

INTERIM FINANCIAL STATEMENTS AS OF 30TH JUNE 2020

2020

Ascopiave Group

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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 2020.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

Name	Office	Duration of office	From	To
Cecconato Nicola	Chairman of the Board of Directors and CEO*	2017-2019	28/04/2017	29/05/2020
Coin Dimitri	Independent Director	2017-2019	28/04/2017	29/05/2020
Martorelli Giorgio**	Independent Director	2017-2019	28/04/2017	29/05/2020
Lillo Antonella	Director	2017-2019	28/04/2017	29/05/2020
Pietrobon Greta	Independent Director	2017-2019	28/04/2017	29/05/2020
Quarello Enrico	Independent Director	2017-2019	28/04/2017	29/05/2020
Cecconato Nicola	Chairman of the Board of Directors and CEO*	2020-2022	29/05/2020	Approval of budget 2022
Pietrobon Greta	Independent Director	2020-2022	29/05/2020	Approval of budget 2022
Quarello Enrico	Independent Director	2020-2022	29/05/2020	Approval of budget 2022
Bet Roberto	Director	2020-2022	29/05/2020	Approval of budget 2022
Geronazzo Mariachiara	Independent Director	2020-2022	29/05/2020	Approval of budget 2022
Vecchiato Luisa	Director	2020-2022	29/05/2020	Approval of budget 2022
Novello Cristian	Independent Director	2020-2022	29/05/2020	Approval of budget 2022

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

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Novello Cristian	29/05/2020	Approval of budget 2022	Pietrobon Greta	29/05/2020	Approval of budget 2022
Bet Roberto	29/05/2020	Approval of budget 2022	Quarello Enrico	29/05/2020	Approval of budget 2022
Geronazzo Mariachiara	29/05/2020	Approval of budget 2022	Vecchiato Luisa	29/05/2020	Approval of budget 2022

Independent Auditors

PriceWaterhouseCoopers S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.

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Main economic and financial data of the Ascopiave Group

Operating results

(Thousands of Euro)	1st Half 2020	% of revenues	1st Half 2019	% of revenues
Revenues	86,518	100.0%	60,816	100.0%
Gross operative margin	29,605	34.2%	18,839	31.0%
Operating result	12,883	14.9%	7,735	12.7%
Result for the period	21,185	24.5%	4,736	7.8%
Net result from transer/disposal of assets		0.0%	29,466	48.5%
Net result for the period	21,185	24.5%	34,202	56.2%

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)	30.06.2020	31.12.2019
Net working capital	18,413	16,891
Fixed assets and other non current assets	1,174,870	1,122,433
Non-current liabilities (excluding loans)	(54,340)	(52,850)
Net invested capital	1,138,944	1,086,474
Net financial position	(298,401)	(212,981)
Total Net equity	(840,542)	(873,492)
Total financing sources	(1,138,944)	(1,086,474)

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

Cash flow data

(Thousands of Euro)	1st Half	
	2020	2019
Net income of the Group	21,185	4,736
Cash flows generated (used) by operating activities	25,152	82,322
Cash flows generated/(used) by investments	(74,797)	(12,868)
Cash flows generated (used) by financial activities	(4,890)	(108,566)
Variations in cash	(54,535)	(39,112)
Cash and cash equivalents at the beginning of the period	67,031	59,353
Cash and cash equivalents at the beginning of the period - Companies held for sales	0	7,297
Cash and cash equivalents at the end of the period	12,495	20,241

REPORT ON OPERATIONS

Foreword

The Ascopiave Group closed the first half of 2020 with a net consolidated profit of Euro 21.2 million (34,2 million as of 30th June 2019), marking a decrease of Euro 13.0 million, as compared to the same period in the previous year.

The consolidated net assets as of 30th June 2020 amounted to Euro 840.5 million (Euro 873.5 million as of 31st December 2019), and the net capital invested to Euro 1,139.0 million (Euro 1,086.5 million as of 31st December 2019). At the end of the first half of 2020, the Group accomplished investments for Euro 74.8 million (Euro 13.2 million in the same period in 2019), mainly for the purchase of shareholdings for Euro 59.2 million, the installation of electronic metres, and the development, maintenance and modernisation of the networks and plant of gas distribution for Euro 15.6 million (Euro 13.2 million in the same period in 2019).

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

In compliance with the provisions of accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations" the economic figures of the first half of 2019 of the sales companies transferred were shown separately in a single line of the income statement. The financial data were also restated in compliance with the standard above, while the balance sheets as of 31st December 2019 represented the financial position of the Group after the operation. The operating results achieved in the first half of 2019 by the sales companies involved in the partnership represent 100% of the result that the Group has consolidated, while the results achieved during the first half of 2020 by the Estenergy Group are recorded for the quota attributable to the Group (48%) in the item "Net result of companies consolidated using the equity method".

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

Activities

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

The Group currently holds concessions and direct assignments for the supply of the service in 268 municipalities and has a distribution network extending for over 12,870 km providing services to a catchment area of approximately 776,000 users.

Strategic objectives

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

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

Operating performance

The volumes of gas distributed through the networks managed by the Group were 803.5 million cubic metres, marking an increase of 34.2% compared to the same period in 2019, a change mainly due to the line-by-line consolidation of Unigas Distribuzione S.r.l. and the entry into the consolidation scope of Ap Reti Gas Nord-Est S.p.A..

The distribution network as of 30th June 2020 has an extension of 12,873 km, up 3,559 km compared to the same period in the previous year, a change mainly due to the line-by-line consolidation of Unigas Distribuzione S.r.l. and the entry into the consolidation scope of Ap Reti Gas Nord-Est S.p.A..

Operating results and cash flows

In the first half of 2020, the consolidated revenues are equal to Euro 86.5 million, compared to Euro 60.8 million in the first half of 2019. The increase in the turnover is mainly explained by the extension of the scope of consolidation due to the line-by-line consolidation of Ap Reti Gas Nord Est S.r.l. and Unigas Distribuzione Gas S.r.l..

The Operating Result of the Group amounted to Euro 12.9 million, up Euro 5.1 million compared to the same period in 2019, influenced for Euro 3.9 million by the extension of the scope of consolidation.

The Net Result, equalling Euro 21.2 million, marks a decrease of Euro 13.0 million compared to the same period in 2019. The results achieved in the first half of 2019 by the companies involved in the partnership finalised on 19th December 2019 with the Hera Group, recorded in the item “Net result of discontinued operations”, include 100% of the result that the Ascopiave Group consolidated on 30th June 2019. Conversely, subsequent to the partnership described, the results achieved in the first half of 2020 by the Estenergy Group are recorded (for the portion attributable to the Ascopiave Group, 48%) in the item “Result of companies consolidated using the equity method” for Euro 9.3 million. This change of Euro 20.1 million measured at the end of the first half of the year, the period in which the largest quantities of consumption are concentrated due to the effect of seasonality, significantly influenced the decrease. It was also influenced, in addition to seasonality, by the entry in the first half of 2019 of non-recurring components to the tune of Euro 5.9 million, relating to the recognition of the amounts deriving from the recalculation of the de-multiplication coefficient “K” which had been modified by resolution 89/10 of the Authority. This decrease was partially offset by the expansion of the scope of consolidation which resulted in the full recognition of the results achieved by Ap Reti Gas Nord Est S.r.l., acquired as part of the same partnership described above (+Euro 2.7 million) and the results achieved by Unigas Distribuzione gas S.r.l., merged through acquisition effective 1st July 2019. The results of these companies show a steady trend during the year, as they are not affected by seasonality.

