%). As calculated by the Authority, commencing 1st April 2019, the cost of gas for the average customer has decreased by 9.9%.

Electricity
With **Resolution 109/2019/R/eel dated 26.03.2019**, the Authority approved the update, for the quarter April - June 2019, of the economic conditions for the supply also applicable to greater protection Customers.
With **Resolution 107/2019/R/com dated 26.03.2019**, the Authority approved the update, commencing 1st April 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 April 2019, 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 19.89 Euro Cents per kilowatt/hour, including taxes, divided as follows: 33.35% for energy procurement costs and 8.94% for retail sales; 19.68% for distribution, metering, transportation equalisation and distribution services, and quality; 24.88% for general system costs, set by law; 13.15%, for taxes, including VAT and excise duties. As calculated by the Authority, commencing 1st April 2019, the cost of electricity for the average customer has decreased by 8.5%.

3rd Quarter 2019

Natural Gas
With **Resolution 264/2019/R/gas dated 25.06.2019**, the Authority updated the economic supply conditions for the consumer protection service, for the July - September 2019 quarter.
With **Resolution 262/2019/R/com dated 25.06.2019** 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, starting 1st July 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 71.22 Euro Cents per cubic metre, including taxes, divided as follows: 28.29% for natural gas supply and for the activities related to it and 7.16% for retail sales; 20.52% for distribution, metering, transportation and distribution equalisation services, and quality; 4.54% for general system costs, set by law; 39.49%, including excise duties (21.47%), the regional additional tax (2.85%) and VAT (15.17%). As calculated by the Authority, starting 1st July 2019, the cost of gas for the average customer has decreased by 6.9%.

Electricity
With **Resolution 263/2019/R/eel dated 25.06.2019**, the Authority approved the update, for the quarter July – September 2019, of the economic conditions of supply applicable to greater protection Customers.
With **Resolution 262/2019/R/com dated 25.06.2019** 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, starting 1st July 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 20.27 Euro Cents per kilowatt/hour including taxes, divided as follows: 35.10% for energy procurement costs and 8.77% for retail sales; 19.32% for distribution, metering, transportation equalisation and distribution services, and quality; 23.74% for general system costs, set by law; 13.07%, for taxes, including VAT and excise duties. As calculated by the Authority, starting 1st July 2019, the cost of electricity for the average customer has increased by 1.9%.

Additional provisions issued by ARERA

With **Resolution 32/2019/R/gas dated 29.01.2019** - Compliance with the judgement of the Council of State 4825/2016 for the cancellation of the Authority Resolution ARG/gas 89/10 - methods for adjusting the economic items between sellers and end customers for the period 2010-2012 - ARERA defined the methods for adjusting the economic items of natural gas between sellers and end customers for the period 2010-2012, in compliance with the judgement of the Council of State 4825/2016. This judgement had annulled the value of the coefficient "K" then in force in the QE formula of the regulated gas tariff and allowed ARERA to redefine a value more consistent with the judgement. The Authority, after establishing the new value of the coefficient K for the reference period, with resolution 737/2017/R/GAS, held a consultation, with DCO 516/2018/R/gas, on the possible ways to recover the necessary sums to be paid to the sellers. Such resolution, therefore, arises from this consultation process and requires that the necessary sums be recovered through an indirect mechanism, based on the application of an additional variable component of the distribution tariff to all customers with consumption up to 200,000 Scm/year, including public service utilities. The revenue from this component will be appropriated by the CSEA and paid in three sessions to the eligible sellers, based on a system of certification of the natural gas volumes withdrawn by the respective end users in the protected market in the period considered. The procedure for recovering and paying the sums was launched in 2019.
Specifically, in order to obtain the amounts due, within the prescribed deadline of 31st May 2019, the Group sales companies have submitted to the CSEA a specific request for participating in the recognition mechanism; overall, the claim amounts to around Euro 8.6 million.

With **Resolution 59/2019/R/com dated 19.02.2019** - Voluntary guidelines for the promotion of electricity and natural gas offers in favour of purchasing groups formed of household end customers and small businesses - ARERA defined the content of the voluntary participation guidelines for the promotion of electricity and natural gas commercial offers in favour of purchasing groups, with particular reference to the comparability, transparency and publicity of the offers, as well as the creation of IT platforms aimed at facilitating the aggregation of small consumers in compliance with the Competition Act (article 1, paragraph 65, law dated 4th August 2017, no. 124).
The guidelines, effective from 1st May 2019, establish rules of conduct that energy purchasing groups formed of small customers - whose annual consumption of natural gas does not exceed 200,000 Scm, with the exception of condominiums, and electricity customers connected in LV with the exception of public administrations and public lighting - are required to observe for a period of at least two years from voluntary participation.

With **Resolution 61/2019/R/com dated 19.02.2019** - Amendments to article 5, paragraph 5.3 *bis*, of the Integrated Text of the application methods of the compensation schemes for the costs incurred by disadvantaged household customers for electricity and natural gas supplies - ARERA, subsequent to the approval of law decree no. 4 dated 28th January 2019, instituting citizens' income, amended the TIBEG and, specifically, Article 5, paragraph 5.3 *bis*, on the renewal methods, to ensure the continuity of the subsidy for the bonus holders for whom the deadline for submitting the renewal application is not fully compatible with a fixed-date deadline of the Single Substitute Declaration (DSU), required for the ISEE certification.

With **Resolution 85/2019/R/com dated 05.03.2019** - Fine-tuning of the regulation for the operation of the offer portal under law dated 4th August 2017, no. 124, and amendments to the Authority resolution 51/2018/R/com - ARERA, modifying Resolution 51/2018/R/com, made some precise changes to the Regulations for the operation of the Offer Portal pursuant to the Competition Act, considered, *inter alia*, that (i) it is necessary to give greater visibility to the cost of protection services, which still constitute a significant market reference for end customers (at least household customers), particularly in order to compare the prices of the free market offers and (ii) it is appropriate that the forward quotation benchmarks are defined by a third party according to criteria of objectivity, verifiability and representativeness of the wholesale markets and that the quotations in question are made available to the operators in the manner established by the Manager of the Offer Portal.

With **Resolution 109/2019/R/eel dated 26.03.2019** - Update, for the quarter 1st April – 30th June 2019, of the economic conditions of the electricity sales service in the greater protection scheme, amendments to the TIV, the Code of Commercial Conduct and Authority Resolution 369/2016/R/eel and repeal of Resolution ARG/elt 8/10 - ARERA in addition to updating, for the quarter 1st April – 30th June 2019, the economic conditions of the electricity sales service in the greater protection scheme (as amended by Resolution 633/2016/R/eel), resolved, among other things, to amend the TIV and the Code of Commercial Conduct pursuant to resolution 366/2016/R/eel.

With **Resolution 132/2019/r/gas dated 09.04.2019** - Transitional provisions on the calculation and delivery of the Parameter relating to the annual withdrawal in order to enforce the Regulation on gas settlement, for the thermal year 2019 - 2020 - ARERA, acknowledging that the Integrated Information System (SII) is unable to determine this parameter, introduced, for the purpose of calculating the CAPDR for the thermal year 2019-2020 and exchanging information between the SII and the operators, a simplified and transitory procedure, instead of the provisions of Article 4 of the TISG pursuant to resolution 72/2018.
The procedure involves the following:
1) by 30th June 2019, the distributors, for each Redelivery Point (PdR) under their scope, transmitted to the SII the following information:
for the PdR measured monthly (PdR MM) and the PdR measured with a frequency other than one month or with daily detail (PdR MY), the consumption in Scm expressed as the difference between 2 measurements (meas1 and meas2) and the respective dates of measurement (d1 and d2);
for the PdR measured monthly with daily detail (PdR MG), the sum of the validated daily measurements;
the indication of a valid substitute declaration or transmitted during the year and the relevant code of the standard withdrawal profile.
2) by 31st July 2019, based on the communication stated in the previous point, the SII:
must perform all the activities pertaining to the determination of the value of the 2019/2020 CAPDR;
must provide Distribution Users and distributors with the information relating to the CAPDR and the standard withdrawal profile using a standardised layout.

With **Resolution 147/2019/R/gas dated 16.04.2019** - Reform of the processes for allocating the capacity to the exit and redelivery points of the transportation network - the Authority reformed the processes for allocating the capacity to the exit points of the transportation network that supply distribution networks (city-gates), starting from 1st October 2020. The Settlement User (UdB) must no longer request the capacity, and the allocation will be completed automatically, when the Official Central Registry (RCU) of the SII certifies the “correspondence relationship” that defines, for each Redelivery Point (PdR) present in the distribution contract of a Distribution User (UD), to which UdB the withdrawals pertain.

With **Resolution 155/2019/R/gas dated 16.04.2019** - Definition of the updating process of the correspondence relationship between the settlement user and the redelivery point of the distribution network - ARERA defined, within the SII, the operating methods for updating the correspondence relationship between the Settlement User (UdB) and the Redelivery Point (PdR) present in the distribution contract of a Distribution User (UdD). The new system will be fully operational with effects on settlement activities from 1st January 2020.

With **Resolution 196/2019/R/com dated 21.05.2019** - Integration of the provisions on how to exercise the right of withdrawal from the electricity and gas supply contracts by large end customers - ARERA complemented the provisions on how to exercise the right of withdrawal due to Supplier change. Specifically, the provision makes it possible for large customers to manage the communication of withdrawal at a time other than the switching request, allowing them to send it directly to the outgoing Seller in the manner defined in the contract.

With **Resolution 197/2019/R/com dated 21.05.2019** - Start of a procedure for the definition of regulatory tools for the information and empowerment of end customers in the electricity and natural gas retail markets by sellers. Additions to the Authority resolution 746/2017/R/com - the Authority launched a procedure for the definition of regulatory instruments for the information and empowerment of end customers in the electricity and natural gas retail markets by the Sellers, complementing Resolution 746/2017/R/com in the field of disclosure requirements in

relation to the termination of price protections. Specifically, with a subsequent press release, the Authority has introduced the obligation, for all operators in the greater protection scheme and suppliers in the field of the protected gas market, as concerns only customers in the greater protection scheme and only customers in the protected gas market, to add, in the invoices issued in the second half of 2019, a disclosure on the termination of the price protections.
The Group sales companies, as suppliers in the protected gas market, have included the disclosure in the invoices issued in the second half of the year.

With **Resolution 242/2019/A dated 18.06.2019** - 2019-2021 strategic framework of the Regulatory Authority for Energy Networks and the Environment - the 2019-2021 Strategic Framework is approved. In this document, ARERA has illustrated its priorities and objectives for the next three years. This is a transparent tool for stakeholders, which includes, among other things, an annual report of the activity actually performed and the reasons for any deviations.
Among the guiding principles of the document: greater focus on the consumer, who will be provided with tools and actions for greater awareness in his/her choices; greater attention to innovation in technology and processes in the environmental energy sector; particular attention to consistent development in the various areas of the country, to which principles of asymmetric regulation will be applied in order to make the level of the public services more homogeneous across the territory.

With **Resolution 246/2019/R/com dated 18.06.2019** - Integration and amendments to the Authority resolution 712/2018/R/com, regarding electronic invoicing, subsequent to the provisions of law 205/2017 - the Authority integrated and amended the provisions of the previous resolution 712/2018/R/com on the summary bill for end customers and on documents for recognising the services of natural gas distribution and electricity transport.
The sellers are now required to attach to the electronic invoice the relevant summary bill and details (if applicable, pursuant to the regulation and the contract) and include in the summary bill the number of the relevant electronic invoice sent to the Exchange System. The issuers must register and file for at least 10 years (also in accordance with article 2220, paragraph 2 of the Italian Civil Code) a copy of the summary bill, the details and the documents for the recognition of the distribution service.

With **Resolution 270/2019/R/com dated 25.06.2019** - Establishment of the Portal for the consumption of electricity and natural gas implementing law 205/2017 - the Authority, on 1st July 2019, launched the new “Consumption Portal”. The Website, set forth in the 2018 Budget Law, provides Consumers with their historical electricity and gas consumption data, with the aim of raising their awareness. In this early stage, the Customers can view, even by means of tables or charts, their past consumption data, and the readings and the self-readings of the last 12 months.

With **Resolution 271/2019/R/gas dated 25.06.2019** - Provisions on the process for providing the Integrated Information System with the technical data of the redelivery points and the measurement and modification data of the communication standards with reference to the gas sector - the Authority regulated the process for providing the Integrated Information System with the details and technical data of the redelivery points and the measurement and modification data of the communication standards with reference to the gas sector. Specifically, the measure pursues the objective of rationalising the information flows, currently defined by the “Operating Instructions” for the gas sector, concerning:
the details/technical data of the measurement group;
the readings detected also on the occasion of technical and commercial services (thus extending the centralisation within the Integrated Information System of such data).
The extension of centralisation enables the Integrated Information System to determine the parameter indicating the annual withdrawal (CAPDR) in the context of settlement activities.

Other regulations

Code of enterprise crisis and insolvency – Italian Legislative Decree dated 12th January 2019, no. 14
The bankruptcy law of 1942 is repealed and the rules governing the crisis and insolvency of agricultural and commercial entrepreneurs, professionals and consumers are entirely rewritten; however, the new regulation does not

apply to large and very large companies, to which regulations on extraordinary administration in all their variants apply.
The Code maintains all the pre-existing institutions, albeit in some cases modifying their regime: composition with creditors, debt restructuring agreement, restructuring agreement with financial intermediaries, certified reorganisation plans, moratorium agreement, and bankruptcy procedure.
The main changes concern the replacement of the word "bankruptcy" with the term "judicial liquidation", the introduction of regulations on alert measures (certain subjects are now required to report some events in order to "detect timely the signs of the crisis of the enterprise and adopt promptly appropriate measures for its solution"), the introduction of a single procedure for ascertaining the crisis and the insolvency, the modification of the composition with creditors so that it is encouraged only when it is intended to guarantee business continuity and limit alleged abuses, the modification of the regulations governing the debt restructuring agreement to encourage its use.

Class Action – Law dated 12th April 2019, no. 31

Subsequent to the 2019 reform and the approval of the related bill, the class action is no longer governed by the Consumer Code, but by the Code of Civil Procedure, to which Title VIII-*bis* of the fourth book "of collective proceedings" (articles 840-*bis* to 840-*sexiesdecies*) was added, concerning class action.
By removing the discipline from the Consumer Code and including it in the Code of Civil Procedure, the scope of the institution was extended from the subjective point of view, since, eliminating any exclusive reference to consumers/users, the action can be brought by all of those (individuals, legal persons, entrepreneurs, professionals) who make claims for damages in relation to harms to "homogeneous individual rights"; therefore, the instrument does no longer apply exclusively to consumers or associations to which the latter had given a mandate or in which consumers participated.
As concerns specifically the energy sales segment, this means that the action can be exercised by both household and non-household customers.
The action may be enforced directly by each member of the class or through non-profit organisations or associations whose statutory objective is the protection of homogeneous rights (registered in a specific public list maintained at the Ministry of Justice).
From the objective point of view, the institution was strengthened as the class action can be brought to protect all subjective situations suffered due to harmful conduct, to ascertain liability and to sentence to compensation for damages and refunds. Basically, class actions are no longer limited to cases of contractual liability but may also be brought in the event of non-contractual liability and, therefore, the infringement of rights regardless of the presence of a contract, a circumstance that is no longer indispensable.
The action may be brought against the perpetrators of the harmful conduct, including companies and bodies that manage public services or public utility services, relating to acts and behaviours implemented in the performance of their respective activities; the provisions on appeals for the efficiency of administrations and concessionaires of public services are unaffected.
The new provisions will come into force 12 months after the publication of the law in the Official Gazette (19th April 2020) while the unlawful acts committed previously will continue to be governed by the rules set out in the Consumer Code (Article 140-*bis*).

Electronic invoicing - main provisions of Agenzia delle Entrate

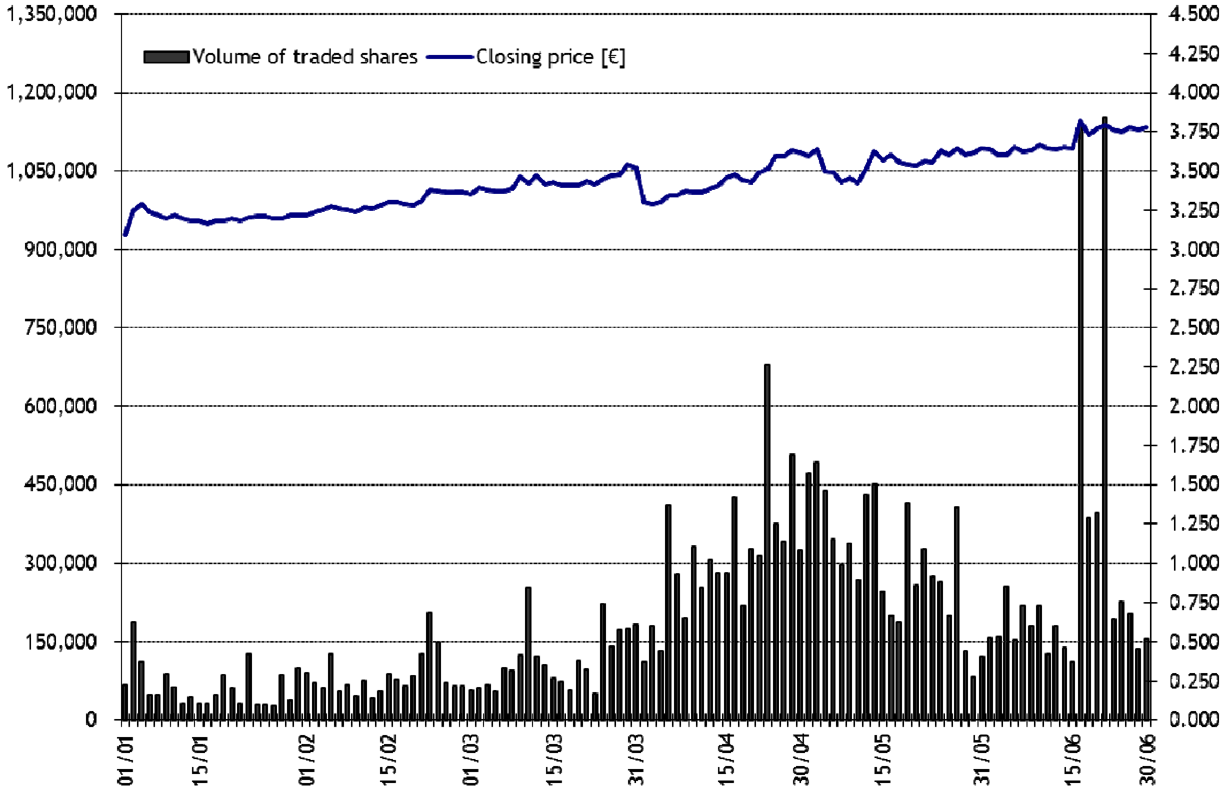
With Provision no. 164664 dated 30th May 2019, Agenzia delle Entrate postponed again the deadline within which the VAT operators and their specifically delegated intermediaries, as well as the end consumers, can subscribe to the service for consulting and acquiring electronic invoices or the respective IT duplicates: between 1st July and 31st October 2019.
Furthermore, if the tax payer decides to use the consultation service, the term within which Agenzia delle Entrate deletes the electronic invoice files is set at 60 days (previously, 30 days); this term starts from the end of the "consultation period", i.e. 31st December of the second year following the year in which the electronic invoice was received by the Exchange System.
Finally, if the tax payer decides not to use the consultation service, the new Provision has extended the time granted to Agenzia delle Entrate to delete the electronic invoices and their computer duplicates, temporarily stored and

available for consultation in the transitional period: within 60 days of the end of the period granted for subscribing to the service (31st October 2019).
With the circular letter no. 14/E dated 17th June 2019, furthermore, Agenzia delle Entrate provided new clarifications on electronic invoicing, subsequent to the issues that emerged during the previous months, especially as regards the date to be specified in the invoice, addressing various matters: objective and subjective scope, terms and procedures for issuing and registering documents, payment of the stamp duty, criteria for filling in the self-billed invoices, storage and consultation of the documents issued and the extent of the applicable sanctions.
With regard to the indication of the date, Agenzia delle Entrate specified that, considering that for electronic invoices the issue date is unequivocally assigned by the Exchange System, the date to be entered in the XML file must always be the date on which the transaction took place, regardless of when the invoice is generated and then transmitted via the Exchange System. Basically, the body of the electronic invoices transmitted through the Exchange System must not contain the date of issue even if different from the date on which the transaction took place. However, for analogue invoices (paper or electronic invoices not transmitted via the Exchange System), the two dates (date of issue and date on which the transaction took place) must be indicated whenever they do not coincide.

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

As of 28th June 2019, the Ascopiave share registered a quotation of Euro 3.780 per share, marking an increase of 22.1 percentage points as compared to the listing at the beginning of 2019 (Euro 3.095 per share, referred to the quotation of 2nd January 2019).

Capitalisation of the Stock Exchange as of 28th June 2019 was equal to Euro 886.96 million[3] (Euro 725.08 million as of 29th December 2018).



During the first half of 2019, the quotation of the shares shows an increase (+22.1%), higher than the increase in the index FTSE Italia All Share (+14.9%), the index FTSE Italia Star (+13.6%) and the industry index FTSE Italia Servizi di Pubblica Utilità (+19.4%).