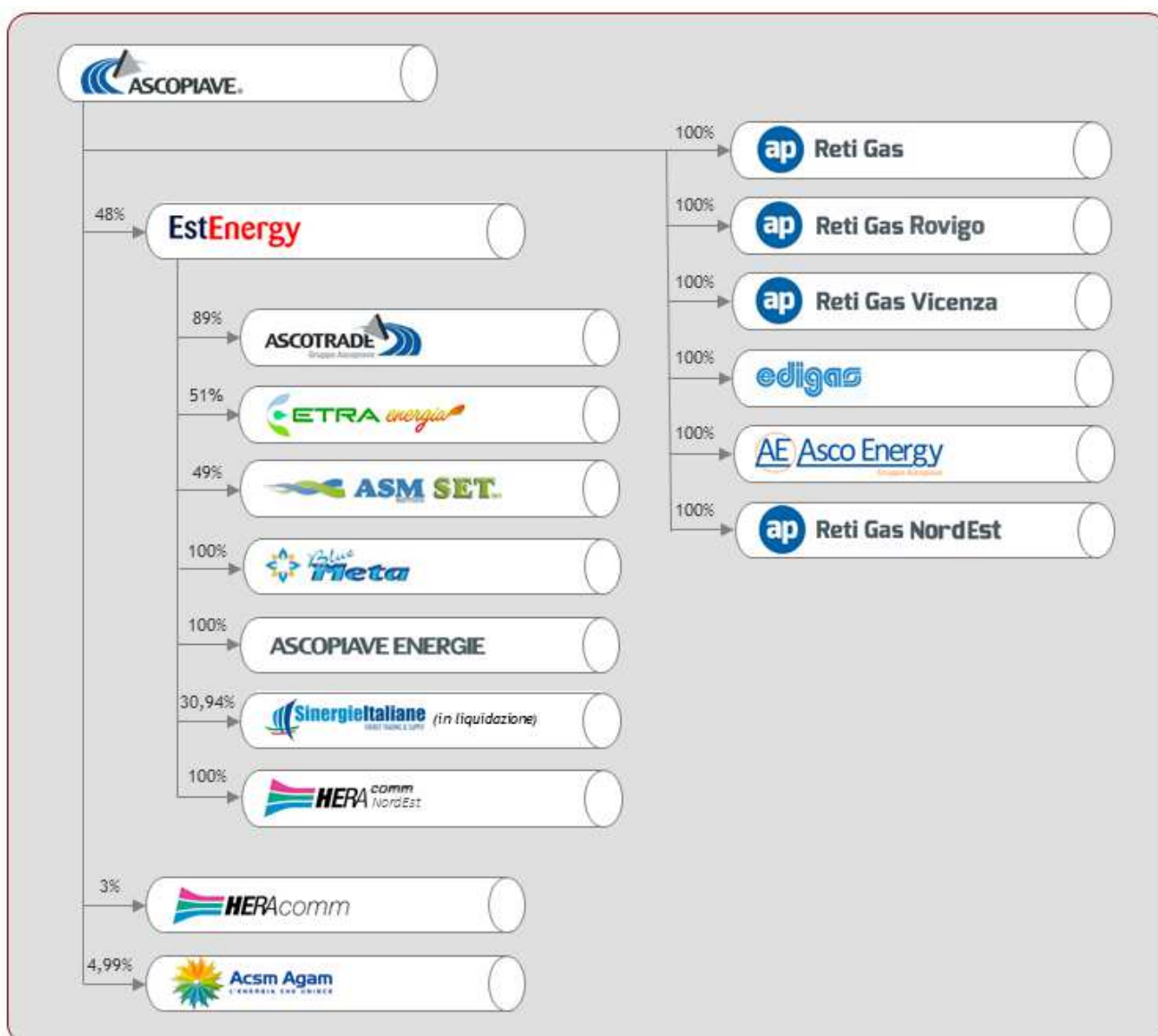
The Net Financial Position of the Group as of 30th June 2020 is equal to Euro 298.6 million, an increase of Euro 85.4 million as compared to Euro 213.0 million as at 31st December 2019.

The increase in financial indebtedness is determined by the cash flow of the period (Euro +37.9 million, given by the sum of the net result and amortisations and depreciations) and by the management of current assets, which has absorbed financial resources for Euro 12.8 million. The investment activity has absorbed financial resources for Euro 74.8 million. The management of equity (distribution of dividends and dividends received from the companies consolidated using the equity method and purchase/sale of treasury shares) has absorbed resources for Euro 35.7 million.

The ratio Net financial position to Net equity as of 30th June 2020 is 0.36 (0.24 as of 31st December 2019).

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 30th June 2020.



Gas distribution

With the establishment of the partnership between Ascopiave S.p.A. and the Hera Group in the gas and electricity sales sector, completed on 19th December 2019, the distribution of natural gas represents the Group's first activity in terms of contribution to the formation of corporate income.

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:

- ✓ 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);
- ✓ 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);
- ✓ with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulations concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service were approved (the so-called Decree for Criteria).

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

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

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

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

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

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

The regulatory framework

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

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

Resolution dated 27th December 2019 570/2019/R/gas - Tariff regulation of gas distribution and metering services for the period 2020-2025. The provision approves the regulation of tariffs for gas distribution and metering services for the 2020-2025 regulatory period.

Resolution dated 1st April 2020 106/2020/R/gas - Redetermination of reference tariffs for gas distribution and metering services, for the years 2009-2018. The provision redefines the reference tariffs for gas distribution and metering services for the years 2009-2018, on the basis of requests for data correction received by 15th February 2020.

Resolution dated 1st April 2020 107/2020/R/gas - Determination of the final reference tariffs for gas distribution and metering services, for the year 2019. Correction of a clerical error in the RTDG approved by Authority resolution 570/2019/R/gas. The provision approves the definitive reference tariffs for gas distribution and metering services for the year 2019, pursuant to article 3, paragraph 2, of the 2014-2019 RTDG, considering the requests for data correction submitted within 15th February 2020. It also corrects a clerical error found in the RTDG.

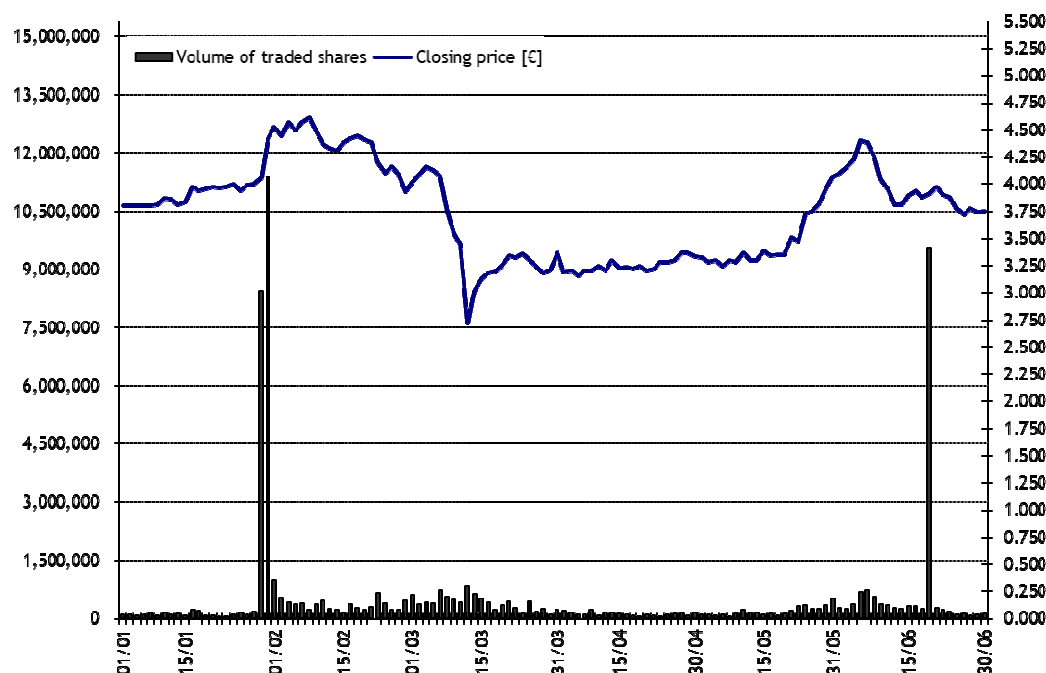
Resolution dated 14th April 2020 127/2020/R/gas - Determination of the temporary reference tariffs for gas distribution and metering services, for the year 2020. The provision approves the provisional reference tariffs for the gas distribution and metering services for the year 2020, pursuant to article 3, paragraph 2, of the RTDG, considering the requests for data correction submitted by 15th February 2020.

Resolution dated 12th May 2020 163/2020/R/gas - Determination of the bonuses and penalties relating to the safety recoveries of the natural gas distribution service for the year 2016. The provision determines, for the year 2016, the bonuses and penalties relating to safety recoveries of the natural gas distribution service.

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

As of 30th June 2020 the Ascopiave share registered a quotation of Euro 3.750 Euro per share, down 1.4 percentage points as compared to the listing at the beginning of 2020 (3.805 Euro per share, referred to the quotation of 2nd January 2020).

Capitalisation of the Stock Exchange as of 30th June 2020 was Euro 877.90 million¹ (895.61 million as of 2nd January 2020).



During the first half of 2020, the quotation of the shares shows a decrease (-1.4%). In the same period, the FTSE Italia All Share index decreased by -18.6%, FTSE Italia Star by -11.6% and the sectorial index FTSE Italia Servizi di Pubblica Utilità increased by 3.0%.

In the following table, we report the main shares and stock-exchange data as of 30th June 2020:

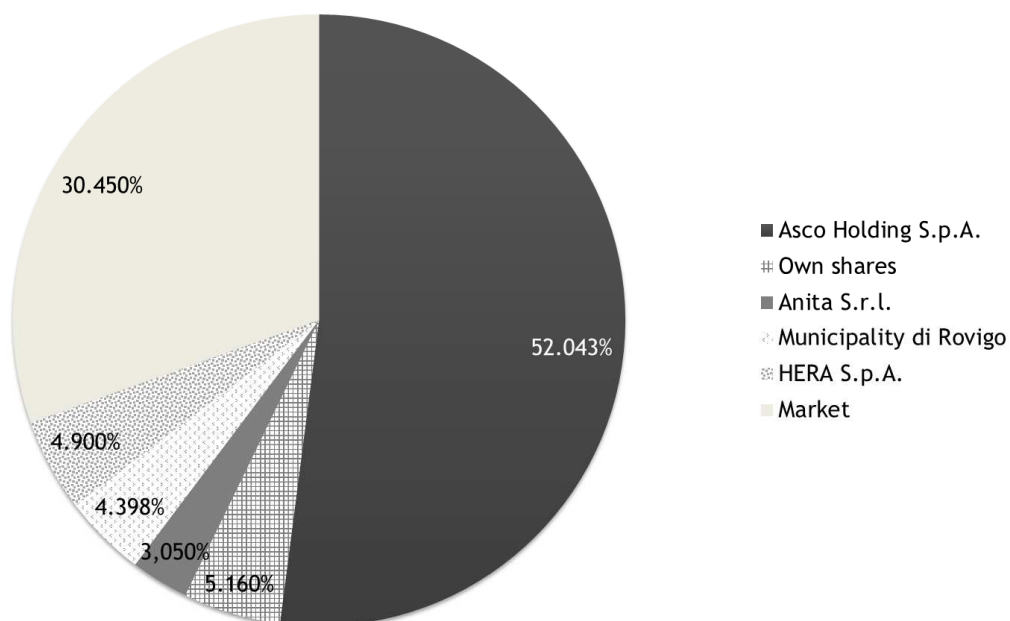
Share and stock-exchange data	30.06.2020	28.06.2019
Earning per share (Euro)	0.10	0.15
Net equity per share (Euro)	3.59	1.70
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.750	3.780
Maximum annual price (Euro)	4.610	3.820
Minimum annual price (Euro)	2.720	3.095
Stock-exchange capitalization (Million of Euro)	877.90	886.96
No. of shares in circulation	222,317,223	220,690,969
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	12,094,352	13,720,606

¹ The Stock exchange capitalisation of the main listed companies active in the local public services (AZA, Acea, Acsm-Agam, Hera and Iren) as of 30th June 2020 was Euro 16.0 billion. Official data from Borsa Italiana (www.borsaitaliana.it).

Control of the Company

As of 30th June 2020, Asco Holding S.p.A. directly controls the majority of Ascopiave S.p.A. share capital as shown below.

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



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

Corporate Governance and Code of Ethics

During the first half of 2020, 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.

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

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

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

Transactions with related and affiliate parties

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

- ✓ Purchase of IT services from the associate ASCO TLC S.p.A.;
- ✓ Administrative services from the Parent company Asco Holding S.p.A..

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

- ✓ Lease of owned real properties to the associate ASCO TLC S.p.A.;
- ✓ Administrative and staff services from Ascopiave S.p.A. to the Parent company Asco Holding S.p.A..

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

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

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

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

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

As regards the national tax consolidation agreement and the relevant transactions, in 2019 the companies of the Ascopiave Group, subsidiaries as of 31st December 2019, except AP RETI GAS Nord Est S.r.l., joined a new national tax consolidation agreement with the parent company Ascopiave S.p.A..

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

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	13	0	0	0	0	0	0	0	25	0
Total parent company	13	0	0	0	0	0	0	0	25	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	7	0	59	0	0	328	0	0	10	0
Total affiliated companies	7	0	59	0	0	328	0	0	10	0
<i>Transfer/disposal assets and subsidiary companies</i>										
Estenergy S.p.A.	0		0	0	0	0	0	0	7,754	0
Ascotrade S.p.A.	2,835		14	0	0	0	2	0	22,931	0
Blue Meta S.p.A.	886		44	0	0	42	2	0	6,605	0
Etra Energia S.r.l.	130		0	0	0	0	1	0	317	0
Ascopiave Energie S.p.A.	675		61	0	0	51	3	0	4,347	0
ASM Set S.r.l.	196		0	0	0	0	1	0	1,945	0
Total Transfer/disposal assets and subsidiary companies	4,721	0	119	0	0	93	8	0	43,899	0
Total	4,741	0	178	0	0	421	8	0	43,934	0

Significant events during the first half of 2020

Publication of information document

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

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

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

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

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

Again as regards this Province alone, investments already implemented or planned over the 2019-2021 three-year period concern 120 km of network, worth about Euro 16 million. The works include those in progress in Nervesa della

Battaglia for approximately Euro 2.3 million, Castelfranco Veneto (about Euro 2 million), Fontanelle (approximately Euro 1.5 million), San Biagio di Callalta (approximately Euro 1.5 million) and Pederobba (little over Euro 1 million), as well as those planned in 18 Municipalities in the Marca Trevigiana Area.

Purchase of Hera S.p.A. shares

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

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

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

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

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

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

Purchase of Acsm Agam S.p.A. shares

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

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

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

Information on Covid 19

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

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

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

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

Although in the industry where the Group operates the emergency is less critical, the Management continues to constantly monitor the above-mentioned indicators, not only at the local but also at the national and/or international level, so as to be able to promptly respond if the crisis flares up.

Shareholders' agreements

Pursuant to current legal and regulatory provisions, Ascopiave disseminated to the public the extract of the shareholders' agreements sent to Ascopiave pursuant to art. 122, par. 1 of Italian Legislative Decree dated 24th

February 1998, no. 58 and published by the signatories of the agreements in the national newspaper “Italia Oggi” on 18th March 2020, 8th April 2020 and 27th May 2020.

Extraordinary and ordinary Shareholders’ meeting of 29th May 2020

The Shareholders’ Meeting of Ascopiave S.p.A. convened on 29th May 2020, chaired by Mr Nicola Ceconato, in extraordinary and ordinary session.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Given the outcome of the votes for the appointment of the Board of Auditors, out of 177,301,187 shares attending the Shareholders' Meeting, list no. 1 presented by Asco Holding S.p.A. obtained 121,994,222 votes equal to 68.806% of the shares represented at the Shareholders' Meeting and 52.043% of the share capital; list no. 2 presented by ASM Rovigo S.p.A. obtained 41,308,493 votes equal to 23.298% of the shares represented at the Shareholders' Meeting and 17.622% of the share capital.

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

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

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

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

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

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

Appointment of the Managing Director and Internal Committees

The Board of Directors of Ascopiave S.p.A., convened on 8th June 2020, appointed the Chairman Nicola Ceconato as the Company's Managing Director, conferring on him the appropriate powers. Furthermore, on the basis of the statements received from the persons concerned and the information in its possession, the Board ascertained,

pursuant to the provisions of the Consolidated Finance Law and Implementation Criterion 3.C of the Code of Self-conduct for Listed Companies, that the directors Greta Pietrobon, Mariachiara Geronazzo, Cristian Novello and Enrico Quarello fulfil the independence requirements set out in art. 148, paragraph 3 of the Consolidated Finance Law and art. 3 of the Code of Self-conduct for Listed Companies and that therefore the composition of the Board of Directors complies with the provisions of art. 147-ter of the Consolidated Finance Law and art. IA.2.10.6 of the Instructions to the Regulations of Borsa Italiana regarding STAR issuers.

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

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

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

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

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

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

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

Final results of the exercise of the right of withdrawal

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

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

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 23rd April 2019, in the period between 1st January 2020 and 19th June 2020, of 1,638,327 ordinary shares at the average unit price of Euro 4.204, for a total value of Euro 6,886,992.02.

Information on the launch of the programme for purchasing and selling treasury share approved by the Shareholders' Meeting on 29th May 2020

On 22nd June 2020, Ascopiave S.p.A. announced the launch of the programme for purchasing and selling treasury share approved by Ascopiave S.p.A.'s Shareholders' Meeting on 29th May 2020, and the purchase on the electronic share market, in accordance with the same authorisation to purchase treasury shares approved by the Shareholders' Meeting of 29th May 2020, in the period between 29th May 2020 and 30th June 2020, of 99,747 ordinary shares at the average unit price of Euro 3.90, for a total value of Euro 389,081.86.

As a result of the purchases made, Ascopiave S.p.A. holds 12,094,352 ordinary shares, equal to 5.159% of the share capital.

Other significant events

Distribution of natural gas

The Group is active in the gas distribution sector through the companies Ap Reti gas S.p.A., Ap Reti gas Vicenza S.p.A., Ap Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. which, commencing 1st July 2019, also includes the former Unigas Distribuzione S.r.l., previously consolidated using the equity method. Effective 1st January 2020 the scope of the Group's gas distribution companies also includes AP Reti Gas Nord Est which manages distribution networks in the provinces of Padua, Udine and Pordenone.