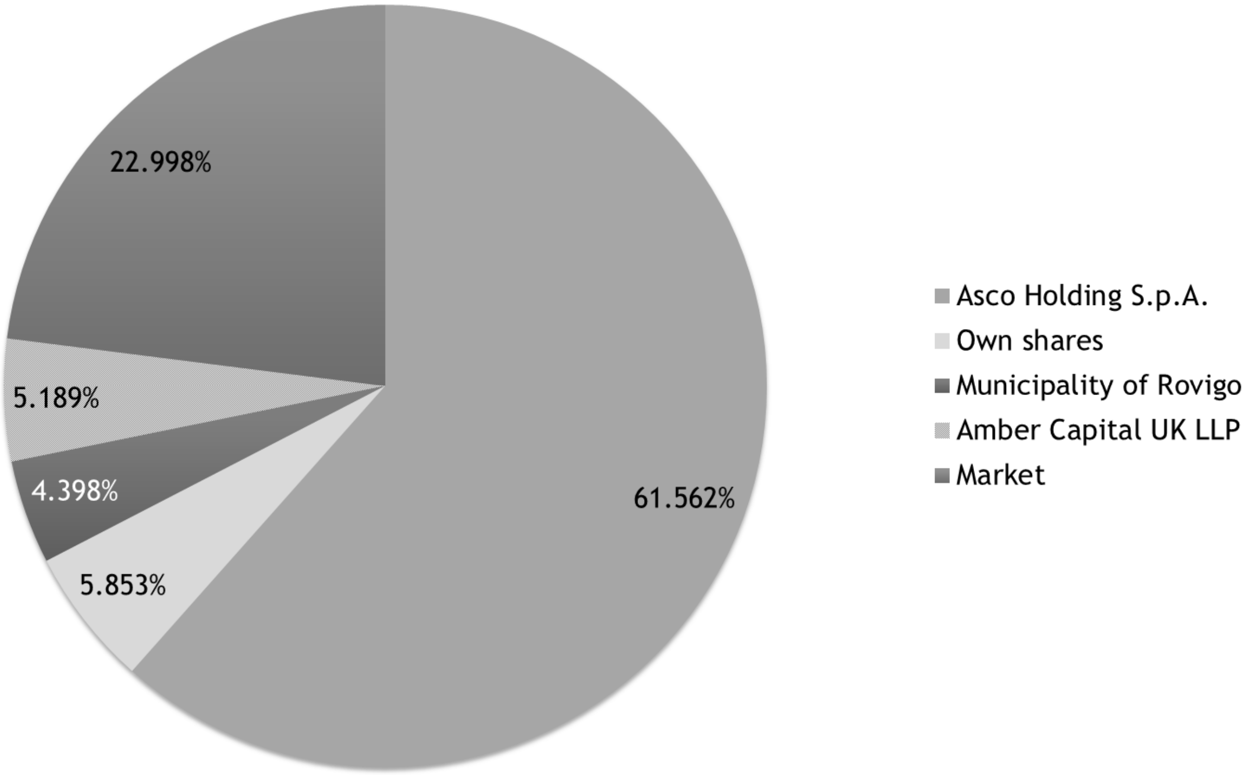
[3] The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 28th June 2019 equalled Euro 16.6 billion. Official data from Borsa Italiana's website (www.borsaitaliana.it).

In the following table, we report the main shares and stock-exchange data as of 28th June 2019:

Share and stock-exchange data	28.06.2019	30.06.2018
Earning per share (Euro)	0.15	0.13
Net equity per share (Euro)	1.70	1.86
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.780	2.990
Maximum annual price (Euro)	3.820	3.690
Minimum annual price (Euro)	3.095	2.875
Stock-exchange capitalization (Million of Euro)	886.96	703.63
No. of shares in circulation	220,690,969	222,683,966
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	13,720,606	11,727,609

Control of the Company

As of 30th June 2019, Asco Holding S.p.A. directly controls the majority of 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, except for treasury shares that were updated based on the purchases made.

Corporate Governance and Code of Ethics

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

Internal audit

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

Appointed Manager

The Appointed Manager, helped by the Internal Audit 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.;
- ✓ 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;
- ✓ 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. had joined the consolidation of tax relations held by the Parent company Asco Holding S.p.A.. The tax consolidation ceased due to the failure to fulfil some necessary requirements during the year. Consequently, the current assets and liabilities recorded refer only to previous positions, while the debit balances accrued vis-à-vis the tax authorities are recorded under tax receivables and payables.

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
Parent company										
Asco Holding S.p.A.	0	3,034	0	610	0	0	0	0	15	0
Total parent company	**0**	**3,034**	**0**	**610**	**0**	**0**	**0**	**0**	**15**	**0**
Affiliated companies										
Asco TLC S.p.A.	64	0	307	0	0	332	27	137	44	25
Total affiliated companies	**64**	**0**	**307**	**0**	**0**	**332**	**27**	**137**	**44**	**25**
Subsidiary companies										
Estenergy S.p.A.	31	0	6	7	0	0	0	0	0	0
ASM Set S.r.l.	594	981	15	0	0	83	2	2,121	2,381	2
Unigas Distribuzione S.r.l.	22	5,500	492	0	0	5,540	0	50	140	0
Sinergie Italiane S.r.l. in liquidazione	5	7,510	3,165	0	31,138	0	0	0	20	0
Total subsidiary companies	**653**	**13,991**	**3,635**	**7**	**31,138**	**5,622**	**2**	**2,170**	**2,452**	**3**
Total	**716**	**17,025**	**3,328**	**603**	**31,138**	**5,954**	**29**	**2,307**	**2,600**	**27**

Significant events during the first half of 2019

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

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 between Ascopiave, Unigas and, limited to the assumption of certain commitments, Anita S.r.l., as the reference partner of Unigas. The Merger plan has been submitted for validation to the respective Shareholders' Meetings as well as Anita's Shareholders' Meeting.

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

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

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

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

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

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

<u>The Merger</u>

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

Pursuant to art. 2501-*quater*, second paragraph, Italian Civil Code, for both companies the applicable balance sheet for the Merger is contained in the interim financial statements at 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 to each Unigas share whose nominal value is Euro 1.00.

On the basis of the aforesaid exchange ratio, therefore, 7,149,505 Ascopiave treasury shares, equal to 3.05% of Ascopiave's share capital after the Merger, were transferred to Anita. As better described in the Merger plan, the aforesaid share exchange ratio could have been adjusted solely due to the effect of any payment, prior to the effective date of the Merger (i) of an ordinary dividend by Ascopiave and/or Unigas and/or (ii) an extraordinary dividend possibly resolved by Ascopiave's Shareholders' Meeting, as notified to the market on 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 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".

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 could submit an application to Cassa per i Servizi Energetici Ambientali (CSEA) by the month of May 2019, accompanied by the documentation needed to recognise and obtain the amounts due. The applications filed, and the accompanying documentation submitted, were examined and verified for eligibility until 31st July 2019, when the CSEA announced the recognition amount to the sales companies of the Group, equal to € 8,178 thousand. The CSEA opened an account to which, commencing 1st April 2019, a specific distribution tariff component that will be charged to all customers whose annual consumption is less than 200,000 Scm will be credited. The amounts recognised will be paid in three sessions, the first in April 2020, the second in December 2020 and the third in December 2021.

Ordinary and extraordinary Shareholders' Meeting, held on 23rd April 2019

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

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

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

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

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

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

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

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

Press release by Asco Holding S.p.A.

On 8th April 2019, with reference to the announcement dated 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, the period to exercise the right of pre-emption, whose offer was filed with the Company Register of Treviso and Belluno on 7th March 2019, for 28,279,062 shares for which the right of withdrawal was validly exercised and whose liquidation value determined by the Board was challenged, ended on 5th April 2019.

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

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

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

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

On 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 were received during this first stage.

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

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

As for the future governance, a Shareholders' Agreement will be signed introducing a Board of Directors for the new EstEnergy, composed of 5 members - 3 appointed by Hera, which will appoint the Managing Director, and 2 by Ascopiave, which will appoint the Chairman of the Board of Directors, as well as the Chairman of the Board of Auditors -, the usual protection clauses in favour of a minority shareholder, as well as, for a period of 7 years, a put option, exercisable annually, in favour of Ascopiave up to the entire investment held in EstEnergy S.p.A. and a call option in favour of Hera Comm in the event of a residual investment of Ascopiave S.p.A. in EstEnergy S.p.A. which is less than or equal to 5% of the company's share capital. Specifically, the put option on the minority stake of EstEnergy may be exercised, in whole or in part, up to the seventh year from the closing, and at an exercise price equal to the higher of (i) the fair market value of the investment calculated at the exercise date and (ii) the value of the investment adjusted by an annual interest of 4% net of the portion of dividends received and in any case not less than the value of the investment itself.

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

At the closing date, Ascopiave will acquire a stake of approximately 3.6% in Hera Comm at a price of € 65 million, obtaining the right to appoint a director within the company's Board of Directors. This stake as well envisages a mechanism in favour of Ascopiave for the sale of the investment held in Hera Comm, to be exercised in the same 7-year period.

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

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

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

The operation, in addition to defining the final agreements, already signed on 30th July 2019, will be subject to the usual conditions applicable to this type of procedure and all notices and approvals by the competent authorities and bodies, as well as, as regards only the stakes involved, to the approval by the other shareholders in the case of investments held by Ascopiave S.p.A. in the joint ventures ASM Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation. The parties expect to complete the operation by 31st December 2019.

Disclosure on the purchase of treasury shares

Ascopiave announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 26th April 2018, in the period between 1st April 2019 and 30th June 2019, of 1,992,997 ordinary shares at the average unit price of € 3.596, for a total value of € 7,166,581.76. As a result of the purchases made so far, Ascopiave holds 13,720,606 ordinary shares, equal to 5.853% of the share capital.

Additional significant events

Energy efficiency and 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, taking into account 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 count both for 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 obtain White Certificates, distributors can:

- carry out direct interventions to improve the Energy efficiency of technology installed or related methods of use;
- purchase the White Certificates directly from third parties, by means of bilateral contracting or through negotiation in an appropriate market set up at the Gestore del mercato elettrico (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 had to 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 Group companies Ap Reti Gas S.p.A., Ap reti Gas Vicenza S.p.A. 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 GME (Electric Market Administrator), 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".

Efficiency and energy saving

The GSE informed the Group distribution companies, which are fully consolidated and required to achieve the energy saving objectives, of the extent of the target. The number of energy efficiency certificates to be delivered for the 2017 target was 85,274 white certificates. 83% of the obligation was achieved in 2018 and the remainder in the current year. The target set for 2018 amounts to 98,017 energy efficiency certificates. At the end of November 2018, the Group delivered, within the legal deadline, a portion of the certificates of the 2018 target (about 32%), and on 31st May 2019 a further 43.5% of the target. The target set for 2019 amounts to 110,043 energy efficiency certificates.
As far as the company consolidated with the equity method is concerned, the GSE quantified the 2017 target in 15,354 energy efficiency certificates, of which 60% were delivered before 31st May 2018.
By resolution dated 29th January 2018, the Authority defined the 2018 target of the company, amounting to 16.103 energy efficiency certificates, of which 3,406 were delivered at the end of November 2018. In May, the company delivered additional certificates reaching 62.6% of the 2018 target. The target set for 2019 amounts to 17,578 energy efficiency certificates.

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

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

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

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

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

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

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

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

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. The lack of such agreements in the past 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;
- Euro 5,258 thousand in 2018;

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

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 – Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 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 - Sud 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 30th June 2019, the following litigations 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.

The Parties have reached an agreement on the global amount of Euro 3,000 thousand.

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

The settlement agreement was signed on 3rd June 2019, while the Court of Appeal of Venice, with a ruling dated 18th July 2016, announced the dismissal of the Proceedings.

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

LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 30th June 2019, the following litigations 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.
A settlement agreement is being negotiated.

ADMINISTRATIVE/CIVIL LITIGATIONS – CONCERNING CONCESSIONS
As of 30th June 2019, the following litigations are pending:

MUNICIPALITY OF SOVIZZO:
The Municipality of Sovizzo initiated a civil Judgment with writ of summons served on AP Reti Gas S.p.A. on 21st February 2019. The Entity requires the payment of a concession fee amounting to Euro 65,000/year as from 1st January 2013.
The appearance hearing, initially scheduled for 19th June 2019, was postponed to 10th September.
The Company, in the light of the previous negotiation agreements, challenges the claim of the Municipality and has therefore entered an appearance in compliance with the Law.

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

ADMINISTRATIVE/ LITIGATIONS – NOT CONCERNING CONCESSIONS
As of 30th June 2019, the following litigations 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.
Subsequent to such hearing, as foreseen and as already happened in the past, the Council of State referred the matter to the European Court of Justice.
With regard to the first referral, the Court of Justice ruled that European law does not preclude the national legislation challenged, (but) in the sense that such law does not govern (and therefore is not affected by) the methods for determining the reimbursement value of the outgoing operators. The Court adopted the same decision also with regard to the referral deriving from the proceedings initially instituted by Ascopiave (later by AP Reti Gas).
The hearing for the "re-assumption" of the case before the Council of State was held on 18th July. Ascopiave's lawyers stressed the relevance of the issue of constitutionality of the legislation.

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

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

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

CONTESTATION OF PASUBIO GROUP S.P.A. (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 hearing on the merits was held on 8th May 2019 and the parties are awaiting the judgement.

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 was held on 22nd May 2019.
The Regional Administrative Court, in line with previous rulings related to the proceedings brought by other operators, with Judgement no. 9326, published on 15th July, declared the appeal of AP Reti Gas inadmissible because the documents challenged are incapable of causing detriment.
The "positive" aspect of the ruling concerns the "disqualification" of the Guidelines no. 11 by the TAR. The Judges, in fact, considered the Guidelines as merely interpretative documents, as far as Part I is concerned, and not immediately detrimental documents, as far as Part II is concerned.
Specifically, Part I would not be suitable to identify the subjects required to apply art. 177 and/or the scope and methods of application of art. 177, but would only "outline principles of a general nature aimed at helping the administrations to which they are addressed to interpret the matter...".
Part II, on the other hand, although self-qualified as "binding", would not have an immediately detrimental nature because "... the economic operators who decide not to comply with the indications contained therein due to the peculiarity of the concession relationship do not immediately incur the penalty".
Law Decree no. 32/2019, converted into Law no. 55/2019, extended the deadline contained in paragraph 2 of art. 177 which now reads: "The existing concessions stated in paragraph 1 must comply with the aforementioned provisions by 31st December 2020".
The company is deciding whether to file an appeal (deadline 15th November 2019).

ATEM VI3 INVITATION TO TENDER

AP Reti Gas S.p.A. and AP Reti gas Vicenza S.p.A. filed an appeal before the Regional Administrative Court for Veneto, notified on 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.
The Regional Administrative Court of Veneto, in strict compliance with the special regulations which accelerate the terms for the proceedings relating to the appeals concerning tenders and concessions, set the discussion hearing on 8th May 2019. With Judgement no. 667/2019 dated 3rd June 2019, the Regional Administrative Court declared the inadmissibility of the appeal (each party bearing their respective legal costs), on the assumption that the contents of the tender documents, also as regards the reimbursement values, "are not currently binding", while in the subsequent tender documents the Awarding Entity will have to take into account "the specific interests of the outgoing operators in the correct and exhaustive determination and indication of the reimbursement values due to them, predetermined in joint consultation with the parties involved".
The ruling is however to be considered positive, in that it overcomes definitively the objective concern that the procedure could crystallise and continue on the basis of incorrect values. Should such critical issues continue to exist even in the context of the invitation to bid, the Companies will be entitled to lodge an appeal. Therefore, the ruling will not be challenged.

CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 30th June 2019, the following litigations 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.
However, the attempts at forcible recovery of the aforementioned sum have been unsuccessful so far.
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:
- 3 procedures are in progress (they have been sent to the Legal Office and are awaiting filing);
- - procedures have been filed (hearings already scheduled/under scrutiny);
- 3 procedures are in execution of judgment;
- 2 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 3 procedures have been suspended (for various reasons);
- 217 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 30th June 2019, the total legal fees (including taxes), for Ascopiave S.p.A. / Ap Reti Gas S.p.A.'s procedures forwarded to the Legal Office, amount to approximately Euro 200 thousand. For the other companies of the Group these costs amount approximately to Euro 120 thousand (including the costs of Unigas Distribuzione S.r.l., now merged into Edigas E.D.G. S.r.l.).

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..
On 6th February 2019 Ascotrade S.p.A. filed a precautionary appeal against this Order so as to obtain appropriate protection before the Council of State.
On 28th March 2019, the Council of State rejected the precautionary appeal filed by Ascotrade S.p.A.. The hearing on the merits was scheduled for 10th December 2019. Consequently, awaiting the hearing, the Group decided to pay, reserving the right to take legal action, the amounts invoiced by the suppliers. The payment does not constitute in any way any acceptance and/or waiver of the protection of the rights and claims of the companies of the Group, including the right to take legal action for the return of the payment made, also considering the outcome of the aforementioned dispute.

Relationships with Agenzia delle Entrate (Italian Tax Authority)

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

Distribution of dividends

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

Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), we hereby state that, as of 30th June 2019, the value of own shares held by the company is equal to Euro 24,147 thousand (Euro 16,981 thousand as of 31st December 2018), recognised as a reduction in other reserves as can be seen in the Net Equity changes.
Ascopiave purchased own shares on the electronic share market starting from 1st April 2019. As of 30th June 2019, Ascopiave S.p.A. held 13,720,606 own shares, equal to 5.853% of the share capital.
During the first week of July 2019, 7,149,505 treasury shares were assigned to the company Anita S.r.l. as part of the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., the finalisation of which was

announced to the market on 25th June 2019.
As of 27th July 2019, Ascopiave S.p.A. holds 7,622,104 shares, equal to 3.252% of the share capital.

Outlook for the Year

As far as the gas distribution activities are concerned, in 2019 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The 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, and net of the non-recurring positive effects deriving from the recognition of the amounts related to the revision of the coefficient k, trade margins could decrease compared to 2018, despite the cessation of the non-recurring overall negative impact on profit and loss due to the application of the gas settlement regulation for the years 2013-2017 recorded in 2018, because of the competitive pressure in the retail market 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 3.5% (9.6% as of 30th June 2018) 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 30th June 2019 are associated with contracts for natural gas supply.

Risks relating to bids for the award of new concessions for the distribution of gas
As of 30th June 2019 the Ascopiave Group holds a portfolio of 228 (230 as of 31st December 2018) natural gas distribution concessions (the change in the number of concessions managed is related to the combination of some municipalities). In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 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, 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 and subsequently, on 7th September 2018, the definitive data. The data received have allowed the directors to make estimates on the economic effects of the higher volumes allocated at the end of the process. The estimates were performed considering the various types of volumetric adjustments communicated by Snam Rete Gas consistent with the evolution of the regulatory framework. Subsequent to receiving the volumetric data from Snam, it was also possible to conduct the first estimate of the economic impact of ARERA resolutions 670/2017/R/gas and 782/2017/R/gas, which neutralised the in-output delta for users of the distribution network, net of an allowance of 0.4%. The communication, in June, of the adjustment sessions for the years 2013-2016, enabled the definition of the volumetric input data for identifying the difference between the volumes injected into the local distribution network and the volumes withdrawn by the end consumers. The directors have quantified the in-output volumetric data updated by the Settlement Manager.
In November, Snam Rete Gas provided the new volumetric allocations and the delta in-output relating to the 2017 financial year. The data received enabled the estimations on the economic adjustments related to the volume differentials deriving from the adjustment sessions as well as the economic effects related to the in-output delta.
The overall effect of the volumetric updates received until 2016 subsequent to the execution of the multi-year adjustment sessions is therefore negative for Euro 2,504 thousand, while for the year 2017 it was negative for Euro 1,040 thousand. These effects, totalling Euro 3,544 thousand, were fully recognised in 2018.
In May, Snam Rete Gas held the non-definitive multi-year adjustment session for the 2014-2017 period (the allocations for 2013, and the respective in-output differentials, are definitive and will not be subject to further adjustments as per current regulations). The data received enabled the estimations on the economic adjustments related to the volume differentials deriving from the adjustment sessions as well as the economic effects related to the in-output delta. The sales segment of the Group has estimated the economic adjustments of purchase costs related to the greater quantities of gas withdrawn at Euro 27.0 thousand. Considering the volumetric data updated by the Settlement Manager regarding in- output, the economic adjustments of the purchase costs are estimated to be equal to Euro -2,120 thousand. The overall effect of volumetric updates received for the four-year period under examination was positive for Euro 2,093 thousand.
The volume differentials for 2018, which will be announced during the second half of 2019 and cannot be estimated at the reporting date, will be recognised in the current year, determining a negative or positive change having the same amount on the company margins.
The Group, as concerns the second component of economic impact explained above (in-output) has undertaken legal remedial actions as better explained in the section “Litigations” of this Report.

Research and development

IT system

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

As an integral part of the project for the renovation of the management software of the Distribution companies, the hardware architecture was also enhanced both in terms of a new storage, entirely on SSD technology, and new computing capacity. The project for revamping the works management process of the Distribution companies also continued, implying changes to the processes for estimating, entrusting and accounting for the works and creating – if needed - new assets, understood as new constructions and extraordinary maintenance of the gas networks. This project aims to implement application solutions that can automate and make the management of the activities more efficient and effective.