Natural gas distribution activity

Companies consolidated on a line-by-line basis

The Ascopiave Group manages concessions for the gas distribution service in 268 Municipalities in Veneto, Friuli, Lombardia, Emilia Romagna, Piedmont and Liguria.

The following table summarises the data of the Group's gas distribution activity as of 30th June 2020 and provides a comparison with the first half of 2019:

	First Half	
	2019	2020
Volume of gas distributed (mln mc)	598	803
Length of distribution network in operation (Km)	9,314	12,873
Total distribution network laid / replaced	32	25
Total active gas meters (n.)	492,377	776,300
Total smart meters G4/G6 (n.)	280,062	473,024
Average time of arrival on site (minutes)	38.5	37.38

The positive changes between the two periods shown are mainly due to the aforementioned extension of the consolidation scope because of the former Unigas Distribuzione S.r.l. and AP Reti Gas Nord Est S.r.l., whereas the decrease in the total km of network installed is affected by the interruption of non-essential works imposed during the acute stage of the Covid-19 health emergency.

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

The following table summarises compliance with the specific standards of the items to which commercial quality applies.

	Full Year 2018	Full Year 2019	First Half 2020
Compliance with the time set for the execution of the services subject to specific commercial quality standards	99.6%	98.3%	98.75%

In the first half of 2020, the company's emergency intervention service, active 365 days a year, 24/7, which can be contacted by means of the dedicated free-phone number, performed 3487 interventions, and the arrival time was on average 37.38 minutes, largely less than the 60 minutes envisaged by the Authority.

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

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

During the period, the efficiency of the organisational structure was further enhanced, in order to optimise the use of resources and the synergy between the distribution companies of the group, with particular regard to the integration of the processes of the former Unigas Distribuzione and AP Reti Gas Nord Est.

During the first half of 2020, the main project involved the implementation of the new work management process for all the Group distribution companies, modifying the work budgeting, assignment and reporting processes and the possible creation of new assets, understood as new constructions, and extraordinary maintenance of the gas networks. This project involves significant automation to make the entire management of activities more effective and efficient. The objectives were pursued by integrating the main programmes and specifically the RetiNext software that supports user management processes, Infor EAM that supports maintenance processes, WFM Geocall which was also extended to the assignment of works, and the SAP accounting system.

Another significant project involved the refurbishment of the online cartography consultation system (Geocortex) which makes available to operators all the cartographic information, including document attachments, which can also be used during on-site interventions. Geocortex communicates with the RetiNext and Infor systems in order to enrich the map with updated information on the redelivery points and concentrators and therefore enables direct consultation from this system.

During the period, a project was launched to renovate the production system of operational reporting, automating and simplifying its production and usability; the first result achieved was the creation of a system for verifying the alignment of the various management systems and the renovation of emergency intervention reporting.

The information systems, implemented in the fourth quarter of 2019, of the company AP Reti Gas Nord Est, operational from 1st January 2020, which manages gas distribution networks in the provinces of Padua, Udine and Pordenone, were consolidated. All the electronic metres of AP Reti Gas Nord Est were migrated from the Central Acquisition System of the previous operator to that of our Group, so as to be able to handle them and receive periodic readings.

With the exception of AP Reti Gas Nord Est, the technological refurbishment project of the communication ports with the Integrated Information System for the management of the related communication flows was completed.

During the period, the systems were modified and adjusted in order to respond to regulatory amendments and needs to improve internal processes. An example of enhancement was the redesign of the leak management process, which was brought to the WFM system by automating final accounting.

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

Furthermore, given the scarcity of certificates with respect to demand, "unsecured" certificates were introduced, that is, certificates issued by the GSE at the request of the distributors to which the obligation applies, which have at

least 30% of the certificates of the current objective in the portfolio. Unsecured certificates can cost up to a maximum of 15 Euros/TEE and can possibly be redeemed the following year by the distributor.

The Group companies Ap Reti Gas S.p.A., Ap reti Gas Vicenza S.p.A. and Edigas Distribuzione S.p.A. (subsequent to the merger of Unigas Distribuzione S.r.l. on 1st July and consequent transfer to Edigas), 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. As regards the new distribution company of the group, AP Reti Gas Nord Est S.r.l., in January 2020 a formal communication was sent to ARERA and the competent bodies for the assignment of the relevant obligations.

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

If a distributor does not meet the agreed objective, it could incur an administrative penalty imposed by the Authority, implementing Law no. 481 dated 14th November 1995 and 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".

Due to the Covid-19 health emergency, the usual deadline set on 31st May for the cancellation of the certificates, for the year 2020, was postponed to November of the current year.

Efficiency and energy saving

As regards the 2018 objectives, all the Group companies to which the obligation applies achieved the minimum objectives; in November 2019, all the TEEs allowed were delivered on account in compliance with current regulations and the residual amount of 2017 of Unigas was cancelled. The remaining balance of 2019, upon reaching the minimum target, will be delivered on the deadline set at the end of November 2020.

As regards the 2020 objectives, the sum for the three companies is 145,846 TEEs. As concerns the objectives of the new consolidated company AP Reti Gas Nord Est S.r.l., the quantities of the certificates under the objective were estimated in-house.

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

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

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

- the early redemption (normally governed 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;
- Euro 5,482 thousand in 2019:

were paid for a total amount of Euro 51,235 thousand.

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

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

Litigations

LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 30th June 2020, the following litigations are pending:

MUNICIPALITY OF SANTORSO:

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

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

A settlement agreement is being negotiated (a preliminary agreement has been reached and an initial draft agreement has been circulated among the lawyers).

LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2019 no litigations are pending.

ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS

As of 30th June 2020, 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. There are no further significant procedural events.

The reply briefs were filed in February 2020.

There are no further significant procedural events.

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

MUNICIPALITIES OF BRUSIMPIANO AND MARZIO

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

The scheduling is still pending.

A settlement agreement is being negotiated. An agreement has been reached and formalised in a proposal by the Company, sent on 26th June 2020. The Company is awaiting acceptance by all the Municipalities involved through City Council Resolution.

MUNICIPALITY OF FOSSALTA DI PORTOGRUARO

Administrative judgment, pending before the Regional Administrative Court of Veneto, brought by AP Reti Gas for the appeal of City Council Resolution no. 52/2019, with which the Municipality of Fossalta di Portogruaro intended to launch a competitive procedure for the sale of the sections of the distribution network owned by the Municipality, in violation of the principle of unitary circulation of the ownership of the distribution facilities with the management of the service (to be considered latent, in the Company's opinion, in the current regulatory framework).

In addition to this aspect (already in itself invalidating), the Provision also appeared flawed in two further aspects:

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

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

No bids were received.

AP therefore waived the application for interim relief (the Regional Administrative Court, at the hearing of 8th January 2020, acknowledged the waiver), but decided to file the appeal in any case, given the current validity of the City Council Resolution appealed.

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

The hearing on the merits is scheduled for 15th July 2020.

ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 30th June 2020, 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 part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (private contributions and time limit of agreements’ validity) were raised.

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

The Court of Justice ruled that the European law does not preclude the national legislation challenged (but) in the sense that the law itself does not govern (and therefore is not affected by) the methods for determining the reimbursement value of the outgoing operators.

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

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

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

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

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

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

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

The Administrative Court of Veneto (hearing dated 9th November 2016) overruled the protective order by Zi Rete Gas.

The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution

and opted for a full Council sentence.

On 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 Zi Rete Gas S.p.A. for the suspension of application of the tender document pending decision on the main appeal to the Administrative Court of Veneto.

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

With Judgement no. 925/2019, published on 14th August 2019, the Regional Administrative Court rejected the appeal. Zi Rete Gas did not file an appeal and the judgement is therefore definitive.

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”.

AP Reti Gas filed an appeal.

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

Press release of ANAC's Chairman issued on 16th October 2019

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

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

ARERA RESOLUTION ARG/GAS 570/2019

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

ASCO ENERGY - CONTARINA - PROJECT FINANCING

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

To date there are no further procedural documents.

AWARD OF THE "BELLUNO" TERRITORIAL TENDER

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

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

CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 30th June 2020, 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.

It being understood that, as regards AP Reti Gas Nord Est, the procedures currently managed only concern cases of default prior to 2020 (therefore started when the distribution service was still managed by AcegasApsAmga), for all the Group distribution companies:

1 procedure has been sent to the Legal Office and awaiting filing;

21 procedures have been filed (hearings already scheduled/under scrutiny);

24 procedures are in execution of judgment;

appeal rejected for 3 procedures; for two of them, the complaint against has been filed;

21 procedures are being managed (an appeal could be necessary);

485 procedures have been completed (in various stages).

Between 60 and 80 procedures for which legal action is likely to be taken are expected every year for all Group companies. The procedure and the consequent actions undertaken in the preliminarily phase have resulted in a significant reduction in legal actions, compared to the number initially envisaged.