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

The Energy Trading & Risk Management (ETRM) and Gas and Electricity purchase management platform was further developed and completed on SAP BPC infrastructure in support of the Group's Sales companies, with interventions aimed at functional upgrade in relation to the changed business scenarios - see for example the introduction of transfer prices that govern the relationships between the procurement sector and the final sales for the gas market. Furthermore, the module for managing the first margin of the electricity sector was completed and went live.

The project for the management of electronic invoices receivable was very important, with the use of a direct communication platform with Agenzia delle Entrate (SDI - Exchange System), the preparation of all XML messages accompanied by their PDF attachment, their transmission and the receipt of the results, in turn integrated into the application management of Geutweb. The communication is supported by the Invoice Manager platform which guarantees the autonomous management of the interconnection with the Exchange System through the SDICoop services both for sending invoices receivable and for receiving invoices payable, for which the SILOS project was further implemented for various areas of automatic control of the invoices payable.

The activity to support sales people for the complex work of fixing customer tax data was also significant.

With regard to CRM, support was given for important initiatives such as:

- the business collaboration project with Samsung;
- management of loyalty and contest portals;
- the development of a module for the management of online contracts called teleselling so that the customers can sign the contracts proposed by the call centre collaborators;
- management of customer appointment confirmations via SMS.

Again for the Group's Sales companies, further automated communication flows are being developed via PDC with the SII for gas and especially for Electricity, as far as the role of dispatcher of the company Ascopiave Energie is concerned.

As regards infrastructure, the Hardware platforms dedicated to the distribution companies were upgraded, both for the management of electronic metres and for the introduction of new management software.

Furthermore, the tender for the purchase of new SAN architectures for the Ascopiave Group was invited and awarded, continuing to work on IT security by implementing some corrective actions that emerged during previous Vulnerability Assessment projects; the Windows 10 migration project continued and the Enterprise Agreement with Microsoft was renewed.

Human resources

As of 30th June 2019, the Ascopiave Group had 672 employees[4], divided between the various companies of the Group as outlined below:

Companies consolidated with full consolidation method	30.06.2019	30.06.2018	Var.
Ascopiave S.p.A.	96	92	4
Ap Reti Gas S.p.A.	168	168	0
Ap Reti Gas Rovigo S.r.l.	18	18	0
Edigas Esercizio Distribuzione S.p.A.	25	27	-2
Ap Reti Gas Vicenza S.p.A.	43	47	-4
Total companies consolidated with full consolidation method	**350**	**352**	**-2**
Companies consolidated with net equity consolidation method	**30.06.2019**	**30.06.2018**	**Var.**
Unigas Distribuzione Gas S.r.l.	43	44	-1
Total companies consolidated with net equity consolidation method	**43**	**44**	**-1**
Companies held for sale - Consolidated with full consolidation method	**30.06.2019**	**30.06.2018**	**Var.**
Ascotrade S.p.A.	94	87	7
Ascopiave Energie S.p.A.	51	16	35
Etra Energia S.r.l.	6	6	0
Asco Energy S.p.A.	0	43	-43
Blue Meta S.p.A.	25	25	0
Amgas Blu S.r.l.	9	8	1
Total companies held for sale consolidated with full consolidation method	**185**	**185**	**0**
Companies held for sale - Consolidated with net equity consolidation method	**30.06.2019**	**30.06.2018**	**Var.**
Estenergy S.p.A.	83	79	4
ASM Set S.r.l.	11	11	0
Total companies held for sale consolidated with net equity consolidation method	**94**	**90**	**4**
Ascopiave Group	**672**	**671**	**1**

As compared to 30th June 2018, the workforce of the Ascopiave Group increased by 1 unit.
In the companies consolidated on a line-by-line basis, the personnel was reduced by two resources, mainly due to terminations in AP Reti Gas Vicenza S.p.A., while in Unigas Distribuzione Gas S.r.l., a company consolidated with the equity method, the personnel decreased by one unit.
As of 30th June 2019, the workforce of the companies held for sale consolidated on a line-by-line basis did not change as compared to the same period in the previous year, while the companies held for sale consolidated using the equity method grew by 4 people due to the recruitment of new resources by Estenergy S.p.A..
During the fourth quarter of 2018, subsequent to the partial demerger that affected Asco Energy S.p.A. (formerly Veritas Energia S.p.A.) and the assignee company Ascopiave Energie S.p.A. (formerly Pasubio Servizi S.r.l.), the existing employment relationships were transferred with the business unit.

[4] 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 illustrates the division of the staff complement by skill level/grade:

Companies consolidated with full consolidation method	30.06.2019	30.06.2018	Var.
Executives	14	13	1
Office workers	220	220	0
Manual workers	116	119	-3
Companies consolidated with full consolidation method	**350**	**352**	**-2**

Companies consolidated with net equity consolidation method	30.06.2019	30.06.2018	Var.
Executives	1	1	0
Office workers	26	26	0
Manual workers	16	17	-1
Companies consolidated with net equity consolidation method	**43**	**44**	**-1**

Companies hel for sale consolidated with full consolidation method	30.06.2019	30.06.2018	Var.
Executives	4	4	0
Office workers	181	181	0
Manual workers	0	0	0
Companies consolidated with full consolidation method	**185**	**185**	**0**

Companies held for sale consolidated with net equity consolidation method	30.06.2019	30.06.2018	Var.
Executives	3	2	1
Office workers	91	88	3
Manual workers	0	0	0
Companies consolidated with net equity consolidation method	**94**	**90**	**4**

Ascopiave Group	30.06.2019	30.06.2018	Var.
Executives	22	20	2
Office workers	518	515	3
Manual workers	132	136	-4
Ascopiave Group	**672**	**671**	**1**

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.

List of company offices

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 and financial results of the first half of 2019

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	First half 2019	2018	Var.	Var. %
Companies consolidated with full consolidation method				
Number of concessions	196	198	-2	-1.0%
Length of distribution network (km)	9,314	9,250	64	0.7%
Number of POD	492,377	489,573	2,804	0.6%
Volumes of gas distributed (scm/mln)	598.5	595.3	3.2	0.5%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,104	1,105	-1	-0.1%
Number of POD	94,642	94,524	118	0.1%
Volumes of gas distributed (scm/mln)	87.1	92.1	-5.0	-5.4%
Ascopiave Group*				
Number of concessions	212	214	-2	-0.9%
Length of distribution network (km)	9,853	9,789	64	0.7%
Number of POD	538,619	535,757	2,862	0.5%
Volumes of gas distributed (scm/mln)	641.1	640.3	0.7	0.1%

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

COMPANIES HELD FOR SALE:

NATURAL GAS SALES TO FINAL MARKET	First half 2019	2018	Var.	Var. %
Companies consolidated with full consolidation method				
Number of custumers	529,674	541,592	-11,918	-2.2%
Volumes of gas sold (smc/mln)	462.3	467.2	-4.8	-1.0%
Companies consolidated with net equity consolidation method				
Number of custumers	224,149	230,690	-6,541	-2.8%
Volumes of gas sold (smc/mln)	151.4	160.9	-9.5	-5.9%
Ascopiave Group*				
Number of custumers	639,505	654,628	-15,123	-2.3%
Volumes of gas sold (smc/mln)	536.5	546.0	-9.5	-1.7%

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

SALE OF ELECTRIC POWER	First half 2019	2018	Var.	Var. %
Companies consolidated with full consolidation method				
Number of POD	92,095	74,047	18,048	24.4%
Volumes of electricity sold (GWh)	213.9	179.7	34.2	19.1%
Companies consolidated with net equity consolidation method				
Number of POD	38,591.0	28,816.0	9,775	33.9%
Volumes of electricity sold (GWh)	72.0	63.5	8.4	13.3%
Ascopiave Group*				
Number of POD	111,004.3	88,166.6	22,838	25.9%
Volumes of electricity sold (GWh)	249.2	210.8	38.4	18.2%

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

NATURAL GAS SALES ON TRADING ACTIVITIES	First half 2019	2018	Var.	Var. %
Volumes of gas sold (smc/mln)	7.6	22.9	-15.3	-66.8%

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

As far as the activity of gas distribution is concerned, in the first half of 2019, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 598.5 million cu.m, marking an increase of 0.5% as compared to the same period in the previous year. The company Unigas Distribuzione S.r.l., consolidated with the equity method, distributed 87.1 million cu.m, marking a decrease of 5.4% as compared to the same period in 2018.
As of 30th June 2019, the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 492.4 thousand and showed an increase of 2.8 thousand units compared to the previous year. 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 the first half of the year, the latter company managed 94.6 thousand (94.5 at the end of the first half of 2018).

In the first six months of the year 2019, the volume of gas sold by the 100% consolidated companies amounted to 462.3 million cu.m, marking a decrease of 1.0% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 151.4 million cu.m of gas (a decrease of 5.9% as compared to the same period in the previous year).
In the first six months of the year 2019, the volume of electricity sold by the fully consolidated companies was equal to 213.9 GWh, marking an increase of 19.1% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 72.0 GWh of electricity (+13.3% as compared to the same period in the previous year).
As of 30th June 2019, the gas customer portfolio of the companies consolidated on a line-by-line basis consisted of 529.7 thousand customers and recorded a contraction of 11.9 thousand units as compared to 30th June in the previous year (541.6 thousand units as of 30th June 2018). The customers of the companies consolidated with the equity method (Estenergy S.p.A. and ASM Set S.r.l.) must be added to these units; at the end of the period considered, the latter companies had a portfolio consisting of 224.1 thousand customers, recording a decrease of 12.8% as compared to the same period in the previous year (230.7 thousand units as of 30th June 2018).
The decrease in the gas portfolio was more than offset by the increase in electricity customers: at the end of the first half of the year, the companies consolidated on a line-by-line basis, serving 92.1 thousand customers, recorded an increase of 18.0 thousand units. At the end of the reference period, the companies consolidated using the equity method boasted an electricity portfolio consisting of 38.6 thousand customers, showing a growth of 9.8 thousand units.

General operational performance - The Group’s economic results

	First half			
(Thousands of Euro)	2019	% of revenues	2018	% of revenues
Revenues	60,816	100.0%	65,242	100.0%
Total operating costs	41,978	69.0%	41,240	63.2%
Gross operative margin	**18,839**	**31.0%**	**24,002**	**36.8%**
Amortization and depreciation	11,103	18.3%	10,389	15.9%
Provision for risks on credits	0	0.0%	0	0.0%
Operating result	**7,735**	**12.7%**	**13,612**	**20.9%**
Financial income	89	0.1%	111	0.2%
Financial charges	813	1.3%	655	1.0%
Evaluation of subsidiary companies with the net equity method	648	1.1%	846	1.3%
Earnings before tax	**7,660**	**12.6%**	**13,915**	**21.3%**
Taxes for the period	2,924	4.8%	4,448	6.8%
Result for the period	**4,736**	**7.8%**	**9,466**	**14.5%**
Net result from transfer/disposal of assets	29,466	48.5%	20,292	31.1%
Net result for the period	**34,202**	**56.2%**	**29,758**	**45.6%**
Group's Net Result	32,324	53.2%	28,455	43.6%
Third parties Net Result	1,878	3.1%	1,303	2.0%

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 the first six months of the year 2019, the Group incomes amounted to Euro 60,816 thousand, marking a decrease of 6.8% as compared to the same period in the previous year. The following table reports the details of income.

	First half	
(Thousands of Euro)	2019	2018
Revenues from gas transportation	36,506	36,527
Revenues from connections	173	173
Revenues from heat supply	6	(0)
Revenues from distribution services	2,032	3,679
Revenues from services supplied to Group companies	3,774	4,819
Revenues from ARERA contributions	17,293	18,980
Other revenues	1,032	1,064
Revenues	**60,816**	**65,242**

The decrease in the turnover is mainly due to lower revenues from the other Group companies (Euro -1,045 thousand) and lower contributions for white certificates (Euro -1,687 thousand).

The **tariff revenues from gas distribution** (from Euro 36,506 thousand to Euro 36,527 thousand) decrease by Euro 21 thousand as compared to the same period in the previous year.

The **revenues from energy efficiency certificates** (from Euro 18,980 thousand to Euro 17,293 thousand) decrease by Euro 1,687 thousand as compared to the same period in the previous year.

The operating result in the first six months of the year 2019 amounts to Euro 7,735 thousand, thus recording a decrease of Euro 5,877 thousand (-43.2%) as compared to the same period in the previous year.

The worsening is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 21 thousand;
- lower margin on energy efficiency certificates for Euro 3,961 thousand;
- negative change in other items of cost and revenues, equal to Euro 1,895 thousand.

The negative change in other items of cost and revenues, equal to Euro 1,895 thousand, is due to:

- lower other revenues for Euro 2,701 thousand, mainly related to the lower revenues for services performed as managers of the gas distribution infrastructure (Euro -1,647 thousand);
- lower material and service costs and other charges equalling Euro 1,353 thousand;
- lower staff costs for Euro 166 thousand;
- an increase in amortisation and depreciation of fixed assets for Euro 714 thousand;

The **net consolidated profit** in the first six months of the year 2019 amounts to Euro 4,736 thousand, thus recording a decrease of Euro 4,731 thousand (-50.0%) as compared to the same period in the previous year.
This change is due to the following factors:

- decrease in the operating result, as previously stated, for Euro 5,877 thousand;
- lower result of companies consolidated through the equity method for Euro 198 thousand;
- a decrease in financial revenues for Euro 22 thousand;
- an increase in financial charges for Euro 158 thousand;
- a decrease in taxes for Euro 1,524 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 34.0% in the first half of 2018 to 41.7%.

The overall result of the Group amounted to Euro 34,202 thousand, recording an increase of Euro 4,444 thousand compared to the period shown for comparison purposes (Euro 29,758 thousand as of 30th June 2018), and was influenced by assets held for sale, equal to Euro 29,466 thousand (Euro 20,292 thousand as of 30th June 2018).

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

	First half	
(Thousands of Euro)	2019	2018
Revenues	**322,585**	**285,116**
Total operating costs	**285,781**	**261,739**
Purchase costs for raw materials	194,296	175,312
Costs for services	85,944	80,586
Costs for personnel	5,298	4,889
Other management costs	243	953
Other income	0	1
Amortization and depreciation	1,721	1,232
Operating result	**35,082**	**22,146**
Financial income	126	149
Evaluation of subsidiary companies with the net equity method	4,099	4,348
Earnings before tax	**39,308**	**26,642**
Taxes for the period	9,841	6,350
Net result for the period	**29,466**	**20,292**

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 the first six months of the year 2019, the incomes of the Group companies held for sale amounted to Euro 322,585 thousand, marking an increase of 13.1% as compared to the same period in the previous year.

The gross operating margin achieved during the first six months of the year amounted to Euro 36,803 thousand, recording an increase of Euro 13,426 thousand, mainly due to higher margins achieved in the sale of natural gas and electricity.

The increase in the **first margin on the activity of gas sale** (from Euro 32,940 thousand to Euro 44,603 thousand) was mainly influenced by the recognition of the amounts deriving from the recalculation of the coefficient k, with a positive effect on the margin equal to Euro 8,178 thousand, better described in the paragraph "Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29th January 2019" herein. The margin was also significantly influenced by the effects of the so-called gas settlement, which negatively affected the gas margins in the first six months of 2018 for Euro -2,018 thousand, while it showed an opposite effect in the reference period equal to Euro 2,093 thousand, resulting in an overall change of Euro 4,111 thousand. Net of the effects described, better illustrated in the paragraph "Evolution of the adjustment sessions of natural gas allocations", the margin of gas sales activities showed a decline mainly explained by the lower volumes sold during the period due to the mild temperatures that characterised the first quarter of the year.

The **first margin** resulting from **gas trading** at the end of the period was Euro 33 thousand, marking a decrease of Euro 67 thousand as compared to the same period in the previous year. The margin represents the economic effects deriving from the sales and purchase contracts signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market. The revenue and cost components related to physical deliveries during the period, as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period July – September 2019 for the raw material and to the transport service for the period July 2019 – September 2020, since these are forward transactions, at the closing date were booked at current value.

The increase in the **first margin on the activity of electricity sales**, from Euro 3,515 thousand to Euro 4,368 thousand, is mainly explained by higher amounts of electricity sold during the first half of the year connected with the increase in customers.

The operating result of the Group companies held for sale in the first six months of the year 2019 amounts to Euro 35,082 thousand, recording an increase of Euro 12,937 thousand (+58.4%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the first margin on the activity of gas sales, equal to Euro 11,663 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 852 thousand;
- positive change in other items of cost and revenues, equal to Euro 529 thousand.

The positive variation in the item **other costs and revenues** of the Group companies held for sale, amounting to Euro 529 thousand, is due to

- lower other revenues for Euro 3,407 thousand;
- lower material and service costs and other charges equalling Euro 4,835 thousand;
- an increase in personnel cost for Euro 409 thousand;
- lower amortisation and depreciation of fixed assets for Euro 68 thousand;
- higher bad debts provisions for Euro 557 thousand.

The **net consolidated profit** of the Group companies held for sale in the first six months of the year 2019 amounts to Euro 29,466 thousand, thus recording an increase of Euro 9,175 thousand (+45.2%) as compared to the same period in the previous year.
This change is due to the following factors:
- increase in the operating result, as previously stated, for Euro 12,937 thousand;
- lower result of companies consolidated through the equity method for Euro 248 thousand;
- a decrease in the balance financial revenues/charges for Euro 23 thousand;
- an increase in taxes for Euro 3,491 thousand, due to the higher taxable income in the period in question.

The tax rate of the Group companies held for sale, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, increases from 20.5% in the first half of 2018 to 22.7%.

General operational performance – Financial situation

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

	(Thousands of Euro)	30.06.2019	31.12.2018
A	Cash and cash equivalents on hand	18	18
B	Bank and post office deposits	20,222	66,632
D	**Liquid assets (A) + (B) + (C)**	**20,241**	**66,650**
E	Current financial assets	7,797	981
F	Payables due to banks	(99,000)	(123,031)
G	Current portion of medium-long-term loans	(8,084)	(8,014)
H	Current financial liabilities	(50,636)	(115)
I	**Current financial indebtedness (F) + (G) + (H)**	**(157,720)**	**(131,159)**
J	**Net current financial indebtedness (I) - (E) - (D)**	**(129,682)**	**(63,528)**
K	Medium- and long-term bank loans	(51,098)	(55,111)
L	Non current financial assets	2,751	1,122
M	Non-current financial liabilities	(646)	0
N	**Non-current financial indebtedness (K) + (L) + (M)**	**(48,993)**	**(53,989)**
O	**Net financial indebtedness (J) + (N)**	**(178,675)**	**(117,517)**

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 increased from Euro 117,517 thousand as of 31st December 2018 to Euro 178,675 thousand as of 30th June 2019, reporting an increase of Euro 61,158 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)	30.06.2019	31.12.2018
Net financial position	(178,675)	(117,517)
Non-current assets from derivative instruments	(2,751)	(1,122)
ESMA Net financial position	**(181,426)**	**(118,639)**

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

	First half	
(Thousands of Euro)	2019	2018
Net Income	34.202	29.758
Depreciations and amortizations	11.103	10.389
(a) Self financing	**45.305**	**40.148**
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	**37.017**	**65.890**
(c) Change in financial position generated by operating activities = (a) + (b)	**82.322**	**106.038**
(d) Change in financial position generated by investing activities	**(12.868)**	**(9.045)**
(e) Other financial position changes	**(130.612)**	**(104.306)**
Net financial position changes = (c) + (d) + (e)	**(61.158)**	**(7.314)**

The cash flow generated by the operating management (letters a + b), equal to Euro 82,322 thousand, was mainly due to self-financing for Euro 45,305 thousand and other positive financial variations amounting to Euro 37,017 thousand, mainly related to the management of the net circulating capital for Euro 8,685 thousand and to the assessment of companies consolidated through the equity method for Euro -648 thousand. The cash flows generated by the operating management of assets and liabilities held for sale amounted to Euro 30,227 thousand.
The management of net circulating capital generated financial resources amounting to Euro 8,685 thousand and was influenced mainly by the positive variation in current assets to the tune of Euro 3,768 thousand and the change in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro 3,013 thousand.

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

	First half	
(Thousands of Euro)	2019	2018
Inventories	(1.489)	(1.840)
Trade receivables and payables	9.203	1.815
Operating receivables and payables	(3.946)	(12.469)
Severance pay and other funds	.210	(1.577)
Current taxes	2.924	4.448
Taxes paid	(.471)	(1.126)
Tax receivables and payables	2.254	(.977)
Change in net working capital	**8.685**	(11.725)

Investment activities generated a net cash requirement of Euro 12,868 thousand in tangible and intangible assets mainly for works and developments of natural gas distribution facilities.
Additional variations in the Net financial position concern dividends received from the companies consolidated with the equity method, which generated resources for Euro 2,311 thousand, and the distribution of dividends for Euro 76,924 thousand. During the first half of the year, Ascopiave S.p.A. purchased treasury shares on the electronic share market, generating a financial requirement of Euro 7,167 thousand. The cash flows of assets and liabilities held for sale showed a cash requirement of Euro 48,832 thousand.

The flows used for the distribution of dividends were higher than in the previous year due to the extraordinary dividend approved by the Shareholders' Meeting held on 23rd April 2019.
The following table shows in detail the other changes in the financial position during the first six months of 2019:

	First half	
(Thousands of Euro)	2019	2018
Sale of own shares	(7.167)	.540
Dividends paid to Ascopiave S.p.A. shareholders	(75.163)	(40.016)
Dividends paid to minority interest	(1.761)	(2.054)
Dividends / (loss coverage) associated copanies or jointly controlled companies	2.311	.684
Other changes in financial position	**(81.779)**	(40.845)

General operational performance – Investments

During the first half of the year, the Group made investments in tangible and intangible assets for Euro 14,404 thousand, an increase as compared to the same period in the previous year of Euro 5,078 thousand. The increase is explained by higher costs incurred for the construction of natural gas distribution facilities (Euro +2,940 thousand) as well as an increase in other investments (Euro +2,138 thousand). The item “rights of use” includes the first application of IFRS 16 on 1st January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets, such as lease of buildings (Euro 587 thousand), rental of vehicles and trucks (Euro 373 thousand), as well as IT equipment (Euro 245 thousand).

Investments in the construction of infrastructures for the distribution of natural gas, amounting to Euro 11,812 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 4,938 thousand, the creation of connections for Euro 3,178 thousand and the installation of metres for Euro 3,696 thousand.

	First half	
INVESTMENTS (Thousands of Euro)	2019	2018
Connecting a gas users	3,178	2,196
Expansions, reclamations and network upgrades	4,138	1,608
Flowmeters	3,696	4,569
Maintenance	800	203
Other assets in raw material (gas) investments	0	296
Raw material (gas) investments	**11,812**	**8,872**
Land and buildings	180	170
Industrial and commercial equipment	141	29
Forniture	16	23
Vehicles	151	104
Hardware e Software	836	75
Right of use	1,205	0
Other assets	63	52
Other investments	**2,591**	**454**
Investments	**14,404**	**9,326**

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

	First half	
INVESTMENTS (Thousands of Euro)	2019	2018
Raw material (gas) investments	**0**	**0**
Forniture	46	37
Hardware e Software	26	22
Right of use	1,696	0
Other investments	**1,768**	**58**
Investments	**1,768**	**58**

Ascopiave Group

Interim financial report charts

as of 30th June 2019

Consolidated assets and liabilities statement

(Thousands of Euro)		30.06.2019	31.12.2018
ASSETS			
Non-current assets			
Goodwill	(1)	24,396	80,758
Other intangible assets	(2)	351,609	351,878
Tangible assets	(3)	33,254	32,724
Shareholdings	(4)	19,958	68,357
Other non-current assets	(5)	2,841	12,044
Non current financial assets	(6)	2,751	1,122
Advance tax receivables	(7)	11,425	11,358
Non-current assets		**446,234**	**558,240**
Current assets			
Inventories	(8)	4,849	6,020
Trade receivables	(9)	28,761	166,947
Other current assets	(10)	49,153	45,062
Current financial assets	(11)	7,797	981
Tax receivables	(12)	1,293	1,508
Cash and cash equivalents	(13)	20,241	66,650
Current assets from derivative financial instruments	(14)	0	123
Current assets		**112,094**	**287,291**
Non-current assets disposal of assets		272,490	
ASSETS		**830,818**	**845,530**
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		(24,147)	(16,981)
Reserves		183,436	226,136
Net equity of the Group		**393,700**	**443,567**
Net equity of Others		**4,399**	**4,303**
Total Net equity	(15)	**398,099**	**447,869**
Non-current liabilities			
Provisions for risks and charges	(16)	1,259	3,901
Severance indemnity	(17)	2,745	4,807
Medium- and long-term bank loans	(18)	51,098	55,111
Other non-current liabilities	(19)	18,458	28,003
Non-current financial liabilities	(20)	646	0
Deferred tax payables	(21)	12,806	14,534
Non-current liabilities		**87,013**	**106,356**
Current liabilities			
Payables due to banks and financing institutions	(22)	107,084	131,044
Trade payables	(23)	39,795	131,185
Tax payables	(24)	3,292	207
Other current liabilities	(25)	21,018	27,539
Current financial liabilities	(26)	50,636	115
Current liabilities from derivative financial instruments	(27)	0	1,216
Current liabilities		**221,825**	**291,305**
Non-current liabilities held for sale		123,881	
Liabilities		**432,718**	**397,661**
Net equity and liabilities		**830,818**	**845,530**

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.

Comprehensive consolidated income statement

(Thousands of Euro)		First half 2019	First half 2018
Revenues	(28)	**60,816**	**65,242**
Total operating costs		**41,978**	**41,240**
Purchase costs for other raw materials	(29)	719	1,232
Costs for services	(30)	15,001	14,970
Costs for personnel	(31)	7,560	7,726
Other management costs	(32)	19,995	17,522
Other income	(33)	1,298	210
Amortization and depreciation	**(34)**	**11,103**	**10,389**
Operating result		**7,735**	**13,612**
Financial income	(35)	89	111
Financial charges	(35)	813	655
Evaluation of subsidiary companies with the net equity method	(35)	648	846
Earnings before tax		**7,660**	**13,915**
Taxes for the period	(36)	2,924	4,448
Result for the period		**4,736**	**9,466**
Net result from transer/disposal of assets	(36)	29,466	20,292
Net result for the period		**34,202**	**29,758**
Group's Net Result		32,324	28,455
Third parties Net Result		1,878	1,303
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		(242)	(1,163)
Income tax relating to components of comprehensive income			
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		231	33
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax of the Companies held for sale		77	19
Total comprehensive income		**34,268**	**28,647**
Group's overall net result		32,410	27,466
Third parties' overall net result		1,857	1,180
Base income per share		0.146	0.128
Diluted net income per share		0.146	0.128

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.

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 2019	**234,412**	**46,882**	**(16,981)**	**(35)**	**134,664**	**44,625**	**443,567**	**4,303**	**447,869**
Result for the period						32,324	32,324	1,878	34,202
of which:									
Result of continuing operations						*4,736*	*4,736*	*(0)*	*4,736*
Result of discontinuing operations						*27,588*	*27,588*	*1,878*	*29,466*
Other operations					(222)		(222)	(21)	(242)
of which:									
Other movements of discontinuing operations					*(222)*		*(222)*	*(21)*	*(242)*
IAS 19 TFR actualization for the period				308			308	(0)	308
of which:									
Result of continuing operations				*231*			*231*	*(0)*	*231*
Result of discontinuing operations				*77*			*77*	*0*	*77*
Total result of overall income statement				**308**	**(222)**	**32,324**	**32,410**	**1,857**	**34,268**
Allocation of 2018 result					44,625	(44,625)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(75,163)		(75,163)		(75,163)
Dividends distributed to minorities of discontinuing operations							(0)	(1,761)	(1,761)
Other movements of discontinuing operations					(1)		(1)		(1)
Purchase of own shares			(7,167)		54		(7,113)		(7,113)
Balance as of 30th June 2019	**234,412**	**46,882**	**(24,147)**	**273**	**103,957**	**32,324**	**393,700**	**4,399**	**398,099**

(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						28,455	28,455	1,303	29,758
of which:									
Result of continuing operations						9,466	9,466	(0)	9,466
Result of discontinuing operations						18,989	18,989	1,303	20,292
Other operations					(1,042)		(1,042)	(122)	(1,163)
of which:									
Other movements of discontinuing operations					(1,042)		(1,042)	(122)	(1,163)
IAS 19 TFR actualization for the period				53			53	(1)	52
of which:									
Discounting of continuing operations				33			33	(0)	33
Discounting of discontinuing operations				20			20	(1)	19
Total result of overall income statement				**53**	**(1,042)**	**28,455**	**27,466**	**1,180**	**28,647**
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 minorities of discontinuing operations							(0)	(2,054)	(2,054)
Other movements of discontinuing operations					(743)		(743)		(743)
Long-term incentive plans			540		(926)		(385)		(385)
Balance as of 30th June 2018	**234,412**	**46,882**	**(16,981)**	**7**	**139,057**	**28,455**	**431,832**	**4,116**	**435,947**

Consolidated statement of cash flows

(Thousands of Euro)	Firts half 2019	2018
Net income of the Group	**4,736**	**9,466**
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,878	1,303
Companies held for sale operating result	27,588	18,989
Amortization	11,103	10,389
Variations in severance indemnity	210	48
Net variation of other funds	0	(1,625)
Evaluation of subsidiaries with the net equity method	(648)	(846)
Losses / (gains) on disposal of fixed assets	(1,247)	
Interests paid	(458)	(469)
Taxes paid	(471)	(1,126)
Interest expense for the period	779	638
Taxes expense for the period	2,924	4,448
Variations in assets and liabilities		
Inventories	(1,489)	(1,840)
Accounts payable	2,622	11,469
Other current assets	(8,453)	(5,646)
Trade payables	6,581	(9,653)
Other current liabilities	5,442	(8,531)
Other non-current assets	(249)	6
Other non-current liabilities	1,247	1,153
Operating flows from discontinued assets / liabilities	30,227	77,865
Total adjustments and variations	**77,586**	**96,571**
Cash flows generated (used) by operating activities	**82,322**	**106,038**
Cash flows generated (used) by investments		
Investments in intangible assets	(12,402)	(9,450)
Realisable value of intangible assets	403	330
Investments in tangible assets	(797)	(452)
Realisable value of tangible assets	0	8
Investment flows from discontinued assets / liabilities	(72)	517
Cash flows generated/(used) by investments	**(12,868)**	**(9,045)**
Cash flows generated (used) by financial activities		
Net changes in short-term bank borrowings	(3,948)	909
Net variation in current financial assets and liabilities	30,487	(1,055)
Purchase/Sale of own shares	(7,167)	540
Ignitions loans and mortgages	104,000	105,000
Redemptions loans and mortgages	(128,000)	(107,166)
Disbursements relating to rights of use	(176)	0
Dividends distributed to Ascopiave S.p.A. shareholders'	(75,163)	(40,016)
Dividends distributed to other shareholders	(1,761)	(2,054)
Dividends jointly controlled companies	2,311	684
Cash flows from discontinued assets / liabilities	(29,149)	6,447
Cash flows generated (used) by financial activities	**(108,566)**	**(36,711)**
Variations in cash	**(39,112)**	**60,282**
Cash and cash equivalents at the beginning of the period	**59,353**	**10,928**
Cash and cash equivalents at the beginning of the period of the Companies held for sale	**7,297**	**4,673**
Cash and cash equivalents at the end of the period	**(20,241)**	**(71,210)**

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.

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 30th June 2019, the majority stake of the Company, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario – STAR Segment – organised and managed by Borsa Italiana S.p.A..
The registered office of the Company is in Pieve di Soligo (TV), via Verizzo, 1030.
The publication of the Interim financial report as of 30th June 2019 of the Ascopiave Group was authorised by resolution of the Board of Directors on 5th August 2019.
PricewaterhouseCoopers S.p.A., appointed as independent auditors of the Parent Company and the main companies of the Ascopiave Group, have performed a limited audit of this Interim financial report.

The activities of the Ascopiave Group

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

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 228 municipalities (230 municipalities as of 31st December 2018; the change in the number of concessions managed is related to the combination of some municipalities) managing a distribution network managed which spreads over 9,809 km^2 (9,796 km as of 31st December 2018) and supplying the service to more than one million users.
At the end of 2018, the Group launched a process aimed at enhancing its activities in the gas sales sector and consolidating its presence in the gas distribution sector and in the period in question established a business partnership with Hera S.p.A. by signing a binding Term Sheet for the development of a primary business in northern-eastern Italy. The Term Sheet was finalised in a framework agreement on 31st July 2019.
The activities of natural gas sale to end customers, carried out through different companies, investees of the parent company Ascopiave S.p.A. and on which the Group exercises exclusive or joint control with the other shareholders, as a result of the Term Sheet signed, were reclassified and recorded under assets held for sale. In the natural gas sales segment, the Group, with approximately 536 million cu.m of gas sold (about 546 million as of 30th June 2018) is one of the main national operators.

General drafting criteria and main accounting standards adopted

The Consolidated financial statements of the Ascopiave Group as of 30th June 2019 are prepared in accordance with the IFRSs, understood as all the "International Financial Reporting Standards", all the "International Accounting Standards" (IAS), all the interpretations of the "International Financial Reporting Committee" (IFRIC), previously known as "Standing Interpretations Committee" (SIC) that, at the closing date of the consolidated financial statements, were approved by the European Union according to the procedure laid down in Regulation (EC) no. 1606/2002 by the European Parliament and the European Council of 19th July 2002.
The Interim Financial Report of the Ascopiave Group as at 30th June 2019 is prepared in compliance with art. 154 ter par. 2 of Legislative Decree no. 58/98 – T.U.F. (Consolidated Finance Law) – and subsequent amendments and additions.
The consolidated abridged interim financial statements as of 30th June 2019 of the Ascopiave Group were prepared in accordance with IAS 34 – "Intermediate financial statements", concerning intermediate financial information (the "Consolidated abridged half-yearly financial statements"). The accounting principle IAS 34 envisages a minimum level of information significantly lower compared to general IFRS dispositions, in case complete financial statements drafted according to IFRSs were previously made available to the public. As such, these statements, which are prepared in an abridged form, and include minimum information pursuant to IAS 34, are to be read in conjunction with the Consolidated Financial Statements of the Group for the fiscal year ended 31st December 2018. The accounting

standards used to draw up this interim report, prepared in accordance with IAS 34 – “Intermediate financial statements”, are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2018, except as stated in the following paragraph “Accounting standards, amendments and interpretations applied from 1st January 2019”.

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

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

The values used for consolidation were gathered from the income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data were adjusted and reclassified, where necessary, to ensure compliance with the international accounting standards and with the classification criteria applied throughout the Group. This Interim Report as of 30th June 2019 was approved by the Board of Directors of the Company on 5th August 2019.

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

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

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

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

(Thousands of Euro)	31st December 2018	Effects Elision	Effects Adoption IFRS 5 - Companies held for sale	Restated 31st December 2018
Balance Sheet				
Goodwill	80,758	0	(56,362)	24,396
Other intangible assets	351,878	0	(2,608)	349,270
Tangible assets	32,724	0	(265)	32,458
Shareholdings	68,357	0	(46,809)	21,547
Other non-current assets	12,044	0	(7,841)	4,203
Non current financial assets	1,122	0	(0)	1,122
Advance tax receivables	11,358	0	(351)	11,007
Non-current assets	**558,240**	**0**	**(114,237)**	**444,003**
Inventories	6,020	0	(2,659)	3,360
Trade receivables	166,947	23,852	(159,416)	31,383
Other current assets	45,062	4,855	(9,217)	40,700
Current financial assets	981	24,687	(19,395)	6,272
Tax receivables	1,508	0	(308)	1,200
Cash and cash equivalents	66,650	1	(7,297)	59,353
Current assets from derivative financial instrum	123	0	(123)	0
Current assets	**287,291**	**53,394**	**(198,416)**	**142,269**
Non-current assets disposal of assets			312,653	312,653
Assets	**845,530**	**53,394**	**0**	**898,925**
Total Net equity	**447,869**	**0**	**0**	**447,869**
Provisions for risks and charges	**3,901**	**0**	**(2,825)**	**1,076**
Severance indemnity	4,807	0	(1,965)	2,842
Medium- and long-term bank loans	55,111	0	0	55,111
Other non-current liabilities	28,003	0	(10,792)	17,211
Deferred tax payables	14,534	0	(1,503)	13,031
Non-current liabilities	**106,356**	**0**	**(17,085)**	**89,271**
Payables due to banks and financing institution	131,044	1	(25)	131,020
Trade payables	131,185	28,653	(126,624)	33,214
Tax payables	207	0	(143)	64
Other current liabilities	27,539	53	(12,298)	15,294
Current financial liabilities	115	24,687	(5,406)	19,395
Current liabilities from derivative financial instr	1,216	0	(1,216)	0
Current liabilities	**291,305**	**53,394**	**(145,712)**	**198,988**
Non-current liabilities held for sale	**0**		**162,796**	**162,796**
Net equity and liabilities	**845,530**	**53,394**	**0**	**898,925**

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

(Thousands of Euro)	First half 2018	Effects Elision	Effects Adoption IFRS 5 - Companies held for sale	Restated First half 2018
Revenues	**310,583**	**60,941**	**(306,281)**	**65,243**
Purchase costs for raw material (gas)	162,952	447	(163,399)	0
Purchase costs for other raw materials	10,181	21,590	(30,539)	1,232
Costs for services	59,191	38,904	(83,125)	14,970
Costs for personnel	12,615	0	(4,889)	7,726
Other management costs	18,611	0	(1,089)	17,522
Other income	211	0	(1)	210
Amortization and depreciation	**11,485**	**0**	**(1,095)**	**10,389**
Operating result	**35,758**	**0**	**(22,146)**	**13,612**
Financial income	238	76	203	111
Financial charges	633	76	(54)	655
Evaluation of subsidiary companies with the ne	5,194	0	(4,348)	846
Earnings before tax	**40,557**	**0**	**(26,642)**	**13,915**
Taxes for the period	10,799	0	(6,350)	4,448
Result for the period	**29,758**		**20,292**	**9,466**
Net result from transer/disposal of assets	**0**		**20,292**	**20,292**
Net result for the period	**29,758**	**0**	**0**	**29,758**

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

Accounting standards, amendments and interpretations applied from 1st January 2019

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

IFRS 16 – *Leases*

IFRS 16 standard – Leases was approved on 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 01.01.2019	Depreciation and amortization	Capital repayments	30.06.2019
non-current assets	**1,205**	**(159)**		**1,046**
Intangible assests	**1,205**	**(159)**		**1,046**
- of which rights to use	1,205	**(159)**		**1,046**
- of which rights to use real estate	587	(74)		513
- of which rights to use equipment	245	(23)		222
- of which rights to use other assets	373	(62)		312
Current and non-current liabilities	**1,205**	**0**		**1,029**
Non-current liabilities				
- of which non-current financial liabilities	822		(176)	646
Current liabilities				
- of which current financial liabilities	384		0	384

The discount rate used 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 has mainly concerned operating leases relating to tangible fixed assets such as buildings, vehicles and trucks, as well as computer equipment. The adoption of IFRS 16 determined, on 1st January 2019, the recognition of greater right-of-use fixed assets for Euro 1,205 thousand and an equal amount of financial payables for leases divided into current and non-current.

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

(Thousands of Euro)	Total effects First application 01.01.2019	Depreciation and amortization	Capital repayments	30.06.2019
non-current assets	**1,696**	**(219)**		**1,477**
Intangible assests	**1,696**	**(219)**		**1,477**
- of which rights to use	1,696	**(219)**		**1,477**
- of which rights to use real estate	1,102	(152)		950
- of which rights to use equipment	0	0		0
- of which rights to use other assets	595	(68)		527
Current and non-current liabilities	**1,696**	**0**		**1,423**
Non-current liabilities				
- of which non-current financial liabilities	1,147		(273)	873
Current liabilities				
- of which current financial liabilities	550		0	550

Basis for measurement

Use of estimates

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

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

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

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

Consolidation area and principles

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

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

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

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

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

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

investees, the negative difference is recognised in the income statement. The acquisition costs are booked in the income statement.
Associates are companies over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment.
The financial statements of subsidiaries and jointly controlled Companies used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the Consolidated companies are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 30th June 2019 and consolidated through the line-by-line, proportional method or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
AP Reti Gas 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.	Cernusco sul Naviglio (MI)	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.	Bergamo (BG)	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.	Venezia	1.000.000	100.00%	100%	0%
AP Reti Gas Vicenza S.p.A.	Schio (VI)	10.000.000	100.00%	100%	0%
Companies under joint control proportionally consolidated					
ASM Set S.r.l.	(1) Rovigo (RO)	200.000	49.00%	49.00%	0%
Estenergy S.p.A.	(2) Trieste (TS)	1.718.096	48.999%	49.00%	0%
Unigas Distribuzione S.r.l.	(3) Nembro (BG)	3.700.000	48.86%	48.86%	0%
Subsidiary companies 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 2018, please note that subsequent to the execution of the binding Term Sheet with Hera S.p.A. the data of the companies Ascotrade S.p.A., Etra Energia S.r.l., Amgas Blu S.r.l., Blue Meta S.p.A., Ascopiave Energie S.p.A., Asm Set S.r.l., Estenergy S.p.A. and Sinergie Italiane S.r.l. in liquidation were reclassified under assets and liabilities held for sale as established by the international accounting standard IFRS 5. They were subsequently consolidated, based on the Group's stake, on a line-by-line basis or using the equity method and then reclassified.