From 2014 to 30th June 2020, the total legal fees (including taxes), for the procedures forwarded to the Legal Office, amount to approximately Euro 380 thousand. For these expenses, the law envisages partial tariff compensation (up to € 5,000 per procedure).

Relationships with Agenzia delle Entrate (Italian Tax Authority)

ROBIN TAX

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

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

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

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

With reference to the outcome of the litigations in progress, the result of the first instance was favourable to Agenzia delle Entrate and the companies decided to appeal against the judgement of the provincial tax commission. Currently, some regional tax commissions have already confirmed the first instance judgements (Ascopiave, Edigas Esercizio Distribuzione Gas). The other tax commissions, on the other hand, are still awaiting judgment.

The Company has decided to appeal in all 3 levels of judgment.

AUDIT OF THE REGIONAL DIRECTION OF VENETO

In September 2019, the companies Ascopiave S.p.A. and Ascotrade S.p.A. were inspected by the Regional Direction of Agenzia delle Entrate as regards the Ires, Irap and VAT sectors for the years from 2013 to the date of the inspection. The first stage of the audit was completed on 29th October 2019 with the issuance of a Report on Findings containing remarks on the direct and indirect taxes related to the years 2013 and 2014 of the subsidiary Ascotrade S.p.A., a company sold on 19th December 2019 to the Hera Group and subject to a specific guarantee, against which the company presented its briefs. The results of the audit as regards the tax periods from 2015 onwards will be the subject of a separate Report on Findings which will be drawn up, if applicable, at a later date.

Subsequent to the submission of the briefs, on 31st December 2019, Agenzia delle Entrate issued the tax demand to Ascotrade relating to the disputed matters, following which the company, on 27th February 2020, filed an appeal with the Provincial Tax Commission of Venice, deeming that valid arguments exist to believe that the conduct of the Company is entirely legitimate. The company, aided by the tax advisor, considers the risk as “possible” or “remote” and therefore has not made any provision.

Territorial areas

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

Specifically:

- 1) the Decree dated 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 29th May 2020, the Shareholders' meeting approved the financial statements and the distribution of the ordinary dividend, to the tune of Euro 0.2133 per share, with ex-dividend date on 8th June 2020, record date on 9th June 2020 and payment on 10th June 2020.

Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 30th June 2020 the value of own shares held by the company is equal to Euro 33,661 thousand (Euro 26,774 thousand as of 31st December 2019), 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 2020, Ascopiave S.p.A. held 12,094,352 own shares, equal to 5.16% of the share capital, for the value above, an amount which is unchanged on 11th May 2020.

Outlook for the Year

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

The Group could also prepare bids for participation in the tenders which will be invited for the award of the Minimum Territorial Areas in which it is interested. To date, however, it is not possible to predict which tender procedures will actually be launched. Most Municipalities currently managed belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders has expired. Only the contracting authorities in the Territorial areas of Vicenza 3 and Vicenza 4 have published the call, with deadlines respectively on 31st December 2020 and 31st March 2021. If other tender authorities issue calls for tenders in 2020, in the light of the time required to submit bids and evaluate and select them, it is reasonable to assume that possible transfers of management to potential new operators may be executed only after the end of 2020.

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

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

The health emergency caused by the Covid 19 virus, in light of the Ascopiave Group's focus on the distribution business, had a minor effect on profitability in the first half of 2020 and, as the peak of the emergency is behind us, limited impacts are currently expected also on future profitability, since adequate credit risk hedging mechanisms are contained in the Grid Code, which governs the activity of distributors. Although the industry where the Group operates is less critical, the Management continues to constantly monitor external indicators and internal assessments, not only at the local but also at the national and international level, so as to be able to promptly respond if the crisis flares up.

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

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

Evolution of the COVID 19 emergency

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

After the first case of infection in Italy, on 21st February, which was followed by an urgent meeting of the Council of Ministers on 23rd February for the first important action by the government, on the same day, Sunday 23rd February, at the Group headquarters in Pieve di Soligo, as requested and directed by the Chairman Nicola Ceconato, a specific Crisis Unit was set up to handle the emergency. Its members are shown in the chart below.

Since the first signs of the crisis, the emergency was practically handled in an operational office in Lombardy (province of Bergamo), the first region to adopt important restrictive measures in some areas, then extended to all headquarters. The Management has constantly monitored the evolution of the events, quickly identifying the most appropriate measures to support workers, safety and services, providing all employees with continuous information.

The Crisis Unit immediately began working by promoting the implementation of all the precautionary measures issued by the Authorities to avoid contacts between people and disseminating widely in the company offices all the indications released, both for social distancing and for personal hygiene.

On the same day and the following ones, the provisions of the Authorities for the protection and health of employees and for the fight against the spread of the virus in the various offices were implemented through:

- ✓ adoption of all of the safety protocols,
- ✓ posting of the behavioural rules issued by the Ministry and the Italian Institute of Health and their diffusion to all workers through specific communications,
- ✓ transmission to all employees of communications, ordinances and Prime Minister Decrees,
- ✓ implementation of measures for distancing and avoiding the simultaneous presence of staff in offices and in common areas,
- ✓ activation of shifts for accessing the canteen with tables and chairs arranged in order to respect distances, initially, then the canteen service was suspended,
- ✓ minimisation of meetings and use of audio- or videoconferences,
- ✓ cancellation of meetings with third parties, consultants and collaborators and exclusion of their presence on site, reduction of all business trips and travels,
- ✓ review of criteria for accessing Group offices (the entrances were closed and access was limited to couriers for deliveries to the warehouse, respecting protocols),
- ✓ rescheduling of operations for all technical, administrative and secretarial areas,
- ✓ strengthening of cleaning services,
- ✓ maximisation of agile work where possible with implementation of technological equipment,
- ✓ promotion of the use of holidays or other possibilities given by collective bargaining tools,
- ✓ increase in purchases of material for personal hygiene, distributed in the various areas, and for cleaning,
- ✓ increase in requests for PPE stocks,
- ✓ more frequent sanitisation of the premises.

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

As regards the distribution activities, operations were rescheduled and the activities were gradually postponed where possible. In particular, all construction sites and operating activities not directly related to the safety and continuity of the service were gradually suspended; all essential services were therefore guaranteed, specifically emergency

intervention, facility surveillance and the operations aimed at ensuring the use of the service, such as activations and reactivations of end customers and the creation of connections for the activation of supplies. Together with the competent doctor, the risks deriving from the possible presence of infected or quarantined people were analysed, and the correct precautions to be adopted were identified, which envisage the use of specific personal protective equipment, distributed to all operating personnel.

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

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

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

Overall as of 30th June, 12 meetings of the Central Committee were convened and regularly held, while communications to employees throughout the Ascopiave Group on the emergency, always on the same date, were 30, demonstrating a continuous, complete and far-reaching information.

Since 18th May, a slow and planned return of almost all (about 85-90%) employees was coordinated, with the exception of the categories entitled to be absent from work pursuant to the Prime Minister Decrees or in the case of parents with children under the age of 14, who may request to work from home until 31st July (extended subsequent to the publication of Legislative Decree 83 dated 30th July 2020), with the obligation to comply with a rigid protocol that involves a series of responsibilities on the part of employees before accessing the office including, before leaving their home, the measurement of their body temperature in order to prevent any person with a temperature above 37.5° from accessing the workplace.

To date, no employee of the Ascopiave Group has tested positive.

Goals and policies of the group and risk description

Credit and liquidity risk

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

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

To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 6.20% (2.67% as of 31st December 2019) of the total gross receivables from third parties for invoices issued. Significant commercial operations take place in Italy.

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

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

As of 30th June 2020 the Ascopiave Group holds a portfolio of 268 natural gas distribution concessions (268 as of 31st December 2019). In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 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 currently managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

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

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

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

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

OPERATIONAL RISKS

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

Risks of malfunctioning and/or interruption of the distribution service

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

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

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

Risk associated with the installation of Smart Metres

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

Risks associated with energy efficiency certificates

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

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

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

Regulatory risk

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

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

Legal and non-compliance risk

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

Research and development

IT systems

During the first half of 2020, the main project involved the implementation of the new work management process for all the Group distribution companies, modifying the work budgeting, assignment and reporting processes and the possible creation of new assets, understood as new constructions and extraordinary maintenance of the gas networks. This project involves significant automation to make the entire management of activities more effective and efficient. The objectives were pursued by integrating the main programmes and specifically the RetiNext software that supports user management processes, Infor EAM that supports maintenance processes, WFM Geocall which was also extended to the assignment of works, and the SAP accounting system.

Another significant project involved the refurbishment of the online cartography consultation system (Geocortex) which makes available to operators all the cartographic information, including document attachments, which can also be used during on-site interventions. Geocortex communicates with the RetiNext and Infor systems in order to enrich the map with updated information on the redelivery points and concentrators and therefore enables direct consultation from this system.

During the period, a project was launched to renovate the production system of operational reporting, automating and simplifying its production and usability; the first result achieved was the creation of a system for verifying the alignment of the various management systems and the renovation of reporting on emergency intervention.

The information systems, implemented in the fourth quarter of 2019, of the company AP Reti Gas Nord Est, operational from 1st January 2020, which manages gas distribution networks in the provinces of Padua, Udine and Pordenone, were consolidated. All the electronic metres of AP Reti Gas Nord Est were migrated from the Central Acquisition System of the previous operator to that of our Group, so as to be able to handle them and receive periodic readings.

With the exception of AP Reti Gas Nord Est, the technological refurbishment project of the communication ports with the Integrated Information System for the management of the related communication flows was completed.

During the period, the systems were modified and adjusted in order to respond to regulatory amendments and needs to improve internal processes. An example of enhancement was the redesign of the leak management process, which was brought to the WFM system by automating final accounting.

As regards infrastructure, the migration of corporate PCs from Windows 7 to Windows 10 reached a completion rate of over 90%. In the first months of 2020, due to the health emergency, agile work was activated for the entire company staff, with the use from home of the company desktop PC for all those resources (about 60%) without a Notebook already suitable for remote work. Throughout the entire lockdown, all company IT systems were monitored almost exclusively remotely so as to enable full agile work to all company employees.

The decommissioning of the old hardware infrastructures of the former Unigas company has begun and is almost complete, with the only transfer to Ascopiave's architectures of the servers that need to be kept for a few years in order to consult historical data.

The contract for the main security solution used by the Group, namely the Enterprise Trend Micro Suite, was renewed for 24 months, with a simultaneous adjustment for the greater amount of data to be managed.

As regards corporate software, in accordance with the project and budget forecasts, the corporate BPC applications are being migrated to the new version (80% complete), the SoD risk analysis and mitigation project is in progress in the SAP environment, subsequent to the changes introduced by the implementation of the PS and PM modules by the distribution companies, and the migration to the new QlikSense version of the Deloitte Discover package used by the Internal Audit department is about to be completed with the introduction of new checks related to electronic invoicing.

The new HDA (Help Desk Advanced) software was enhanced to support all of the Group companies, after a “trial” initial period, and the module for managing IT assets is being implemented in such software.

Human resources

As of 30th June 2020, the Ascopiave Group had 467 employees², divided between the various companies of the Group as outlined below:

Companies consolidated with full consolidation method	30.06.2020	30.06.2019	Var.
Ascopiave S.p.A.	88	96	-8
Ap Reti Gas S.p.A.	156	168	-12
Ap Reti Gas Rovigo S.r.l.	17	18	-1
Edigas Esercizio Distribuzione S.p.A.	65	25	40
Ap Reti Gas Vicenza S.p.A.	43	43	0
Ap Reti Gas Nord Est S.p.A.	98	0	98
Total companies consolidated with full consolidation method	467	350	117
Companies consolidated with net equity consolidation method	30.06.2020	30.06.2019	Var.
Unigas Distribuzione Gas S.r.l.	0	43	-43
Total companies consolidated with net equity consolidation method	0	43	-43
Ascopiave Group	467	393	74

As compared to 30th June 2019, the workforce of the Ascopiave Group increased by 74 units, mainly due to the entry into the consolidation scope of Ap Reti Gas Nord-Est S.p.A. (+98 employees).

Subsequent to the merger through acquisition of the company Unigas Distribuzione S.r.l. into Ascopiave S.p.A., and the consequent transfer of the merged business unit into Edigas Distribuzione Gas S.p.A., the existing employment relationships were transferred with the business unit.

The following table illustrates the division of the staff complement by skill level/grade:

Companies consolidated with full consolidation method	30.06.2020	30.06.2019	Var.
Executives	13	14	-1
Office workers	299	220	79
Manual workers	155	116	39
Companies consolidated with full consolidation method	467	350	117
Companies consolidated with net equity consolidation method	30.06.2020	30.06.2019	Var.
Executives	0	1	-1
Office workers	0	26	-26
Manual workers	0	16	-16
Companies consolidated with net equity consolidation method	0	43	-43
Ascopiave Group	30.06.2020	30.06.2019	Var.
Executives	13	15	-2
Office workers	299	246	53
Manual workers	155	132	23
Ascopiave Group	467	393	74

² The data concerning the proportionally consolidated company, i.e. Unigas Distribuzione (48.86%), are represented at 100%.

Additional information

Seasonal nature of the activity

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

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

Gas consumption changes considerably on a seasonal basis, with a greater demand in winter in relation to higher consumptions for heating. This seasonality influences the trend of revenues from gas sales and of procurement costs, while other operating costs are fixed and incurred by the Group in a uniform manner throughout the year. Therefore, the data and the information contained in the interim financial statements do not allow for immediate indications to be drawn regarding the overall performance for the year.

List of company offices

Owned offices

Society	Intended use	Province	Municipality	Address
AP RETI GAS VICENZA SPA	Operational headquarters of AP RETI GAS VICENZA SPA	Vicenza	Schio	St. Cementi 37
ASCO ENERGY SPA	Technical plant of ASCO ENERGY SPA, Dolo	Venezia	Dolo	St. G.B. Velluti
ASCO ENERGY SPA	Technical plant of ASCO ENERGY SPA, Mira	Venezia	Mira	St. Papa Giovanni XXIII
ASCO ENERGY SPA	Technical plant of ASCO ENERGY SPA, Mirano	Venezia	Mirano	St. del Minatore
ASCO ENERGY SPA	Technical plant of ASCO ENERGY SPA, Mirano	Venezia	Mirano	St. Genova,6
ASCO ENERGY SPA	Technical plant of ASCO ENERGY SPA, Mirano	Venezia	Mirano	St. Vittoria
AP RETI GAS SPA	Operational headquarters of AP RETI GAS SPA, Castel San Piacenza	Piacenza	Castel San Giovanni	St. Borgonovo 44/A
AP RETI GAS SPA	Operational headquarters of AP RETI GAS SPA, Cordovado Pordenone	Pordenone	Cordovado	St. Teglio 101
ASCOPIAVE SPA	Representative office of ASCOPIAVE SPA, Milano	Milano	Milano	St. Turati 8
ASCOPIAVE SPA	Representative office of ASCOPIAVE SPA, Milano	Milano	Milano	St. Turati 6
ASCOPIAVE SPA	Ascopiave Group headquarters, Pieve di Soligo	Treviso	Pieve di Soligo	St. Verizzo 1030
ASCOPIAVE SPA	Operational headquarters of ASCO TLC SPA, San Vendemiano	Treviso	San Vendemiano	Via Friuli
ASCOPIAVE SPA	Operational headquarters of AP RETI GAS SPA, Sandrigo	Vicenza	Sandrigo	Via Galileo Galilei, 25-27
ASCOPIAVE SPA	Operational headquarters of AP RETI GAS SPA, Treviso	Treviso	Treviso	Piazza delle Istituzioni, 34/A
EDIGAS SPA	Operational headquarters of EDIGAS DG SPA	Bergamo	Nembro	St. Lombardia 27
EDIGAS SPA	Shed owned of EDIGAS DG SPA, Salussola	Biella	Salussola	St. Stazione 38

Rented offices

Society	Intended use	Province	Municipality	Address
AP RETI GAS SPA	Operational headquarters of AP RETI GAS SPA	Treviso	Castelfranco V.to	St. Cooperazione 8
AP RETI GAS SPA	Operational headquarters of AP RETI GAS SPA	Varese	Marchirolo	St. Cavalier Busetti 7H
ASCOPIAVE SPA	Flat	Treviso	Moriago della Battaglia	Piazza Albertini 60/5 int. 6
AP RETI GAS ROVIGO SRL	Operational headquarters of AP RETI GAS ROVIGO SRL	Rovigo	Rovigo	St. della Tecnica 7
AP RETI GAS NORD EST SRL	Operational headquarters of AP RETI GAS NORD EST SRL	Padova	Padova	St. Jacopo Corrado, 1
AP RETI GAS NORD EST SRL	Operational headquarters of AP RETI GAS NORD EST SRL	Udine	Udine	St. of Cottonificio, 60
AP RETI GAS NORD EST SRL	Operational headquarters of AP RETI GAS NORD EST SRL	Udine	San Giorgio di Nogaro	San Giorgio di Nogaro
EDIGAS SPA	Warehouse of EDIGAS DG SPA	Bergamo	Brignano Gera D'Adda	St. per Brignano
EDIGAS SPA	Operational headquarters of EDIGAS DG SPA	Mantova	Marcaria	St. Mons. Benedini, 28-30
EDIGAS SPA	Warehouse of EDIGAS DG SPA	Bergamo	Nembro	St. Lombardia Sub. 1
EDIGAS SPA	Warehouse of EDIGAS DG SPA	Bergamo	Nembro	St. Lombardia Sub. 2
EDIGAS SPA	Operational headquarters of EDIGAS DG SPA	Biella	Salussola	St. Stazione 38
EDIGAS SPA	Operational headquarters of EDIGAS DG SPA	Savona	Villanova di Albenga	St. Roma, 238 int 1