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.	13,505	929	1,194	(951)	Ita Gaap
AP Reti Gas S.p.A.	39,601	6,797	305,548	(17,941)	IFRS
Ascopiave S.p.A.	57,546	48,778	366,648	175,576	IFRS
Ascotrade S.p.A.	207,320	11,259	24,150	(30,233)	IFRS
Blue Meta S.p.A.	40,820	3,162	8,004	(12,306)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	2,759	767	11,073	(988)	Ita Gaap
Estenergy S.p.A.	78,967	5,325	17,275	(25,746)	IFRS
Etra Energia S.r.l.	5,293	424	1,606	(2,482)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	8,892	(502)	17,050	11,719	Ita Gaap
Ascopiave Energie S.p.A.	72,658	3,977	12,206	(12,585)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	2,160	624	16,223	(904)	Ita Gaap
ASM Set S.r.l.	18,004	1,497	1,766	399	Ita Gaap
Unigas Distribuzione S.r.l.	7,671	962	38,566	5,588	Ita Gaap
Asco Energy S.p.A.	11,981	(194)	989	12,934	Ita Gaap

Information on consolidated subsidiaries with minority interests

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

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 24,396 thousand as of 30th June 2019, decreased as compared to 31st December 2018 by Euro 56,362 thousand. The change is entirely explained by the reclassification of assets and liabilities related to the assets held for sale, performed in accordance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein. Net of this effect, goodwill has not changed. The amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

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

In order to determine the recoverable amount, the goodwill is allocated to the Cash Generating Unit composed of the natural gas distribution activity (gas distribution CGU) 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)	30.06.2019	31.12.2018
Distribution of natural gas	24,396	24,396
Sales of natural gas	0	56,362
Total goodwill	**24,396**	**80,758**

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

2. Other intangible fixed assets

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

	30.06.2019			31.12.2018		
(Thousands of Euro)	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	4,876	(4,852)	24	5,653	(5,601)	52
Concessions, licences, trademarks and similar rights	15,256	(9,919)	5,337	15,256	(9,380)	5,876
Other intangible assets	3,285	(2,197)	1,088	24,676	(20,843)	3,833
Tangible assets under IFRIC 12 concession	633,687	(297,409)	336,278	622,519	(288,584)	333,934
Tangible assets in progress under IFRIC 12 concession	7,801	0	7,801	7,693	0	7,693
Intangible assets in progress and advances payments	1,080	0	1,080	491	0	491
Other intangible assets	**665,986**	**(314,378)**	**351,609**	**676,287**	**(324,409)**	**351,878**

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

(Thousands of Euro)	31.12.2018 Net value	Reclassifications IFRS 5	Change for the period	Decrease	Amortizations during the period	Depreciations	30.06.2019 Net value
Industrial patent and intellectual property rights	52	(10)	0	30	8		24
Concessions, licences, trademarks and similar rights	5,876		0		539		5,337
Other intangible assets	3,833	(2,598)	0		146		1,088
Tangible assets under IFRIC 12 concession	333,934		12,082	969	9,331	(561)	336,278
Tangible assets in progress under IFRIC 12 concessio	7,693		127	18	0		7,801
Intangible assets in progress and advances payments	491		590		0		1,080
Other intangible assets	**351,878**	**(2,608)**	**12,799**	**1,017**	**10,024**	**(561)**	**351,609**

The investments made during the first six months of the financial year amount to Euro 12,799 thousand and refer to costs incurred for the construction of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the period considered, the item “Industrial patents and intellectual property rights” did not register significant changes. The reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 as described above, determined a decrease in the item of Euro 10 thousand.

Concessions, licences, trademarks and similar rights

This item includes costs paid to awarding entities (Municipalities) and/or outgoing operators after the award and/or the renewal of the relevant tenders for the assignment of the natural gas distribution service, rather than the costs incurred for the acquisition of licenses. During the first six months of 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

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

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of metering and reduction groups. At the end of the first six months of the year, the overall net change amounts to Euro 2,344 thousand mainly explained by depreciation for the period and the investments made. The investments, including the reclassifications of assets under construction, totalled Euro 12,082 thousand. Net divestments are mainly related to the mass replacement of meters.
The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the ARERA in tariff regulations. The technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

Intangible assets under construction under concession

The item includes the costs incurred for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the first half of the year. The item has changed by Euro 127 thousand.

Intangible assets under construction

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

3. Tangible assets

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

	30.06.2019				31.12.2018			
(Thousands of Euro)	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	41,511	(13,588)		27,923	41,501	(12,979)		28,522
Plant and machinery	3,622	(1,513)	(995)	1,114	3,631	(1,474)	(995)	1,162
Industrial and commercial equipment	3,631	(3,038)		593	3,493	(3,001)		492
Other tangible assets	16,900	(14,726)		2,174	17,824	(15,458)		2,366
Tangible assets in progress and advance paym	404	0		404	182	0		182
Rights to use	1,205	(159)		1,046	0	0		0
Other tangible assets	**67,274**	**(33,024)**	**(995)**	**33,254**	**66,631**	**(32,912)**	**(995)**	**32,724**

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

	31.12.2018							30.06.2019
(Thousands of Euro)	Net value	Reclassifications IFRS 5	Change for the period	First adoption IFRS 16	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	28,522		(0)		4	595		27,923
Plant and machinery	1,162		0			47		1,114
Industrial and commercial equipment	492		122			21		593
Other tangible assets	2,366	(265)	330			256		2,174
Tangible assets in progress and advance payments	182		222			0		404
Rights to use	0		0	1,205		159		1,046
Other tangible assets	**32,724**	**(265)**	**674**	**1,205**	**4**	**1,079**	**0**	**33,254**

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 period 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. During the first six months of the year, the item did not register investments and the variation is explained by depreciation.

Plants and machinery

During the first half of the year, the item “Plants and machinery” registered a decrease of Euro 47 thousand entirely explained by the depreciation for the period.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 122 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 the first half of the year are equal to Euro 330 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 246 thousand) as well as furniture and fittings (Euro 16 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 first half of the year, the item changed by Euro 222 thousand.

Rights of use

The item includes the rights of use related to the first application of IFRS 16 on 1st January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings (Euro 587 thousand), rental of vehicles and trucks (Euro 373 thousand), as well as IT equipment (Euro 245 thousand). During the first half of the year, the change recorded by the item, net of the first recognition at the amortised cost of the commitments, amounts to Euro 159 thousand, equal to the depreciation for the period.

4. Shareholdings

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

	31.12.2018			30.06.2019
(Thousands of Euro)	Net value	Increase	Reclassifications IFRS 5	Net value
Shareholdings in jointly controlled companies	68,355	(1,589)	(49,987)	19,956
Shareholdings in other companies	2	0		2
Shareholdings	**68,357**	**(1,589)**	**(49,987)**	**19,958**

Shareholdings in joint companies

Shareholdings in joint companies decrease from Euro 68,357 thousand in the previous year to Euro 19,958 thousand in the period considered, marking a net decrease of Euro -48,398 thousand. This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, which determined a decrease in the item of Euro 49,987 thousand.

Net of the change above, shareholdings in joint companies decreased by Euro 1,589 thousand, mainly explained by the dividends distributed by Unigas Distribuzione Gas S.r.l. in the first six months of the year. They were only partially offset by the result achieved by the company in the same period.

The evaluation of the shareholdings in jointly controlled companies with the net equity method and their profit and loss statement and balance sheet figures are shown in the section "Synthesis data as of 30th June 2019 of the jointly controlled companies consolidated through the net equity method" of the Explanatory Notes.

Other investments

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

5. Other non-current assets

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

(Thousands of Euro)	30.06.2019	31.12.2018
Security deposits	1,099	8,917
Other receivables	1,742	3,127
Other non-current assets	**2,841**	**12,044**

Non-current assets recorded an overall change compared to the previous year equal to Euro 9,203 thousand. This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, which determined a decrease in the item of Euro 7,841 thousand.
Net of the reclassification described, the item decreased by Euro 1,362 thousand. The change is mainly explained by the reclassification under non-current and current financial assets of the receivable from the municipality of Costabissara with which a settlement agreement was entered into, better commented in the paragraph "non-current financial assets" herein.
Non-current receivables recognised at the end of the first half of the year refer to guarantee deposits for Euro 1,099 thousand and other receivables for Euro 1,742 thousand. The latter also include the receivable from the municipality of Santorso, equal to Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 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.
As of 30th June 2019 there is an on-going litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph "Litigations" of these interim financial statements.

6. Non-current financial assets

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

(Thousands of Euro)	30.06.2019	31.12.2018
Other financial receivables over 12 months	2,751	1,122
Non-current financial assets	**2,751**	**1,122**

Non-current financial assets increased from Euro 1,122 thousand in 2018, to Euro 2,751 thousand in the period in question, showing an increase of Euro 1,629 thousand. The change is mainly explained by the recognition of the receivable due 12 months after the reporting date from the municipality of Costabissara with which a settlement agreement was signed for assessing the value of the natural gas distribution infrastructure, which had been delivered on 1st October 2011. The parties agreed an amount of Euro 3,000 thousand, of which Euro 1,000 thousand to be paid within 30 days of signing the agreement, while the remainder will be paid in 12 annual instalments having the same amount. The value entered under non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

7. Advance tax receivables

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

(Thousands of Euro)	30.06.2019	31.12.2018
Advance tax receivables	11,425	11,358
Advance tax receivables	**11,425**	**11,358**

Advance taxes increase from Euro 11,358 thousand to Euro 11,425 thousand, marking an increase of Euro 67 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 30th June 2019 and at the time when it is estimated that any temporary differences will be carried forward.

Current assets

8. Inventories

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

	30.06.2019			31.12.2018		
(Thousands of Euro)	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	0	0	0	2,694	(35)	2,659
Fuels and warehouse materials	4,888	(39)	4,849	3,399	(39)	3,360
Fuels and warehouse materials	**4,888**	**(39)**	**4,849**	**6,093**	**(73)**	**6,020**

As of 30th June 2019, the inventories are equal to Euro 4,849 thousand, marking a decrease of Euro 1,171 thousand as compared to 31st December 2018. This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, which determined a decrease in the item of Euro 2,659 thousand. The decrease was partially offset by the increase in goods in stock (Euro +1,489 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 to Euro 39 thousand, in order to adapt their value to the opportunities for their clearance or use.

9. Trade receivables

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

(Thousands of Euro)	30.06.2019	31.12.2018
Receivables from customers	13,351	76,617
Receivables for invoices to be issued	15,877	94,046
Bad debt provisions	(468)	(3,715)
Trade receivables	**28,761**	**166,947**

Trade receivables decreased from Euro 166,947 thousand to Euro 28,761 thousand, marking a decrease of Euro 138,186 thousand. This is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in accordance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, which determined a decrease in the item of Euro 135,564 thousand.
Net of the reclassification described, the item decreased by Euro 2,622 thousand, mainly due to the seasonality of the business. The trade receivables consist mainly in receivables from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located. The lower consumption of the end consumers in spring and summer consequently determines a decline in the receivables recognised in these months.
Receivables from customers are expressed net of the billing down payments and are payable within the following 12 months.
The provision for doubtful accounts mainly included the amounts set aside for risks on receivables suffered by the companies selling natural gas and electricity. The remainder, equal to Euro 468 thousand, represents the risks of the Group distribution companies and did not require additional amounts due to the good capacity of the existing provisions.
The changes in the provision for doubtful accounts during the first half of 2019 are shown in the following table:

(Thousands of Euro)	30.06.2019	30.06.2018
Bad debt provisions	3,715	5,358
Riclassifications IFRS 5	3,244	0
Provisions	0	1,964
Use	(4)	(3,607)
Final bad debt provision	**468**	**3,715**

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

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

(Thousands of Euro)	30.06.2019	31.12.2018
Gross trade receivable invoices issued	13,351	76,617
- allowance for doubtful accounts	(468)	(3,715)
Net trade receivables for invoices issued	**12,884**	**72,901**
Aging of trade receivables for invoices issued		
- to expire	12,252	65,052
- expired within 6 months	572	7,300
- overdue by 6 to 12 months	89	1,472
- expired more than 12 months	437	2,793

10. Other current assets

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

(Thousands of Euro)	30.06.2019	31.12.2018
Tax consolidation receivables	2,750	3,034
Annual pre-paid expenses	1,479	629
Advance payments to suppliers	3,442	2,769
annual accrued income	77	27
Receivables due from CSEA	37,592	25,029
VAT Receivables	1,599	2,854
UTF and Provincial/Regional Additional Tax receivables	82	8,612
Other receivables	0	159
Other receivables	2,132	1,948
Other current assets	**49,153**	**45,062**

Other current assets increase from Euro 45,062 thousand to Euro 49,153 thousand, marking an increase of Euro 4,091 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 4,362 thousand, affecting mainly the receivables from the technical offices of finance, regions and provinces in relation to regional excise duties and additional taxes. Net of the effect described, the item showed an increase compared to 31st December 2018 of Euro 8,453 thousand, mainly attributable to higher receivables from Cassa Servizi Energetici ed Ambientali in relation to energy efficiency certificates.

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

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

The receivables from the CSEA, equal to Euro 37,592 thousand, are calculated based on the quantities of energy efficiency certificates delivered in May 2019, but not collected at the reporting date, and the quantities accrued with respect to the 2019 target (regulatory period June 2019 - May 2020). The unit contribution used for the economic quantification of the fulfilment is equal to the final contribution communicated by the GSE for the 2019 target (regulatory period June 2018 - May 2019) in relation to the certificates delivered, and equal to the fair value of the forecast contribution for the contributions being accrued and, as at 30th June 2019, equal to Euro 250 (Euro 250.54 as of 30th June 2018; source STX).

11. Current financial assets

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

(Thousands of Euro)	30.06.2019	31.12.2018
Associated companies	13	0
Other financial current assets	1,303	136
Jointly controlled companies	6,481	844
Current financial assets	**7,797**	**981**

Current financial assets increased by Euro 6,817 thousand, from Euro 981 thousand at 31st December 2018 to Euro 7,797 thousand in the period in question. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” led to an increase in the item equal to Euro 5,291 thousand.
At the end of the period, the item also included, in addition to the short-term portion of the receivables from the municipality of Creazzo, the short-term portion of the receivables, amounting to Euro 1,165 thousand, from the municipality of Costabissara, with which the settlement agreement better described in the paragraph “non-current financial assets” herein was reached.

12. Tax receivables

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

(Thousands of Euro)	30.06.2019	31.12.2018
Receivables related to IRAP	565	545
Receivables related to IRES	587	673
Other tax receivables	141	290
Tax receivables	**1,293**	**1,508**

Tax receivables decreased from Euro 1,508 thousand to Euro 1,293 thousand, marking a decrease of Euro 215 thousand as compared to 31st December 2018. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 308 thousand. Net of the reclassification described, the item increased by Euro 94 thousand, basically unchanged since the previous year.
The item includes the residual credit, minus the taxes for the first half of 2019, of the IRAP advances paid and the IRES advances.

13. Cash and cash equivalents

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

(Thousands of Euro)	30.06.2019	31.12.2018
Bank and post office deposits	20,222	66,632
Cash and cash equivalents on hand	18	18
Cash and cash equivalents	**20,241**	**66,650**

Cash and cash equivalents decreased from Euro 66,650 thousand to Euro 20,241 thousand, recording a decrease of Euro 46,409 thousand and they mainly refer to the bank accounting balance and to the company funds. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 7,296 thousand.
For a better understanding of the variations of cash flows in the first half of the year, please refer to the statement of cash flows.

Net financial position

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

(Thousands of Euro)	30.06.2019	31.12.2018
Cash and cash equivalents	20,241	66,650
Current financial assets	7,797	981
Current financial liabilities	(50,636)	(115)
Payables due to banks and financing institutions	(107,084)	(131,044)
Payables due to leasing companies within 12 months	0	0
Net short-term financial position	**(129,682)**	**(63,528)**
Non current financial assets	2,751	1,122
Medium- and long-term bank loans	(51,098)	(55,111)
Non-current financial liabilities	(646)	0
Net medium and long-term financial position	**(48,993)**	**(53,989)**
Net financial position	**(178,675)**	**(117,517)**

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

14. Current assets from derivative financial instruments

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

(Thousands of Euro)	30.06.2019	31.12.2018
Current assets from derivative financial instruments	0	123
Current assets from derivative financial instruments	**0**	**123**

The assets recorded at the end of 2018 for derivative contracts referred entirely to the sale of natural gas and consequently the balance was entirely reclassified under assets held for sale, in compliance with IFRS 5 as described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein.
With regard to the assets and liabilities related to assets from derivatives, please see the paragraph "Risk and uncertainty factors" herein, which illustrates their effects.

Consolidated shareholders’ equity

15. Shareholders’ equity

Ascopiave S.p.A.’s share capital as of 30th June 2019 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.
The shareholders’ equity at the end of the periods considered is analysed in the following table:

(Thousands of Euro)	30.06.2019	31.12.2018
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(24,147)	(16,981)
Reserves	104,230	134,629
Group's Net Result	4,736	22,282
Companies held for sale Net Result	27,588	22,344
Net equity of the Group	**393,700**	**443,567**
Net equity of Others	2,521	2,428
Third parties Net Result	1,878	1,874
Net equity of Others	**4,399**	**4,303**
Total Net equity	**398,099**	**447,869**

Consolidated shareholders’ equity at 30th June 2019 amounted to Euro 392,046 thousand, a decrease of Euro 55,490 thousand compared to 2018. Changes in the consolidated shareholders’ equity during the first half of the year, excluding the result achieved, are mainly explained by the distribution of ordinary and extraordinary dividends approved by the Shareholders’ Meeting held on 23rd April 2019. In ordinary session, the Shareholders’ Meeting resolved to distribute an ordinary dividend of Euro 0.125 per share and an extraordinary dividend of Euro 0.2133 for each of the 222,178,966 outstanding shares. This extraordinary dividend was paid together with the ordinary one on 8th May 2019, with ex-dividend date on 6th May 2019 and record date on 7th May 2019. The total disbursement amounted to Euro 75,163 thousand.
At the end of the first half of the year the company held treasury shares for a total value of Euro 24,147 thousand, up Euro 7,167 thousand compared to 31st December 2018.
In fact, during the first half of the year, specifically since 1st April, Ascopiave S.p.A., has purchased treasury shares on the electronic share market and, as of 30th June 2019, held 13,720,606 treasury shares, equal to 5.853%, for the value indicated above.
During the first week of July 2019, 7,149,505 treasury shares were transferred to the company Anita S.r.l. as part of the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., the finalisation of which was communicated to the market on 25th June 2019. On 27th July 2019, Ascopiave S.p.A. held 7,622,104 shares, equal to 3.252%.
The hedge accounting reserve recorded at the end of 2018 was fully related to the sale of natural gas and consequently the balance was entirely reclassified under assets held for sale, in compliance with IFRS 5 as described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein.
With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph “Risk and uncertainty factors” herein which highlights their effects.

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

Non-current liabilities

16. Reserves for risks and charges

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

(Thousands of Euro)	30.06.2019	31.12.2018
Previsions for pension for gas sector employees	968	1,024
Other reserves for risks and charges	291	2,877
Reserves for risks and charges	**1,259**	**3,901**

Reserves for risks and charges decreased from Euro 3,901 thousand to Euro 1,259 thousand, thus recording a decrease of Euro 2,642 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 2,586 thousand.
Net of the change described, the item increased by Euro 178 thousand, explained by the recognition of costs accrued in the period in question for long-term incentive plans. These amounts refer to the portion accrued in the first six months of the current year and relate to the three-year period 2018-2020, as set out in the plans for the accrual of the bonus.

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

(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2019	3,901
Provisions for risks and charges	0
Application of IFRS 5	(2,586)
Use of provisions for risks and charges	(56)
Provisions for risks and charges 30th of June 2019	**1,259**

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

(Thousands of Euro)	30.06.2019	31.12.2018
Cover losses associated companies	0	2,586
Other risks	56	56
Risk of litigation with suppliers	235	235
Retirement fund and similar obligations	968	1,024
Total	**1,259**	**3,901**

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

17. Severance indemnity

Severance indemnity decreases from Euro 4,807 thousand as of 1st January 2019 to Euro 2,745 thousand as of 30th June 2019, marking a decrease of Euro 2,062 thousand. The change is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, with a decrease in the item of Euro 1,965 thousand.
The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	
Severance indemnity as of 1st January 2019	4,807
Application of IFRS 5	(1,965)
Retirement allowance	(694)
Payments for current services and work	544
Actuarial loss/(profits) of the period (*)	52
Severance indemnity as of 30th of June 2019	**2,745**

* including the interest cost booked in the income statement.

18. Medium- and long-term loans

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

(Thousands of Euro)	30.06.2019	31.12.2018
Loans from Central Bank Fund	8,223	8,611
Loans from European Investment Bank	19,125	21,500
Loans from BNL	23,750	25,000
Medium- and long-term bank loans	**51,098**	**55,111**
Current portion of medium-long term loans	8,084	8,014
Medium- and long-term bank loans	**59,183**	**63,124**

Medium and long term loans, mainly represented as of 30th June 2019 by the payables of the Parent Company to BNL for Euro 26,250 thousand and the European Investment Bank for Euro 23,875 thousand, decrease from Euro 63,124 thousand to Euro 59,183 thousand, marking a decrease of Euro 3,941 thousand, explained by the payment of the instalments in the first half of the year. Considering only the portion due beyond the year, the total value decreases from Euro 55,111 thousand to Euro 51,098 thousand.
Specifically:

- the loan with BNL, taken out in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt of as of 30th June 2019 of Euro 26,250 thousand, with the recognition of Euro 2,500 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group’s consolidated data prepared in compliance with IFRS; as of 31st December 2018 such covenants were met.
- Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 30th June 2019 is equal to Euro 23,875 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked twice a year on the Group’s consolidated data prepared in compliance with IFRS; as of 31st December 2018, such covenants were met, however, they cannot be calculated as at 30th June 2019 due to the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5.
- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000

thousand, has a residual debt of Euro 9,058 thousand as of 30th June 2019, with the recognition of Euro 834 thousand in due to banks and short-term loans.

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

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

(Thousands of Euro)	30.06.2019
Year 2019	4,072
Year 2020	8,028
Year 2021	8,042
Year 2022	8,057
After 31st December 2022	30,984
Medium and long-term loans	**59,183**

19. Other non-current liabilities

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

(Thousands of Euro)	30.06.2019	31.12.2018
Security deposits	391	11,350
Multi-annual passive prepayments	18,067	16,653
Other non-current liabilities	**18,458**	**28,003**

Other non-current liabilities decreased from Euro 28,003 thousand in the previous year to Euro 18,458 thousand as of 30th June 2019, with a decrease of Euro 9,545 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 10,792 thousand, mainly due to the security deposits of gas and electricity users. Net of the change described, the item increased by Euro 1,247 thousand due to the performance of long-term deferred income.

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

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

20. Non-current financial liabilities

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

(Thousands of Euro)	30.06.2019	31.12.2018
Debts for rights of use beyond 12 months	646	
Non-current financial liabilities	**646**	**0**

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

21. Deferred tax payables

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

(Thousands of Euro)	30.06.2019	31.12.2018
Deferred tax payables	12,806	14,534
Deferred tax payables	**12,806**	**14,534**

Payables for deferred taxation decrease from Euro 14,534 thousand in the previous year to Euro 12,806 thousand, marking a decrease of Euro 1,727 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 1,503 thousand, mainly due to the dynamics of amortisations in the client lists.
Net of the change described, deferred tax payables decreased by Euro 225 thousand and mainly include the tax effects deriving from the dynamics of amortisation of gas distribution networks.
In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 2019 and at the time when it is estimated that any temporary differences will be carried forward.

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)	30.06.2019	31.12.2018
Payables due to banks	99,000	123,031
Current portion of medium-long-term loans	8,084	8,014
Payables due to banks and financing institutions	**107,084**	**131,044**

Payables to banks decrease from Euro 131,044 thousand in the previous year to Euro 107,084 thousand as of 30th June 2019, marking a decrease of Euro 23,960 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans
The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 24 thousand.

23. Trade payables

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

(Thousands of Euro)	30.06.2019	31.12.2018
Payables to suppliers	7,872	70,907
Payables to suppliers for invoices not yet received	31,923	60,278
Trade payables	**39,795**	**131,185**

Trade payables decrease from Euro 131,185 thousand in the previous year to Euro 39,795 thousand as of 30th June 2019, marking a decrease of Euro 91,390 thousand. The change is mainly explained by the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, which determined a decrease in the item of Euro 97,971 thousand. The amounts reclassified are largely related to the purchase and transport of the raw materials gas and electricity.
Net of the effect described, trade payables increased by Euro 6,581 thousand.
The item mainly includes the payables to suppliers of materials and services for the extension or maintenance of the natural gas distribution network as well as for consultancy services received during the period in question.
The item also includes the payables connected with the purchase of the energy efficiency certificates needed to achieve the energy saving objectives that the Group distribution companies must fulfil.
These are calculated by evaluating the amounts of certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit cost of certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30th June 2019 and amounting to Euro 260 source STX (Euro 260 as of 30th June 2018).

24. Payables to tax authorities

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

(Thousands of Euro)	30.06.2019	31.12.2018
IRAP payables	146	169
IRES payables	3,146	38
Tax payables	**3,292**	**207**

Tax payables increase from Euro 207 thousand in the previous year to Euro 3,292 thousand in the period in question, marking an increase of Euro 3,086 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 143 thousand.
Consequently, net of the reclassification described, the item showed an increase of Euro 3,228 thousand.
The item includes the residual receivable, minus the taxes for the first half of 2019, of the IRAP advances paid and the IRES advances.

25. Other current liabilities

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

(Thousands of Euro)	30.06.2019	31.12.2018
Advance payments from customers	412	505
Amounts due to parent companies for tax consolidation	128	551
Amounts due to social security institutions	497	1,805
Amounts due to employees	4,404	5,026
VAT payables	350	7,170
Payables to revenue office for withholding tax	327	1,222
Annual passive prepayments	490	452
Annual passive accruals	729	509
UTF and Provincial/Regional Additional Tax payables	(0)	572
Liabilities for short-term purchase commitments	(0)	172
Other payables	13,681	9,555
Other current liabilities	**21,018**	**27,539**

Other current liabilities decreased from Euro 27,539 thousand in 2018 to Euro 21,018 thousand in the period in question, marking a decrease of Euro 6,251 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph "Operating results, balance sheet and cash flows of companies held for sale" herein, determined a decrease in the item of Euro 12,245 thousand, mainly involving VAT payables. Consequently, net of the reclassification described, the item showed an increase of Euro 5,724 thousand attributable to other payables.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 30th June 2019.

Tax consolidation payables

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

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as of 30th June 2019 but not yet paid on that date.

Payables to personnel

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

VAT payables

Payables to the tax authorities for VAT at the end of the first half of the year amount to Euro 350 thousand. The significant decrease recorded as against the previous year is explained by the reclassification of the balances recorded by the Group sales companies that were reclassified under liabilities held for sale.

Annual deferred income

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

Annual accrued liabilities

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

UTF payables and Additional Regional/Provincial Tax

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

Liabilities for forward sales

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

Other payables

As of 30th June 2019 the item amounts to Euro 13,681 thousand, and records an increase of Euro 4,126 thousand. The increase is mainly related to higher payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport.

The item also includes payables for staff charges accrued as of 30th June 2019.

26. Current financial liabilities

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

(Thousands of Euro)	30.06.2019	31.12.2018
Financial payables within 12 months	50,252	115
Payables to leasing companies within 12 months	383	(0)
Current financial liabilities	**50,636**	**115**

Current financial liabilities increase from Euro 115 thousand in 2018 to Euro 50,636 thousand in the period in question, marking an increase of Euro 50,521 thousand. The reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5 and described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein, determined a decrease in the item of Euro 19,281 thousand; net of this change, the item increased by Euro 30,857 thousand.

This increase is mainly explained by the balances of the cash pooling current accounts with the subsidiaries that were reclassified under assets and liabilities held for sale, totalling Euro 50,252 thousand.

As mentioned in the paragraph “Non-current financial liabilities” herein, on 1st January 2019, the financial payables related to operating leases were recognised for the first time upon the first application of IFRS 16. The first adoption of the standard led to the recognition of Euro 453 thousand of higher payables. At the end of the first half of the year, the item did not show significant changes as the principal repayments made during the period were offset by the reclassification of the portions that will be paid within the next twelve months from the reporting date.

27. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	30.06.2019	31.12.2018
Current liabilities from derivative financial instruments	(0)	1,216
Current liabilities from derivative financial instruments	**(0)**	**1,216**

The liabilities recorded at the end of 2018 for derivative contracts were entirely connected to the purchase of natural gas and consequently the balance was fully reclassified under liabilities held for sale, in compliance with IFRS 5 as described in the paragraph “Operating results, balance sheet and cash flows of companies held for sale” herein.
With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph “Risk and uncertainty factors” herein, which illustrates their effects.

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

28. Revenues

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

	First half	
(Thousands of Euro)	2019	2018
Revenues from gas transportation	36,506	36,527
Revenues from connections	173	173
Revenues from heat supply	6	(0)
Revenues from distribution services	2,032	3,679
Revenues from services supplied to Group companies	3,774	4,819
Revenues from ARERA contributions	17,293	18,980
Other revenues	1,032	1,064
Revenues	**60,816**	**65,242**

At the end of the first half of 2019, the Ascopiave Group's revenues amounted to Euro 60,816 thousand, a decrease of Euro 4,426 thousand as compared to the same period in the previous year (Euro 65,242 thousand). The decrease is mainly explained by lower revenues from services rendered as distributors (Euro -1,647 thousand), lower revenues achieved for services rendered to other Group companies (Euro -1,045 thousand) and lower contributions recorded for the achievement of energy saving targets (Euro -1,687 thousand). Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* to the distribution network generated revenues for Euro 36,506 thousand, substantially in line with the revenues recorded at the end of the first half of 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 ARERA. The item "revenues from gas transport" includes a negative equalisation amount of Euro 5,522 thousand, an increase of Euro 3,182 thousand as compared to the same period in the previous year. The equalisation amount varies according to the seasonality and the temperature trend as it results from the difference between the revenues charged to the sales companies for the natural gas transport service (contracts due to lower consumption) and the Restriction on Total Revenues recognised in the period in question.

The revenues derived from *services provided by distributors*, being equal to Euro 2,032 thousand, show a decrease of Euro 1,647 thousand as compared to the same period in the previous year. The decrease is partly explained by contributions amounting to Euro 765 thousand registered in the first six months of 2018 and related to the construction of the distribution network in parcelling.

Revenues for *services provided to Group companies*, amounting to Euro 3,774 thousand at 30th June 2019, show a decrease of Euro 1,045 thousand as compared to the same period in the previous year.

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 17,293 thousand, recording a decrease of Euro 1,687 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 30th June 2019 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the final contribution communicated by GSE for the 2019 target (regulatory period June 2018 - May 2019) for the certificates delivered, and equal to the fair value of the forecast contribution for the contributions being accrued and, as of 30th June 2019, equal to Euro 250 (Euro 250.54 as of 30th June 2018; source STX).

The item "*Other revenues*" decreased from Euro 1,064 thousand in the first half of 2018, to Euro 1,032 thousand in the period in question, showing a decrease of Euro 32 thousand.

30. Cost of other raw materials

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

	First half	
(Thousands of Euro)	2019	2018
Purchase of other raw material	719	1,232
Purchase costs for other raw materials	**719**	**1,232**

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 719 thousand, marking a decrease of Euro 513 thousand as compared to the same period in the previous year.
This item mainly includes costs related to the purchase of materials for the maintenance of the natural gas distribution infrastructure and odorization.

31. Costs for services

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

	First half	
(Thousands of Euro)	2019	2018
Costs for counting meters reading	317	308
Costs for mailing bills	(0)	15
Mailing and telegraph costs	83	83
Maintenance and repairs	1,189	1,999
Consulting services	2,062	1,561
Commercial services and advertisement	51	65
Sundry suppliers	859	795
Directors' and Statutory Auditors' fees	661	408
Insurances	361	339
Personnel costs	306	353
Other managing expenses	676	696
Costs for use of third-party assets	8,438	8,348
Costs for services	**15,001**	**14,970**

The costs for services incurred during the first half of 2019 are substantially in line with the comparative period. They increased from Euro 14,970 thousand in the first half of 2018 to Euro 15,001 thousand in the period in question.
The costs incurred for *metre reading*, amounting to Euro 317 thousand, are substantially in line with the first half of the year shown for comparison purposes (Euro 308 thousand as of 30th June 2018).
The costs for *maintenance and repairs*, equal to Euro 1,189 thousand, show a decrease of Euro 810 thousand compared to the same period in the previous year. The decrease is mainly explained by lower costs incurred for the maintenance of natural gas distribution facilities as well as lower costs incurred for software maintenance and support fees.
At the end of the first six months of the year, the costs incurred for *consultancy* amounted to Euro 2,062 thousand, an increase of Euro 501 thousand. The change is mainly related to the costs incurred for extraordinary operations initiated by the Group in the reference period and better described in the paragraph “Significant events during the first half of 2019” herein.
The item costs for use of third-party assets mainly includes the fees paid to the Local Authorities for the management

of natural gas distribution concessions and recorded an increase of Euro 89 thousand. The increase recorded was partly offset by the effects of the first application of IFRS 16. The methods for recognising operating leases led to the entry of lower costs for the use of third-party assets totalling Euro 185 thousand, such as lower fees recorded for rentals of branch offices, company vehicles and printers.

32. Costs for staff

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

	First half	
(migliaia di Euro)	2019	2018
Wages and salaries	7,775	7,558
Social security contributions	2,434	2,479
Severance indemnity	544	565
Other costs	42	1
Total personnel costs	**10,796**	**10,603**
Capitalized personnel costs	(3,236)	(2,876)
Personnel costs	**7,560**	**7,726**

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 10,603 thousand in the first six months of 2018 to Euro 10,796 thousand in the period in question, showing an increase of Euro 193 thousand. The lower costs incurred more than offset the costs, equal to Euro 202 thousand, recorded at the end of the period for long-term incentive plans.

In accordance with IFRS 2, the cost of the long-term incentive plans entered at the end of the first half of the year had an offsetting item in the shareholders' equity reserves for Euro 24 thousand for the portion to be paid in shares and in the retirement funds for Euro 178 thousand for the cash portion. The amounts recorded for long-term incentive plans refer to the first year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

Capitalised personnel cost registered an increase of Euro 359 thousand, from Euro 2,876 thousand in the previous period, to Euro 3,236 thousand in the period considered.

Personnel costs consequently decreased by Euro 166 thousand.

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

Descripion	30.06.2019	30.06.2018	Variation
Managers (average)	14	13	1
Office workers (average)	222	216	6
Manual workers (average)	117	123	-6
No. of persoal employed	**353**	**352**	**1**

33. Other operating costs

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

	First half	
(Thousands of Euro)	2019	2018
Other provisions	0	3
Membership and ARERA fees	388	392
Capital losses	393	121
Extraordinary losses	24	16
Other taxes	342	317
Other costs	224	324
Costs of contracts	159	157
Energy efficency certificates	18,465	16,191
Other management costs	**19,995**	**17,522**

Other operating costs, increasing from Euro 17,522 in the first half of 2018 to Euro 19,995 thousand in the period in question, show an increase of Euro 2,473 thousand; this change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +2,274 thousand).
The costs recognised as of 30th June 2019 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2019 target (regulatory period June 2019 - May 2020). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30th June 2019 and amounting to Euro 260 source STX (Euro 260 as of 30th June 2018).

34. Other operating revenues

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

	First half	
(Thousands of Euro)	2019	2018
Other income	1,298	210
Other income	**1,298**	**210**

At the end of the period considered, the item “other operating income” shows an increase of Euro 1,088 thousand, from Euro 210 thousand in the first half of 2018, to Euro 1,298 thousand in the period in question.
The change is mainly explained by the recognition of the surplus value connected with the settlement agreement signed with the municipality of Costabissara, described in the paragraph “Non-current financial assets”, and concerning the value of the sale of the distribution facilities on 1st October 2011.

35. Amortisation, depreciation and write-downs

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

	First half	
(Thousands of Euro)	2019	2018
Intangible fixed assets	10,024	9,300
Tangible fixed assets	1,079	1,090
Amortization and depreciation	**11,103**	**10,389**

Amortisation and depreciation show an increase of Euro 725 thousand, from Euro 9,300 thousand in the first half of 2018, to Euro 10,024 thousand in the period in question.
The recognition method of operating leases led to the entry of higher amortisation and depreciation costs totalling Euro 159 thousand for the rental of peripheral headquarters, company cars and printers.

Financial income and expense

36. Financial income and expense

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

	First half	
(Thousands of Euro)	2019	2018
Interest income on bank and post office accounts	51	1
Other interest income	38	109
Financial income	**89**	**111**
Interest expense on banks	49	40
Interest expense on loans	633	459
Other financial expenses	131	155
Financial charges	**813**	**655**
Evaluation of subsidiary companies with net equity method	648	846
Evaluation of subsidiary companies with the net equity method	**648**	**846**
Total net financial expenses	**75**	**302**

At the end of the first half of 2019, the balance between financial income and expenses showed a loss of Euro 724 thousand, an increase as compared to the same period in the previous year of Euro 180 thousand. The increase is mainly explained by the higher financial charges paid to financial institutions for loans (Euro +174 thousand).

Subsequent to the first application of IFRS 16, the payment of operating lease fees determines the decrease in current financial liabilities for lease payables for the principal amount and the entry of financial charges. At the end of the first six months of the year, this led to the recognition of Euro 10 thousand.

The item “Result quota from jointly controlled companies” includes the net results achieved by the jointly controlled companies in the reference period; they decreased by Euro 198 thousand, totalling Euro 648 thousand.

Taxes

37. Taxes in the reference period

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

	First half	
(Thousands of Euro)	2019	2018
IRES current taxes	3,147	4,288
IRAP current taxes	461	780
(Advance)/Deferred taxes	(684)	(620)
Taxes for the period	**2,924**	**4,448**

Taxes accrued decreased from Euro 4,448 thousand in the first half of 2018 to Euro 2,924 thousand in the period in question, showing a decrease of Euro 1,524 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:

	First half	
(Thousands of Euro)	2019	2018
Earnings before tax	7,660	13,915
Taxes for the period	2,924	4,448
Percentage of income before taxes	**38.2%**	**32.0%**

The tax-rate as of 30th June 2019 is equal to 38.2%, an increase of 6.2% as compared to the same period in the previous year.

Net result of assets held for sale

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

	First half	
(Thousands of Euro)	2019	2018
Net Result of companies held for sale	**29,466**	**20,292**

The net result of the companies held for sale at 30th June 2019 is equal to Euro 22,813 thousand, marking an increase of 16.8% compared to the previous year. For a better understanding of the operating results, balance sheet and cash flows of the companies reclassified in accordance with IFRS 5, please refer to the paragraph “Operating results, balance sheet and cash flows of companies held for sale”.

Non-recurrent components

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

Transactions deriving from unusual and/or atypical operations

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

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

Operating results of the companies held for sale

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

	First half	
(Thousands of Euro)	2019	2018
Revenues	**322,585**	**285,116**
Total operating costs	**285,781**	**261,739**
Purchase costs for other raw materials	194,296	175,312
Costs for services	85,944	80,586
Costs for personnel	5,298	4,889
Other management costs	243	953
Other income	0	1
Amortization and depreciation	**1,721**	**1,232**
Operating result	**35,082**	**22,146**
Financial income	126	149
Evaluation of subsidiary companies with the net equity method	4,099	4,348
Earnings before tax	**39,308**	**26,642**
Taxes for the period	9,841	6,350
Result for the period	**29,466**	**20,292**

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 the first half of 2019, the revenues of the Group companies held for sale amounted to Euro 322,585 thousand, marking an increase of 13.1% as compared to the same period in the previous year.

The gross operating margin achieved during the first six months of the year amounted to Euro 36,803 thousand, recording an increase of Euro 13,426 thousand, mainly due to higher margins achieved by the sale of natural gas and electricity.

The increase in the **first margin on the activity of gas sale** (from Euro 32,940 thousand to Euro 44,603 thousand) was mainly influenced by the recognition of the amounts deriving from the recalculation of the coefficient "k" with a positive effect on the margin equal to Euro 8,178 thousand better described in the paragraph "Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29th January 2019" herein. The margin was also significantly influenced by the effects of the so-called gas settlement, which negatively affected the gas margins in the first six months of 2018 for Euro -2,018 thousand, while it showed an opposite effect in the period in question equal to Euro 2,093 thousand, resulting in an overall change of Euro 4,111 thousand. Net of the effects described, better illustrated in the paragraph "Evolution of the adjustment sessions of natural gas allocations", the margin of the gas sales activity recorded a decrease, mainly explained by the lower amounts of gas sold in the period in question due to the mild temperatures recorded in the first quarter of the year.

The **first margin** resulting **from gas trading** at the end of the first six months of 2019 was Euro 33 thousand, marking a decrease of Euro 67 thousand as compared to the same period in the previous year. The margin represents the economic effects deriving from the contracts signed for the purchase and sale on the PSV Italian market and Austrian VTP market, as well as the transport and export capacity from the Austrian raw material market. The revenue and cost components related to physical deliveries during the period as well as the related transport costs, were recorded at contractual prices, whereas the various revenue and cost components related to physical deliveries for the period July - September 2019 for the raw material and July 2019 – September 2020 for transport, since these are forward transactions, at the reporting date were booked at current value.

The increase in the **first margin on the activity of electricity sales**, from Euro 3,515 thousand to Euro 4,368 thousand, is mainly explained by the higher volumes of electricity sold during the first half of the year, due to the higher number of customers.

The **operating result** of the Group companies held for sale in the first six months of 2019 amounted to Euro 35,082 thousand, recording an increase of Euro 12,937 thousand (+58.4%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the first margin on the activity of gas sales, equal to Euro 11,663 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 852 thousand;
- positive change in other items of cost and revenues, equal to Euro 529 thousand.

The positive change in the item **other costs and revenues** of the Group companies held for sale, amounting to Euro 529 thousand, is due to:

- lower other revenues for Euro 3,407 thousand;
- lower material and service costs and other charges equalling Euro 4,835 thousand;
- an increase in personnel cost for Euro 409 thousand;
- a decrease in amortisation and depreciation of fixed assets Euro 68 thousand;
- higher bad debts provisions for Euro 557 thousand.

The **net consolidated profit** of the Group companies held for sale in the first six months of 2019 amounts to Euro 29,466 thousand, an increase of Euro 9,175 thousand (+45.2%) as compared to the same period in the previous year.
This change is due to the following factors:

- an increase in the operating result, as previously stated, for Euro 12,937 thousand;
- lower result of companies consolidated through the equity method for Euro 248 thousand;
- a decrease in the balance financial revenues/charges for Euro 23 thousand;
- an increase in taxes for Euro 3,491 thousand, due to the higher taxable income in the period in question.

The tax rate of the Group companies held for sale, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, increased from 20.5% in the first half of 2018 to 22.7%.