Comments on the economic and financial results of the first half of 2020

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

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

General operational performance and indicators

NATURAL GAS DISTRIBUTION	First half		Var.	Var. %
	2020	2019		
Companies consolidated with full consolidation method				
Number of concessions	268	196	72	36.7%
Length of distribution network (km)	12,873	9,314	3,559	38.2%
Number of POD	776,300	492,377	283,923	57.7%
Volumes of gas distributed (scm/mln)	803.5	598.5	205.0	34.2%
Companies consolidated with net equity consolidation method				
Number of concessions	0	32	-32	-100.0%
Length of distribution network (km)	0	1,104	-1,104	-100.0%
Number of POD	0	94,642	-94,642	-100.0%
Volumes of gas distributed (scm/mln)	0.0	87.1	-87.1	-100.0%
Ascopiave Group*				
Number of concessions	268	212	56	26.6%
Length of distribution network (km)	12,873	9,853	3,020	30.7%
Number of POD	776,300	538,619	237,681	44.1%
Volumes of gas distributed (scm/mln)	803.5	641.1	162.4	25.3%

Comments on the trend of the main operational indicators of the Group's activity are reported below.

The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation.

As far as the activity of gas distribution is concerned, in the first half of 2020 the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 803.5 million cubic metres, up 34.2% as compared to the same period in the previous year, a change mainly affected by the line-by-line consolidation of the company Unigas Distribuzione Gas S.r.l. commencing 1st July 2019 and the entry in the consolidation scope of the company Ap Reti Gas Nord-Est S.r.l..

As of 30th June 2020 the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 776.3 thousand and showed an increase of 283.9 thousand units compared to the same period in the previous year, mainly explained by the line-by-line consolidation of Unigas Distribuzione S.r.l. and the entry in the consolidation scope of Ap Reti Gas Nord-Est S.r.l..

General operational performance - The Group's economic results

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

(Thousands of Euro)	1st Half 2020	% of revenues	1st Half 2019	% of revenues
Revenues	86,518	100.0%	60,816	100.0%
Total operating costs	56,913	65.8%	41,978	69.0%
Gross operative margin	29,605	34.2%	18,839	31.0%
Amortization and depreciation	16,722	19.3%	11,103	18.3%
Provision for risks on credits		0.0%	0	0.0%
Operating result	12,883	14.9%	7,735	12.7%
Financial income	3,539	4.1%	89	0.1%
Financial charges	815	0.9%	813	1.3%
Evaluation of subsidiary companies with the net equity method	9,341	10.8%	648	1.1%
Earnings before tax	24,948	28.8%	7,660	12.6%
Taxes for the period	3,763	4.3%	2,924	4.8%
Result for the period	21,185	24.5%	4,736	7.8%
Net result from transfer/disposal of assets		0.0%	29,466	48.5%
Net result for the period	21,185	24.5%	34,202	56.2%
Group's Net Result	21,185	24.5%	32,324	53.2%
Third parties Net Result		0.0%	1,878	3.1%

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 the year, the Group incomes amounted to Euro 86,518 thousand, up 42.3% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	1st Half 2020	1st Half 2019
Revenues from gas transportation	55,034	36,506
Revenues from connections	267	173
Revenues from heat supply	(0)	6
Revenues from distribution services	1,966	2,032
Revenues from services supplied to Group companies	4,130	3,774
Revenues from ARERA contributions	23,923	17,293
Other revenues	1,199	1,032
Revenues	86,518	60,816

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

The **tariff revenues from gas distribution** (from Euro 36,210 thousand to Euro 54,375 thousand) increased by Euro 18,165 thousand as compared to the same period in the previous year, mainly due to the extension of the consolidation scope.

The **revenues from energy efficiency certificates** (from Euro 17,293 thousand to Euro 23,923 thousand) increased by Euro 6,630 thousand as compared to the same period in the previous year, mainly due to the extension of the consolidation scope.

The **operating result** in the first six months of 2020 amounted to Euro 12,883 thousand, recording an increase of Euro 5,148 thousand (+66.6%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 18,165 thousand;
- higher margin on energy efficiency certificates for Euro 117 thousand;
- negative change in other items of cost and revenues, equal Euro 13,134 thousand.

The negative change in other items of cost and revenues, equal to Euro 13,134 thousand, is due to:

- higher other revenues for Euro 444 thousand, mainly due to the extension of the consolidation scope;
- higher material and service costs and other charges equalling Euro 5,919 thousand, mainly due to the extension of the consolidation scope and specifically the concession fees accrued by the company Ap Reti Gas Nord Est S.r.l. and the distribution business unit managed by Unigas Distribuzione S.r.l.;
- higher staff costs for Euro 2,040 thousand, mainly due to the extension of the consolidation scope which led to the recognition of the personnel costs of AP Reti Gas Nord Est and Unigas Distribuzione starting from the date of the merger;
- an increase in amortisation and depreciation of fixed assets for Euro 5,619 thousand, mainly connected to the extension of the consolidation scope.

The **net consolidated profit** in the first six months of 2020, equal to Euro 21,185 thousand, records a decrease of Euro 13,017 thousand (-38.1%) 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 5,148 thousand;
- increase in financial revenues for Euro 3,450 thousand;
- increase in financial charges for Euro 3 thousand;
- increase in taxes for Euro 838 thousand, due to the higher taxable income in the period in question;
- higher result of companies consolidated through the equity method for Euro 8,692 thousand, due to the inclusion in the consolidation scope of Estenergy, a company that included the sales companies of the group sold;
- lower net result from discontinued operations for Euro 29,466 thousand.

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

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

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

The negative differential recorded for the consolidated net profit is therefore significantly affected by the seasonality of the natural gas sales activity, since the consumption of customers concentrates in winter, an effect that will be progressively reduced over the next few months of the year subsequent to the formation of the margin by the acquired distribution company AP Reti Gas Nord Est S.r.l., which on the contrary has a constant return throughout the year.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 41.7% in the first half of 2019 to 24.1%.

General operational performance - Financial situation

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

(Thousands of Euro)	30.06.2020	31.12.2019
A Cash and cash equivalents on hand	16	14
B Bank and post office deposits	12,480	67,017
D Liquid assets (A) + (B) + (C)	12,495	67,031
E Current financial assets	3,403	6,993
F Payables due to banks	(143,164)	(106,025)
G Current portion of medium-long-term loans	(32,790)	(30,778)
H Current financial liabilities	(2,395)	(17,156)
I Current financial indebtedness (F) + (G) + (H)	(178,350)	(153,959)
J Net current financial indebtedness (I) - (E) - (D)	(162,451)	(79,935)
K Medium- and long-term bank loans	(137,683)	(135,083)
L Non current financial assets	2,502	2,478
M Non-current financial liabilities	(768)	(441)
N Non-current financial indebtedness (K) + (L) + (M)	(135,950)	(133,046)
O Net financial indebtedness (J) + (N)	(298,401)	(212,981)

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 212,981 thousand as of 31st December 2019 to Euro 298,401 thousand as of 30th June 2020, reporting an increase of Euro 85,420 thousand. The extension of the consolidation scope had a minor effect on the net financial position.

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

(Thousands of Euro)	30.06.2020	31.12.2019
Net financial indebtedness	(298,401)	(212,981)
Non current financial assets	(2,502)	(2,478)
Net financial indebtedness ESMA	(300,903)	(215,459)

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

(Thousands of Euro)	First half	
	2020	2019
Net Income	21,185	34,202
Depreciations and amortizations	16,722	11,103
(a) Self financing	37,908	45,305
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	(12,788)	37,017
(c) Change in financial position generated by operating activities = (a) + (b)	25,119	82,322
(d) Change in financial position generated by investing activities	(74,797)	(12,868)
(e) Other financial position changes	(35,742)	(130,612)
Net financial position changes = (c) + (d) + (e)	(85,420)	(61,158)

The cash flow generated by operations (letters a + b), equal to Euro 25,119 thousand, was mainly due to self-financing for Euro 37,908 thousand and other financial positive variations amounting to Euro 12,788 thousand, mainly related to the management of the net circulating capital for Euro -3,459 thousand and the assessment of companies consolidated through the equity method for Euro -9,341 thousand.

The management of net circulating capital absorbed financial resources amounting to Euro 3,459 thousand and was influenced mainly by the positive variation in the net operating capital which generated financial resources for Euro 3,897 thousand, the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro -5,083 thousand and the negative variation in the VAT position for Euro 565 thousand.