Balance sheet

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

(Thousands of Euro)	30.06.2019	31.12.2018
ASSETS		
Goodwill	56,363	56,362
Other intangible assets	1,850	2,608
Tangible assets	1,763	265
Shareholdings	43,947	46,809
Other non-current assets	13,991	7,841
Advance tax receivables	566	351
Non-current assets	**118,479**	**114,237**
Inventories	92,046	159,416
Trade receivables	1,344	9,217
Other current assets	50,253	19,395
Current financial assets	286	308
Tax receivables	8,420	7,297
Cash and cash equivalents	366	123
Current assets	**154,010**	**198,416**
ASSETS	**272,490**	**312,653**
LIABILITIES		
Provisions for risks and charges	2,320	2,825
Severance indemnity	1,755	1,965
Other non-current liabilities	10,350	10,792
Non-current financial liabilities	924	0
Deferred tax payables	646	1,503
Non-current liabilities	**16,696**	**17,085**
Payables due to banks and financing institutions	0	25
Trade payables	51,359	126,624
Tax payables	9,644	143
Other current liabilities	43,717	12,298
Current financial liabilities	614	5,406
Current liabilities from derivative financial instruments	1,851	1,216
Current liabilities	**107,184**	**145,712**
Liabilities	**123,881**	**162,796**
Net equity	**148,609**	**149,857**
Net equity and liabilities	**24,728**	**312,653**

The main changes recorded during the period are connected with the trend in the working capital which showed a decrease of Euro 42,397 thousand, almost entirely reflected in the net financial position which showed an improvement of Euro 35,873 thousand.
Current assets amount to Euro 153,952 thousand and show a decrease compared to the previous year of Euro 44,464 thousand, mainly explained by the lower receivables from end customers for gas consumption, which is particularly influenced by the thermal trend as consumption is concentrated in winter. This decrease was partly offset by the increase of Euro 30,857 thousand in current financial assets, which represent the balances of the cash pooling current accounts signed with the parent company Ascopiave S.p.A..

Current liabilities amount to Euro 106,734 thousand, a decrease of Euro 38,978 thousand compared to the previous year, mainly explained by the lower payables to suppliers and distributors of natural gas, due to the seasonality of consumption. This decrease was partly offset by the increase of Euro 33,405 thousand in other current liabilities, mainly explained by the higher payables for indirect taxes (VAT) accrued during the quarter and the change recorded with respect to 31st December 2018 is explained by the advances paid by the end of the year as per current legislation. The first adoption of IFRS 16 on 1st January 2019 determined the recognition of greater fixed assets for rights of use for Euro 1,696 thousand and financial payables for leases having the same amount segmented between current and non-current.
The net financial position increased from Euro 21,262 thousand in 2018, to Euro 57,135 thousand in the period in question. For further details, please see the next paragraph "financial position".

Financial position

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

	Firts half	
(Thousands of Euro)	2019	2018
Net income of the Group	**27,588**	**18,989**
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,878	1,303
Amortization	1,028	1,095
Svalutazione dei crediti	693	765
Evaluation of subsidiaries with the net equity method	(210)	99
Current assets / liabilities on financial instruments	350	1,290
Net change other funds	(505)	(387)
Taxes expense for the period	9,841	6,350
Interest expense for the period	65	54
Interests paid	(53)	(53)
Taxes paid	(718)	(153)
Inventories	1,363	(439)
Accounts payable	66,677	61,381
Other current assets	5,887	4,737
Trade payables	(75,277)	(31,252)
Other current liabilities	31,272	33,241
Other non-current assets	(11,917)	(5)
Other non-current liabilities	(146)	(161)
Total adjustments and variations	30,227	**77,865**
Cash flows generated (used) by operating activities	**57,816**	**96,854**
Cash flows generated (used) by investments		
Realisable value of intangible assets	0	581
Investments in tangible assets	(72)	(64)
Cash flows generated/(used) by investments	**(72)**	**517**
Cash flows generated (used) by financial activities		
Net changes in short-term bank borrowings	(25)	(93)
Net variation in current financial assets and liabilities	(56,596)	(98,096)
Cash flows generated (used) by financial activities	**(56,621)**	**(98,189)**
Variations in cash	**1,123**	**(818)**
Cash and cash equivalents at the beginning of the period	**7,297**	**4,673**
Cash and cash equivalents at the end of the period	**8,420**	**3,855**

The cash flow generated by operations, equal to Euro 57,816 thousand, was determined by self-financing for Euro 31,187 thousand and by other positive financial changes totalling Euro 26,628 thousand, related to the management of the working capital.

The management of the net working capital generated financial resources for Euro 17,858 thousand and was essentially influenced by the change in non-current assets and current liabilities. These changes were only partially offset in relation to the position towards the tax authorities for the accrual of IRES and IRAP taxes for Euro 6,841 thousand.

OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30TH JUNE 2019

Commitments and risks

Guarantees given

As of 30th June 2019, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30th of June 2019	31st of December 2018
On execution of works (letter of comfort)	1,369	991
On UTF offices and regions for taxes on gas (letter of comfort)	150	150
On distribution concession (letter of comfort)	5,704	5,864
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	679	1,569
Total	**8,403**	**9,074**

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

(Thousands of Euro)	30th of June 2019	31st of December 2018
On distribution concession (letter of comfort)	178	178
Total	**178**	**178**

Guarantees to the companies held for sale:

(Thousands of Euro)	30th of June 2019	31st of December 2018
On credit lines	32	95
On redundancy incentive agreements pursuant to art. 4, law n. 92/2012	242	242
On UTF offices and regions for taxes on gas (letter of comfort)	2,113	2,113
On UTF offices and regions for taxes on electricity (letter of comfort)	233	233
On agreements for transport of gas (letter of comfort)	6,896	7,142
On agreements for transport of electricity (letter of comfort)	1,000	1,000
On storage of natural gas service	1,010	410
On finance lease contracts	55	55
Total	**11,581**	**11,290**

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

(Thousands of Euro)	30th of June 2019	31st of December 2018
Patronage on credit lines	2,550	84,000
Patronage on derivative financial instruments	23,400	23,400
Guarantees on credit lines	115	115
On UTF offices and regions for taxes on gas (letter of comfort)	5,387	5,387
On UTF offices and regions for taxes on electricity (letter of comfort)	249	249
On agreements for transport of gas (letter of comfort)	3,335	2,894
On agreements for transport of electricity (letter of comfort)	16,727	16,727
On gas purchase contracts	6,849	3,000
Total	**58,612**	**60,172**

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

(Thousands of Euro)	30th of June 2019	31st of December 2018
Patronage on credit lines	25,332	25,332
Total	**25,332**	**25,332**

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 30th June 2019 to Euro 25,332 thousand, unchanged since 31st December 2018.

Risk and uncertainty factors

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 investments in the operative activities of the Group mainly consist of short-term and medium/long-term bank loans, lease contracts with the possibility of purchase and short-term bank deposits at sight. The recourse to such forms of investment 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 financings at variable or fixed rates with primary bank institutions, with an outstanding debt as of 30th June 2019 of Euro 59,183 thousand and due dates between 1st July 2019 and 28th February 2030.
Medium and long term loans at variable rate envisage reimbursement between 2019 and 2025, with residual balance of 30th June 2019 of Euro 23,875 thousand (Euro 26,250 thousand as of 31st December 2018), 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 30th June 2019 of Euro 26,250 thousand, and the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 30th June 2019 of Euro 9,058 thousand, are not exposed to interest rate risks, as they envisage the application of a fixed rate.
The loan taken out with BNL is subject to annual convents that as of 31st December 2018 were met, whereas the loan taken out with the European Investment Bank envisages the fulfilment of financial covenants to be checked twice a year; as of 31st December 2018, such covenants were met, however, they cannot be calculated as at 30th June 2019 due to the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5.
Please refer to Paragraph no. 18 "*Medium and Long Term Loans*" for additional details.

Sensitivity analysis of the interest rate risk

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

(Thousands of Euro)	March	June	
Net Financial Position 2019	(127,833)	(178,675)	
Borrowing rates of interest	0.12%	0.12%	
Lending rates of interest	0.52%	0.52%	
Borrowing rate of interest plus 200 basis points	2.12%	2.12%	
Lending rates of interest plus 200 basis points	2.52%	2.52%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.02%	0.02%	
Net Financial Position recalculated with the increase of 200 basis points	(128,464)	(179,566)	
Net Financial Position recalculated with decrease of 50 basis points	(127,676)	(178,452)	Total
Effect on pre-tax result of the increase of 200 basis points	(630)	(891)	(1,521)
Effect on pre-tax result of the decrease of 50 basis points	158	223	380

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 1,521 thousand or positive for Euro 380 thousand.

Receivable risk

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

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

Liquidity risk

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

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

Risk of prices of raw materials

The 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. The companies mainly exposed to this type of risk were reclassified under assets and liabilities held for sale pursuant to IFRS 5.

Risk management and control policy

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

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

Price risk management and methods of accounting presentation

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

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

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

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

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

As of 30th June 2019, the existing derivative instruments, detailed in sections no. 14 "*Current assets from derivative financial instruments*" and no. 27 "*Current liabilities from derivative financial instruments*" whose mark to market totals Euro -1,484 thousand (Euro -1,093 thousand as of 31st December 2018), are prospectively and retrospectively effective.

As concerns trading activities in the gas market, the result achieved and the prospective value of forward purchase and sales contracts that cannot be defined as hedging contracts pursuant to IAS 39, calculated using fair value, are recognised in the financial statements above the Gross Operating Margin. The companies mainly exposed to this type of risk were reclassified under assets and liabilities held for sale pursuant to IFRS 5.

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	22353481	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	15-Mar-19	01-Jan-20	29-Feb-20	[Rec Fix Pay Flo	32,664 MWh	32
2	22298617	BNP Paribas	Commodity Swap	Power IT - Off Peak	23-Jan-19	01-Apr-19	30-Jun-19	[Rec Fix Pay Flo	28,080 MWh	113
3	30363442	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	29-Apr-19	01-Jun-19	30-Jun-19	[Rec Fix Pay Flo	28,800 MWh	121
4	30659550	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	29-May-19	01-Jul-19	31-Jul-19	[Rec Fix Pay Flo	31,248 MWh	96
5	31009871	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	28-Jun-19	01-Aug-19	31-Aug-19	ay Fixed Rec Fl	31,248 MWh	4
Total									152,040	366

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	150618-2001	UniCredit	Commodity Swap	Gas TTF Day Ahead	15-Jun-18	01-Oct-18	30-Jun-19	ay Fixed Rec Fl	90,144 MWh	68
2	050718-2009	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	05-Jul-18	01-Oct-18	31-Jul-19	ay Fixed Rec Fl	6,523 MWh	8
3	190718-2014	UniCredit	Commodity Swap	Gas TTF Day Ahead	19-Jul-18	01-Oct-18	30-Sep-19	ay Fixed Rec Fl	8,552 MWh	46
4	22155980	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	14-Jun-18	01-Oct-18	30-Sep-19	ay Fixed Rec Fl	12,193 MWh	7
5	22175430	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	31-Jul-18	01-Oct-18	30-Sep-19	ay Fixed Rec Fl	4,970 MWh	2
6	22197873	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	20-Sep-18	01-Jan-19	30-Sep-19	ay Fixed Rec Fl	21,060 MWh	35
7	27859920	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-Oct-18	01-Apr-19	30-Sep-19	ay Fixed Rec Fl	43,920 MWh	374
8	27990520	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	25-Oct-18	01-Apr-19	30-Sep-19	ay Fixed Rec Fl	43,920 MWh	360
9	28132464	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	09-Nov-18	01-Feb-19	30-Sep-19	ay Fixed Rec Fl	12,705 MWh	92
10	28209121	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	19-Nov-18	01-Jul-19	30-Sep-19	ay Fixed Rec Fl	10,259 MWh	117
11	28292894	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	27-Nov-18	01-Dec-18	30-Sep-19	ay Fixed Rec Fl	5,304 MWh	3
12	28630601	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	10-Jan-19	01-Feb-19	30-Sep-19	ay Fixed Rec Fl	2,049 MWh	7
13	28642753	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	11-Jan-19	01-Feb-19	30-Sep-19	ay Fixed Rec Fl	8,280 MWh	4
14	29377012	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	22-Jan-19	01-May-19	30-Sep-19	ay Fixed Rec Fl	17,869 MWh	118
15	29426245	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	28-Jan-19	01-Apr-19	30-Sep-19	ay Fixed Rec Fl	3,980 MWh	26
16	29573148	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	11-Feb-19	01-Mar-19	31-Dec-19	ay Fixed Rec Fl	28,622 MWh	119
17	22323203	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	18-Feb-19	01-Apr-19	01-Oct-19	ay Fixed Rec Fl	7,523 MWh	33
18	270219-2019	UniCredit	Commodity Swap	Gas TTF Day Ahead	27-Jan-19	01-Mar-19	30-Sep-19	ay Fixed Rec Fl	1,519 MWh	5
19	30043770	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	27-Mar-19	01-Apr-19	30-Jun-19	ay Fixed Rec Fl	43,440 MWh	17
20	30046157	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	27-Mar-19	01-May-19	31-Dec-19	ay Fixed Rec Fl	1,314 MWh	1
21	22298322	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	23-Jan-19	01-Apr-19	01-Oct-19	ay Fixed Rec Fl	6,479 MWh	23
22	22361935	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	26-Mar-19	01-Apr-19	01-Jan-20	ay Fixed Rec Fl	924 MWh	1
23	30134721	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	04-Apr-19	01-Jun-19	30-Jun-19	ay Fixed Rec Fl	3,600 MWh	5
24	30153526	Intesa Sanpaolo	Commodity Swap	Gas TTF Quarter Ahead	05-Apr-19	01-Aug-19	30-Sep-19	ay Fixed Rec Fl	6,279 MWh	18
25	100419-2003	UniCredit	Commodity Swap	Gas TTF Day Ahead	10-Apr-19	01-Oct-19	30-Sep-20	ay Fixed Rec Fl	4,255 MWh	18
26	120419-2020	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	12-Apr-19	01-Jul-19	30-Sep-19	ay Fixed Rec Fl	4,998 MWh	14
27	30363474	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	29-Apr-19	01-Jun-19	30-Jun-19	ay Fixed Rec Fl	28,800 MWh	47
28	140519-2015	UniCredit	Commodity Swap	Gas TTF Day Ahead	14-May-19	01-Oct-19	31-Dec-19	ay Fixed Rec Fl	17,791 MWh	50
29	30593158	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	22-May-19	01-Jul-19	30-Sep-19	ay Fixed Rec Fl	15,456 MWh	39
30	30660218	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	29-May-19	01-Jul-19	31-Jul-19	ay Fixed Rec Fl	31,248 MWh	54
31	30717834	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	04-Jun-19	01-Jul-19	30-Sep-19	ay Fixed Rec Fl	11,040 MWh	14
32	30780703	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	10-Jun-19	01-Jul-19	31-Jul-19	ay Fixed Rec Fl	37,200 MWh	32
33	31009883	Intesa Sanpaolo	Commodity Swap	Gas TTF Day Ahead	28-Jun-19	01-Jul-19	31-Jul-19	[Rec Fix Pay Flo	31,248 MWh	6
34	22381262	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	15-Apr-19	01-Jul-19	30-Sep-19	ay Fixed Rec Fl	2,885 MWh	8
35	22377109	BNP Paribas	Commodity Swap	Gas TTF Day Ahead	10-Apr-19	01-Oct-19	30-Sep-20	ay Fixed Rec Fl	19,979 MWh	79
Total									596,328	1,851

Specific risks in the business sectors in which the Group operates

Regulations

The activities carried out by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the Regulatory Authority for Energy, Networks and the Environment can have a significant impact on the operations, the operating results and the financial balance. Future changes in the regulatory policy adopted by the European Union or at a national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the 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 the second half of 2019, will be recognised in such period, determining a negative or positive change for the same amount on the Group’s margins.

Management of Capital

The primary objective of the management of the Group's capital is to guarantee that a solid credit rating is maintained, as well as suitable levels of the capital indicator. The Group can adapt the dividends paid to shareholders, reimburse capital or issue new shares.
The Group checks its capital by means of a debt/capital ratio.
The Group includes loans, and other financial payables in its net debt, net of liquid funds and equivalents.

(Thousands of Euro)	30.06.2019	31.12.2018	30.06.2018
Financial position in the short term	(129,682)	(63,528)	(68,062)
Financial position in the medium-long term	(48,993)	(53,989)	(59,396)
Financial gross debt	**178,675**	**117,517**	**127,458**
Share capital	234,412	234,412	234,412
Own shares	(24,147)	(16,981)	(16,981)
Reserves	155,082	185,814	190,062
Undistributed net profit	26,700	44,625	28,455
Total Net equity	**392,046**	**447,869**	**435,948**
Total capital and gross debt	**570,721**	**565,386**	**563,406**
Debt/Net assets ratio	0.46	0.26	0.29

The debt/net equity ratio as of 30th June 2019 is 0.46, a worsening as compared to 31st December 2018, when it amounted to 0.26.
The trend of this indicator is related to the combined effect of the change in the Net financial position, which worsened by Euro 61,158 thousand during the first six months of 2019, and the Shareholders' equity, which decreased by Euro 55,823 thousand, changes due, in addition to the normal flow of the period, to the reclassification of assets and liabilities related to assets held for sale, performed in compliance with IFRS 5.

Representation of financial assets and liabilities by categories

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

							30.06.2019	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				1,847			1,847	1,847
Trade receivables and Other current assets	0			72,993			72,993	72,993
Current financial assets				7,797			7,797	7,797
Cash and cash equivalents				20,241			20,241	20,241
Medium- and long-term bank loans						51,098	51,098	51,098
Other non-current liabilities						18,458	18,458	18,458
Non-current financial liabilities						646	646	646
Payables due to banks and financing institutions						107,084	107,084	107,084
Trade payables and Other current liabilities	320					60,493	60,493	60,493
Current financial liabilities						50,636	50,636	50,636

							31.12.2017	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				11,869			11,869	11,869
Trade receivables and Other current assets	159			203,389			203,985	203,985
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						16,673	16,673	16,673
Non-current financial liabilities						0	0	0
Payables due to banks and financing institutions						131,044	131,044	131,044
Trade payables and Other current liabilities	172					153,739	154,349	154,349
Current financial liabilities						115	115	115
Current liabilities from derivative financial instruments		1,216					1,216	1,216

Legend

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

Business segment reporting

The sector information is provided with reference to the business sectors in which the Group operates. Business sectors are identified as primary segments of activities. The criteria used for identifying the activity segments have been inspired by the methods whereby management runs the Group and assigns managerial responsibilities.
Based on the information required by the IFRS 8 "Business Segment Reporting, Operative segments", the company has identified as segments subjects of the reporting the activities of gas and electricity sales and distribution.
Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.
The following tables show the information on revenues concerning the business segments of the Group for the first half of 2019 and the first half of 2018.

1stH 2019 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	52,422	0	0	0	8,394		60,816
Intra-group revenues among the segments	606	0	0	0	9,546	(10,153)	(0)
Segment revenues	**53,028**	**0**	**0**	**0**	**17,941**	**(10,153)**	**60,816**
Result before taxes	**11,632**	**0**	**0**	**0**	**(3,972)**		**7,660**
Net result of activities held for sale	**0**	**24,630**	**33**	**4,202**	**600**		**29,466**

1stH 2018 (Thousand of Euro)	Gas distribution	Gas sale	Trading gas	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	59,951	0	0	0	5,291		65,242
Intra-group revenues among the segments	566	0	0	0	1,456	(2,022)	0
Segment revenues	**60,517**	**0**	**0**	**0**	**6,747**	**(2,022)**	**65,242**
Result before taxes	**17,017**	**0**	**0**	**0**	**(3,102)**		**13,915**
Net result of activities held for sale	**0**	**16,067**	**101**	**3,368**	**756**		**20,292**

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.	0	3,034	0	610	0	0	0	0	15	0
Total parent company	**0**	**3,034**	**0**	**610**	**0**	**0**	**0**	**0**	**15**	**0**
Affiliated companies										
Asco TLC S.p.A.	64	0	307	0	0	332	27	137	44	25
Total affiliated companies	**64**	**0**	**307**	**0**	**0**	**332**	**27**	**137**	**44**	**25**
Subsidiary companies										
Estenergy S.p.A.	31	0	6	7	0	0	0	0	0	0
ASM Set S.r.l.	594	981	15	0	0	83	2	2,121	2,381	2
Unigas Distribuzione S.r.l.	22	5,500	492	0	0	5,540	0	50	140	0
Sinergie Italiane S.r.l. in liquidazione	5	7,510	3,165	0	31,138	0	0	0	20	0
Total subsidiary companies	**653**	**13,991**	**3,635**	**7**	**31,138**	**5,622**	**2**	**2,170**	**2,452**	**3**
Total	**716**	**17,025**	**3,328**	**603**	**31,138**	**5,954**	**29**	**2,307**	**2,600**	**27**

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

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
  - 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.

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 30th June 2019 to Euro 25,332 thousand (Euro 25,332 thousand as of 31st December 2018).

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with 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 replaced the previous regulation governing 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, 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

(Thousands of Euro)	30.06.2019	Of which related parties A	B	C	D	Total	%	31.12.2018	Of which related parties A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill	24,396							80,758						
Other intangible assets	351,609							351,878						
Tangible assets	33,254							32,724						
Shareholdings	19,958			19,956		19,956	100.0%	68,357			68,355		68,355	100.0%
Other non-current assets	2,841							12,044			7,510		7,510	62.4%
Non current financial assets	2,751							1,122						
Advance tax receivables	11,425							11,358						
Non-current assets	**446,234**			**19,956**		**19,956**	**4.5%**	**558,240**			**75,865**		**75,865**	**13.6%**
Current assets														
Inventories	4,849							6,020						
Trade receivables	28,761	0	28	431		458	1.6%	166,947	42	63	2,026		2,131	1.3%
Other current assets	49,153	2,750				2,750	5.6%	45,062	3,034				3,034	6.7%
Current financial assets	7,797			6,481		6,481	83.1%	981			844		844	86.0%
Tax receivables	1,293							1,508						
Cash and cash equivalents	20,241							66,650						
Current assets on derivative financial instruments	0							123						
Current assets	**112,094**	**2,750**	**28**	**6,912**		**9,689**	**8.6%**	**287,291**	**3,076**	**63**	**2,870**		**6,009**	**2.1%**
Non-current assets disposal of assets	272,490	284	35	7,740		8,060	3.0%							
ASSETS	**830,818**	**2,750**	**28**	**26,868**		**29,646**	**3.6%**	**845,530**	**3,076**	**63**	**78,735**		**81,873**	**9.7%**
Net equity and liabilities														
Total Net equity														
Share capital	234,412							234,412						
Own shares	(24,147)							(16,981)						
Reserves	183,436							226,136						
Net equity of the Group	**393,700**							**443,567**						
Net equity of Others	**4,399**							**4,303**						
Total Net equity	**398,099**							**447,869**						
Non-current liabilities														
Provisions for risks and charges	1,259							3,901						
Severance indemnity	2,745							4,807						
Medium- and long-term bank loans	51,098							55,111						
Other non-current liabilities	18,458							28,003						
Non-current financial liabilities	646							0						
Deferred tax payables	12,806							14,534						
Non-current liabilities	**87,013**							**106,356**						
Current liabilities														
Payables due to banks and financing institutions	107,084							131,044						
Trade payables	39,795		307	19		326	0.8%	131,185		176	5,469		5,645	4.3%
Tax payables	3,292							207						
Other current liabilities	21,018	111				111	0.5%	27,539	1,523				1,523	5.5%
Current financial liabilities	50,636							115						
Current liabilities from derivative financial instruments	0							1,216						
Current liabilities	**221,825**	**111**	**307**	**19**		**437**	**0.2%**	**291,305**	**1,523**	**176**	**5,469**		**7,168**	**2.5%**
Passività non correnti destinate alla dismis	123,881	498		3,684		4,182	3.4%							
Liabilities	**432,718**	**111**	**307**	**19**		**437**	**0.1%**	**397,661**	**1,523**	**176**	**5,469**		**7,168**	**1.8%**
Net equity and liabilities	**830,818**	**111**	**307**	**19**		**437**	**0.1%**	**845,530**	**1,523**	**176**	**5,469**		**7,168**	**0.8%**

Legend for the Related parties column heading:

A *Parent companies*

B *Associates*

C *Affiliates and Jointly controlled companies*

D *Other related parties*

Income statement and comprehensive consolidated income statement

(Thousands of Euro)	First half 2019	Of which related parties A	B	C	D	Total	%	First half 2018	Of which related parties A	B	C	D	Total	%
Revenues	**60,816**	**15**	**66**	**2,434**		**2,514**	**4.1%**	**65,242**	**34**	**108**	**2,303**		**2,446**	**3.7%**
Total operating costs	**41,978**		**358**	**37**	**818**	**1,214**	**2.9%**	**41,240**		**361**	**40**	**1,251**	**1,652**	**4.0%**
Purchase costs for other raw materials	719							1,232						
Costs for services	15,001		332	37	458	827	5.5%	14,970		361	40	284	686	4.6%
Costs for personnel	7,560				360	360	4.8%	7,726				967	967	12.5%
Other management costs	19,995		27			27	0.1%	17,522						
Other income	1,298							210						
Amortization and depreciation	11,103							10,389						
Operating result	**7,735**	**15**	**(293)**	**2,396**	**(818)**	**1,300**	**16.8%**	**13,612**	**34**	**253**	**2,263**	**1,251**	**793**	**5.8%**
Financial income	89			2		2	1.8%	111			1		1	0.5%
Financial charges	813			2		2	0.3%	655			4		4	0.6%
Evaluation of subsidiary companies with the net equity method	648				648	648	100.0%	846			846			
Earnings before tax	**7,660**	**15**	**(293)**	**2,396**	**170**	**(1,948)**	**118.9%**	**13,915**	**34**	**253**	**3,106**	**1,251**	**1,636**	**11.8%**
Taxes for the year	2,924							448						
Result of the year	**4,736**							**9,466**						
Net result from transer/disposal of a	29,466	0	138	36,210		36,072	-122.4%	20,292	4,390	137	41,768		46,020	226.8%
Net result for the period	**34,202**							**29,758**						

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)	First half 2019	Of which related parties A	B	C	D	Total	First half 2018	Of which related parties A	B	C	D	Total
Net income of the Group	**4,736**						**9,466**					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Third-parties operating result	1,878					**0**	1,303					**0**
Companies' held for sale operating result	275,880						18,989					
Amortization	11,103					**0**	10,389					**0**
Variations in severance indemnity	210					**0**	48					**0**
Net variation of other funds	0					**0**	(1,625)					**0**
Evaluation of subsidiaries w ith the net equity method	(648)	0		(648)		**(648)**	(846)	0		(846)		**(3,703)**
Losses / (gains) on disposal of fixed assets	(1,247)					**0**						**0**
Interests paid	(458)					**0**	(469)					**0**
Taxes paid	(471)					**0**	(1,126)					**0**
Interest expense for the period	779					**0**	638					**0**
Taxes for the period	2,924					**0**	4,448					**0**
Variations in assets and liabilities												
Inventories	(1,489)					**0**	(1,840)					**0**
Accounts payable	2,622	26	(32)	(399)	0	**(405)**	11,469	(26)	29	841	0	**844**
Other current assets	(8,453)	668	0	(21)	0	**646**	(5,646)	(4,676)	0	0	0	**(4,676)**
Current and non-current financial assets	0					**0**	(0)					**0**
Tax credits and tax debts	0					**0**	0					**0**
Trade payables	6,581	0	297	35	0	**332**	(9,653)	0	(6)	(3,737)	0	**(3,743)**
Other current liabilities	5,442	(423)	0	0	0	**(423)**	(8,531)	7,376	0	0	0	**7,376**
Other non-current assets	(249)	0	0	0	0	**0**	6	0	0	0	0	**0**
Other non-current liabilities	1,247	0	0	0	0	**0**	1,153	0	0	0	0	**0**
Operating flows from discontinued assets / liabilities	30,227			4,502		4,502	77,865					
Total adjustments and variations	**77,586**	**271**	**265**	**3,468**	**0**	**4,004**	**96,571**	**2,674**	**22**	**(3,742)**	**0**	**(3,902)**
Cash flows generated (used) by operating activities	**82,322**	**271**	**265**	**3,468**	**0**	**4,004**	**106,038**	**2,674**	**22**	**(3,742)**	**0**	**(3,902)**
Cash flows generated (used) by investments												
Investments in intangible assets	(12,402)					**0**	(9,450)					**0**
Realisable value of intangible assets	403					**0**	0					**0**
Investments in tangible assets	(797)					**0**	(452)					**0**
Investment flows from discontinued assets / liabilities	(72)					**0**	517					**0**
Cash flows generated/(used) by investments	**(6,818)**	**0**	**0**	**0**	**0**	**0**	**(4,891)**	**0**	**0**	**0**	**0**	**0**
Cash flows generated (used) by financial activities												
Net changes in short-term bank borrow ings	(3,948)					**0**	909					**0**
Net variation in current f inancial assets and liabilities	30,487	0	0	(5,705)	0	**(5,705)**	(1,055)	0	0	(316)	0	**(316)**
Purchase / sale of treasury shares	(7,167)					**0**	540					**0**
Ignitions loans and mortgages	104,000					**0**	105,000					**0**
Redemptions loans and mortgages	(128,000)					**0**	(107,166)					**0**
Disbursements relating to rights of use	(176)					**0**	0					**0**
Dividends distributed to shareholders Ascopiave S.p.A.	(75,163)					**0**	(40,016)					**0**
Dividends distributed to third party shareholders	(1,761)					**0**	(2,054)					**0**
Dividends jointly controlled companies	2,311			2,311		**2,311**	684			648		**684**
Financial flows from discontinued assets / liabilities	(29,149)						6,447					
Cash flows generated (used) by financial activities	**(108,566)**	**0**	**0**	**(3,394)**	**0**	**(3,394)**	**(36,711)**	**0**	**0**	**368**	**0**	**368**
Variations in cash	**(39,112)**					**0**	**60,282**					**0**
Cash and cash equivalents at the beginning of the period	**59,353**					**0**	**10,928**					**0**
Cash and cash equivalents at the beginning of the period of the companies held for sale	**7,297**					**0**	**4,673**					**0**
Cash and cash equivalents at the end of the period	**(20,241)**					**0**	**71,210**					**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)	30.06.2019	Of which related parties A	B	C	D	Total	%	31.12.2018	Of which related parties A	B	C	D	Total	%
Cash and cash equivalents on hand	18							18						
Bank and post office deposits	20,222							66,632						
Securities held for trading														
Liquid assets (A) + (B) + (C)	**20,241**							**66,650**						
Current financial assets	7,797			6,481		6,481	83.1%	981			844		844	86.0%
Payables due to banks	(99,000)							(123,031)						
Current portion of medium-long-term loans	(8,084)							(8,014)						
Current financial liabilities	(50,636)							(115)						
Current financial indebtedness (F) + (G) + (H)	**(157,720)**							**(131,159)**						
Net current financial indebtedness (I) - (E) - (D)	**(129,682)**			**6,481**		**6,481**	**-5.0%**	**(63,528)**			**844**		**844**	**-1.3%**
Medium- and long-term bank loans	(51,098)							(55,111)						
Non current financial assets	2,751							1,122						
Non-current financial liabilities	(646)							0						
Non-current financial indebtedness (K) + (L) + (M)	**(48,993)**							**(53,989)**						
Net financial indebtedness (J) + (N)	**(178,675)**			**6,481**		**6,481**	**-3.6%**	**(117,517)**			**844**		**844**	**-0.7%**

Legend for the Related parties column heading:
***A** Parent companies*
***B** Associates*
***C** Affiliates and Jointly controlled companies*
***D** Other related parties*

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies:
- Asco Holding S.p.A.

Group B - Associates:
- Asco TLC S.p.A.

Group C – Affiliates and Jointly controlled companies:
- 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 the first half of 2019

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

Disclosure on the purchase of treasury shares
Ascopiave announces the purchase on the electronic share market, in compliance with the authorisation to purchase treasury shares resolved by the Shareholders' Meeting held on 26th April 2018, in the period between 1st July 2019 and 27th July 2019, of 1,051,003 ordinary shares at the average unit price of € 4.013, for a total value of € 4,217,646.38.
As a result of the purchases made so far, Ascopiave holds 7,622,104 ordinary shares, equal to 3.252% of the share capital.

The Energy Partnership between Hera and Ascopiave in northern-eastern Italy has been given the green light
On 31st July 2019, the Boards of Directors of Hera S.p.A. and Ascopiave S.p.A., the latter subsequent to receiving the favourable opinion of the committee of independent directors, with reference to the binding agreement signed on 17th June and in compliance with the deadlines set out therein, resolved to execute the framework agreement that will start the business partnership through the joint venture EstEnergy for the development of a primary energy business in northern-eastern Italy, which will boast over one million customers and envisage the reorganisation of the respective gas distribution activities.
As already announced on 17th June, upon signing the binding term sheet, the operation involves the exchange between Hera and Ascopiave of assets of equal value, which are strategic for the development of the two companies in energy sales activities, on the one hand, and in gas distribution, on the other hand, consistent with the strategic guidelines of the two groups. As concerns energy sales, a single operator will be created for the respective sales activities in the regions of Veneto, Friuli-Venezia Giulia and Lombardy, through EstEnergy S.p.A., a company which is already controlled jointly by Ascopiave S.p.A. and Hera Comm S.r.l., totalling about 795,000 gas contracts and 265,000 electricity contracts, thus exceeding 1 million contracts. EstEnergy, when fully operational, will have a consolidated Ebitda of approximately € 69 million - based on 2018 and excluding the contribution of companies held with minority interests. The share capital of EstEnergy will be held for 52% by the Hera Group and 48% by Ascopiave.
Furthermore, at the closing date, Ascopiave will acquire a 3% stake in Hera Comm, obtaining the right to appoint a member of the Board of Directors; in turn, Hera Comm will directly acquire 100% of the capital of Amgas Blu, active in the province of Foggia.
The reorganisation of the gas distribution activities involves, on the other hand, the purchase by Ascopiave from the Hera Group of a perimeter of concessions comprising 188,000 users in Veneto and Friuli-Venezia Giulia. Through this operation, the Ascopiave Group will manage approximately 775,000 users and over 12,000 km of network.
Even subsequent to a due diligence report, the economic elements of the operation are unchanged since 17th June, as are the adjustment mechanisms at the closing date, the stipulations defined for governance and the options for managing Ascopiave's investments in EstEnergy and Hera Comm.
The operation will be subject to the usual conditions applicable to this type of procedure and all notices and approvals by the competent authorities and bodies, as well as, as regards only the stakes involved, the failure to exercise the right of pre-emption and the approval by the other shareholders in the case of investments held by Ascopiave S.p.A. in the joint ventures ASM Set S.r.l., Etra Energia S.r.l. and Sinergie Italiane S.r.l. in liquidation.
The parties expect to complete the operation by 31st December 2019. With this operation, Ascopiave implements its strategic repositioning plan, entering into an agreement on the commercial areas with a leading player and strengthening its presence in the core business of gas distribution.
The Hera Group, in turn, through the agreements with Ascopiave, achieves in advance the target of 3 million customers in the energy sales activities (3.2 million referred to 31st December 2018) set out in the 2022 business plan.
In the operation, Ascopiave is assisted by the Rothschild&Co. teams, for the financial part, and by Bonelli Erede for the legal part, while Hera is supported by Lazard and Grimaldi, a law firm.

Redetermination period October 2010 - September 2012 with Resolution 32/2019/R/Gas dated 29th January 2019

On 31st July 2019, Cassa per i Servizi Energetici Ambientali (CSEA), implementing resolution 32/2019/R/GAS of the Regulatory Authority for Energy, Networks and the Environment, announced to the sales companies of the Group the recognition amount deriving from the redefinition of the de-multiplication coefficient "K" which had reduced the value of the raw material component recognised in the natural gas selling tariff for the period October 2010 - September 2012, reducing the procurement costs recognised. The amount recognised is equal to € 8,178 thousand and will be paid in three sessions, the first in April 2020, the second in December 2020 and the third in December 2021.

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 30th June 2019 of jointly controlled companies consolidated through the equity method

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)	30.06.2019	31.12.2018
Current assets	**12,058**	**12,106**
of which		
Cash and cash equivalents	1,037	1,327
Non-current assets	**49,152**	**48,366**
Current liabilities	**18,815**	**14,648**
of which		
Current financial liabilities	5,543	0
Non - current liabilities	**1,551**	**1,728**
	40,844	**44,096**
Group inteterest	**48.860%**	**48.860%**
Net profit for the period attributable of the Group	**19,956**	**21,545**

Income Statement - summary data

(Thousands of Euro)	First half 2019	First half 2018
Revenues	8,112	7,894
Total operating costs	5,078	4,476
Gross operative margin	**3,035**	**3,418**
Amortization and depreciation	1,320	1,203
Operating result	**1,714**	**2,216**
Financial income	2	0
Financial charges	23	47
Earnings before tax	**1,694**	**2,169**
Taxes of the period	367	437
Result of the period	**1,327**	**1,732**
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	**648**	**846**

Synthesis data as of 30th June 2019 of jointly controlled companies consolidated through the equity method and reclassified pursuant to IFRS 5

Estenergy S.p.A.

The Group holds a 48.999% stake in Estenergy S.p.A., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Estenergy S.p.A. is recognised in the consolidated financial statements through the net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	30.06.2019	31.12.2018
Current assets	**54,980**	**61,604**
of which		
Cash and cash equivalents	27,068	15,262
Non-current assets	**69,398**	**67,898**
Current liabilities	**36,013**	**36,915**
of which		
Current financial liabilities	600	1
Non - current liabilities	**5,030**	**4,354**
	83,334	**88,234**
Group inteterest	**48.999%**	**48.999%**
Net profit for the period attributable of the Group	**40,833**	**43,234**

(Thousands of Euro)	First half 2019	First half 2018
Revenues	78,967	73,514
Total operating costs	71,221	64,718
Gross operative margin	**7,745**	**8,796**
Amortization and depreciation	296	17
Operating result	**7,449**	**8,779**
Financial income	81	103
Financial charges	32	0
Earnings before tax	**7,498**	**8,882**
Taxes of the period	2,173	2,532
Result of the period	**5,325**	**6,349**
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	**2,609**	**3,111**

Asm Set S.r.l.

The Group holds a 49% stake in Asm Set S.r.l., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.
The stake of the Group in Asm Set S.r.l. is recognised in the consolidated financial statements through the equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	30.06.2019	31.12.2018
Current assets	**9,452**	**11,280**
of which		
Cash and cash equivalents	582	801
Non-current assets	**5,344**	**4,900**
Current liabilities	**7,386**	**8,490**
of which		
Current financial liabilities	1,016	844
Non - current liabilities	**450**	**393**
	6,961	**7,297**
Group inteterest	**49.000%**	**49.000%**
Net profit for the period attributable of the Group	**3,411**	**3,576**

Income Statement - summary data

(Thousands of Euro)	First half 2019	First half 2018
Revenues	18,004	15,765
Total operating costs	15,905	14,394
Gross operative margin	**2,544**	**1,370**
Amortization and depreciation	18	3
Operating result	**2,081**	**1,367**
Financial income	13	15
Financial charges	7	2
	(0)	(0)
Earnings before tax	**2,088**	**1,380**
Taxes of the period	592	399
Result of the period	**1,496**	**981**
Group inteterest	49.00%	49.00%
Net profit for the period attributable of the Group	**733**	**481**

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 2018-2019 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised before to the liquidation.

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 accounting situation for the first half of the year 2018-2019, restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 5,976 thousand, of which Euro 1,849 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2018 amounted to Euro 8,358 thousand, of which Euro 2,586 thousand attributable to the Ascopiave Group, the Directors have used the related provision for risks and charges allocated against the capital deficit of the affiliate company for the difference accrued in the period and corresponding to Euro 600 thousand with a positive impact on the profit and loss account (Euro 756 thousand as of 30th June 2018).

Below are the key figures of the investment in the associate company as at 30th June 2019, as of 31st December 2018 and as of 30th June 2018:

(Values referred to pro-rata partecipation in Million of Euro)	Nine months as of 31/12/2018	First quarter as of 30/06/2018	Nine months as of 30/09/2018
Non-current assets	1.20	1.46	1.73
Current assets	11.29	11.60	9.90
Net equity	(1.85)	(2.44)	(2.71)
Current liabilities	14.33	14.37	13.36
Revenues	50.81	18.32	50.89
Costs	(49.63)	(18.00)	(49.76)
Gross operative margin	1.18	0.33	1.13
Amortiziation and depreciation	(0.97)	(0.13)	(0.40)
Operating result	0.21	0.19	0.73
Net result	0.79	0.19	0.73
NFP	19.76	4.70	4.03

Pieve di Soligo, 5th August 2019

Chairman of the Board of Directors
Nicola Cecconato

DECLARATION

(Translation from the original in Italian)

Certification of the Half Year Report as of 30th June 2019

Pursuant to Article 154-bis paragraph 5 and 5-bis, part IV, section III, section II, heading III 2), section V-bis, Legislative Decree n. 58, dated 24th February 1998: Consolidated Law on Finance compliant with Articles 8 and 21, Law 52 dated 6th February 1996

1) The undersigned dr. Nicola Cecconato in his capacity as Chairman of the Board of Directors, and dr. Cristiano Belliato, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 2, 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 effective adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2019 –30th June 2019

2) Moreover, it is herein stated that the financial statements

(a) correspond to the information in the books and other accounting records;

(b) 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;

(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.

(d) the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Group as well as the related and associated companies, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 5st August 2019

Chairman of the Board of Directors	*Officer Responsible for the preparation of Corporate Financial Reports*
signature dr. Nicola Cecconato	*signature* dr. Riccardo Paggiaro

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Ascopiave SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Ascopiave SpA and its subsidiaries (the "Ascopiave Group") as of 30 June 2019, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cashflow statement and the related explanatory notes. The directors of Ascopiave SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Ascopiave Group as of 30 June 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 5 August 2019

PricewaterhouseCoopers SpA

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

G r u p p o   A s c o p i a v e

Via Verizzo, 1030 – 31053 Pieve di Soligo (TV) – Italia
Tel: +39 0438 980098 – Fax: +39 0438 82096
Email: info@ascopiave.it - www.gruppoascopiave.it