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

(Thousands of Euro)	First half	
	2020	2019
Inventories	(14,474)	(1,489)
Trade receivables and payables	47,004	9,203
Operating receivables and payables	(28,632)	(3,946)
Severance pay and other funds	883	210
Income from equity investments	(2,700)	0
Current taxes	3,763	2,924
Taxes paid	(9,302)	(471)
Tax receivables and payables	0	2,254
Change in net working capital	(3,459)	8,685

Investment activities generated a cash requirement of Euro 74,797 thousand, of which Euro 15,575 thousand in tangible and intangible assets, mainly for works and developments of natural gas distribution facilities (Euro 14,125 thousand).

The investments made for the acquisition of stakes are related to the purchase of investments in Acsm Agam S.p.A. and the capital increase in Estenergy S.p.A., described in the paragraph "Significant events during the first half of 2020", totalling Euro 59,240 thousand.

Additional variations in the Net financial position concern distribution of dividends for Euro 47,442 thousand, dividends received from associates that generated resources for Euro 17,764 thousand, and dividends received from investees for Euro 789 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 6,886 thousand.

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

(Thousands of Euro)	First half	
	2020	2019
Sale of own shares	(6,854)	(7,167)
Dividends paid to Ascopiave S.p.A. shareholders	(47,442)	(75,163)
Dividends paid to minority interest	0	(1,761)
Dividends / (loss coverage) associated copanies or jointly controlled	18,554	2,311
Other changes in financial position	(35,742)	(81,779)

General operational performance - Investments

During the first half of the year, the Group made investments in tangible and intangible assets for Euro 15,575 thousand, an increase as compared to the same period in the previous year of Euro 2,356 thousand. The increase is explained by the expansion of the consolidation scope which involved the addition of the investments made by AP Reti Gas Nord Est S.r.l. (equal to Euro 2,924 thousand) and the investments made in the areas where the distribution unit previously managed by Unigas Distribuzione Gas S.r.l. is located.

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

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 14,125 thousand were connected to the construction and maintenance of natural gas network and distribution systems for Euro 5,656 thousand, the creation of connections for Euro 4,446 thousand and the installation of metres for Euro 4,023 thousand.

The other investments made during the first half of the year concerned the purchase of software licences used by the Group's distribution companies for the management of remote metering. Investments in hardware and software consequently recorded an increase of Euro 332 thousand.

INVESTMENTS (Thousands of Euro)	Half Year	
	2020	2019
Connecting a gas users	4,446	3,178
Expansions, reclamations and network upgrades	4,939	4,138
Flowmeters	4,023	3,696
Maintenance	718	800
Raw material (gas) investments	14,125	11,812
Land and buildings	40	180
Industrial and commercial equipment	25	141
Forniture	8	16
Vehicles	208	151
Hardware e Software	1,168	836
Other assets	0	11
Other investments	1,450	1,334
Investments	15,575	13,147
Investments of the discontinued operations		72
Investments	15,575	13,218

Ascopiave Group

Schedules of the interim financial report

as of 30th June 2020

Consolidated assets and liabilities statement

(Thousands of Euro)		30.06.2020	31.12.2019
ASSETS			
Non-current assets			
Goodwill	(1)	49,272	47,914
Other intangible assets	(2)	566,885	567,194
Tangible assets	(3)	34,403	34,694
Shareholdings	(4)	500,761	449,945
Other non-current assets	(5)	3,445	3,296
Non current financial assets	(6)	2,502	2,478
Advance tax receivables	(7)	20,104	19,390
Non-current assets		1,177,372	1,124,910
Current assets			
Inventories	(8)	22,606	8,132
Trade receivables	(9)	21,090	43,124
Other current assets	(10)	72,892	46,830
Current financial assets	(11)	3,403	6,993
Tax receivables	(12)	2,405	1,263
Cash and cash equivalents	(13)	12,495	67,031
Current assets		134,892	173,373
ASSETS		1,312,264	1,298,283
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		(33,661)	(26,774)
Reserves and result		639,791	665,854
Net equity of the Group		840,542	873,492
Net equity of Others			0
Total Net equity	(14)	840,542	873,492
Non-current liabilities			
Provisions for risks and charges	(15)	2,173	1,344
Severance indemnity	(16)	4,661	4,931
Medium- and long-term bank loans	(17)	137,683	135,083
Other non-current liabilities	(18)	25,762	24,553
Non-current financial liabilities	(19)	768	441
Deferred tax payables	(20)	21,745	22,021
Non-current liabilities		192,792	188,374
Current liabilities			
Payables due to banks and financing institutions	(21)	175,954	136,803
Trade payables	(22)	77,052	52,082
Tax payables	(23)	1,256	4,728
Other current liabilities	(24)	21,991	25,549
Current financial liabilities	(25)	2,395	17,156
Current liabilities from derivative financial instruments	(26)	281	98
Current liabilities		278,929	236,417
Liabilities		471,721	424,791
Net equity and liabilities		1,312,264	1,298,283

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

Comprehensive consolidated income statement

(Thousands of Euro)	1st Half	2020	1st Half	2019
Revenues	(27)	86,518		60,816
Total operating costs		56,913		41,978
Purchase costs for other raw materials	(28)	1,047		719
Costs for services	(29)	18,376		15,001
Costs for personnel	(30)	9,600		7,560
Other management costs	(31)	27,917		19,995
Other income	(32)	27		1,298
Amortization and depreciation	(33)	16,722		11,103
Operating result		12,883		7,735
Financial income	(34)	3,539		89
Financial charges	(34)	815		813
Evaluation of subsidiary companies with the net equity method	(34)	9,341		648
Earnings before tax		24,948		7,660
Taxes for the period	(35)	3,763		2,924
Result for the period		21,185		4,736
Net result from transfer/disposal of assets	(36)			29,466
Net result for the period		21,185		34,202
Group's Net Result		21,185		32,324
Third parties Net Result				1,878
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		(152)		
Fair value of derivatives, changes in the period net of tax of the companies held for sale				(242)
2. Components that can not be reclassified to the income statement				
Actuarial (losses)/gains from remeasurement on defined-benefit obligations		324		231
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax of the companies held for sale		(0)		77
Total comprehensive income		21,358		34,268
Group's overall net result		21,358		32,410
Third parties' overall net result		(0)		1,857
Base income per share		0.095		0.146
Diluted net income per share		0.095		0.146

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

	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
<i>(Thousands of Euro)</i>									
Balance as of 1st January 2020	234.412	46.882	(26.774)	(535)	126.292	493.216	873.492	0	873.492
Result for the period						21.185	21.185		21.185
Other operations					(152)		(152)		(152)
Severance indemnity IAS 19 discounting of the financial year				324			324		324
Total result of overall income statement				324	(152)	21.185	21.358	-0	21.358
Allocation of 2019 result					493.216	(493.216)			(0)
Dividends distributed to Ascopiave S.p.A. shareholders					(47.442)		(47.442)		(47.442)
Purchase of own shares			(6.887)	21	(0)		(6.866)		(6.866)
Balance as of 30th June 2020	234.412	46.882	(33.661)	(190)	571.915	21.185	840.542	(0)	840.542

	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
<i>(Thousands of Euro)</i>									
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
<i>of which:</i>									
<i>Result of continuing operations</i>						4.736	4.736		4.736
<i>Result of discontinuing operations</i>						29.466	29.466	1.878	31.345
Other operations					(222)		(222)	(21)	(242)
<i>of which:</i>									
<i>Other movements of discontinuing operations</i>					(222)		(222)	(21)	(242)
Severance indemnity IAS 19 discounting of the financial year				308			308	(0)	308
<i>of which:</i>									
<i>Discounting of continuing operations</i>				231			231		231
<i>Discounting of discontinuing operations</i>				77			77		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)			
Dividends distributed to Ascopiave S.p.A. shareholders					(75.163)		(75.163)		(75.163)
Dividends distributed to minorities of discontinuing operations								(1.761)	(1.761)
Other movements					(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

Consolidated statement of cash flows

	First half	
	2020	2019
Net income of the Group	21.185	4.736
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	0	1.878
Companies held for sale operating result	0	27.588
Amortization	16.722	11.103
Variations in severance indemnity	54	210
Current assets / liabilities on financial instruments and forward purchasee and sales	31	0
Net variation of other funds	829	0
Evaluation of subsidiaries with the net equity method	(9.341)	(648)
Gains on disposal of investments	(2.700)	0
Gains on disposal of investments net income discontinued assets	0	(1.247)
Interests paid	(700)	(458)
Taxes paid	(9.302)	(471)
Interest expense for the year	744	779
Taxes for the year	3.763	2.924
Variations in assets and liabilities		
Inventories	(14.474)	(1.489)
Accounts payable	22.034	2.622
Other current assets	(26.062)	(8.453)
Trade payables	24.970	6.581
Other current liabilities	(3.660)	5.442
Other non-current assets	(149)	(249)
Other non-current liabilities	1.208	1.247
Operating flows from discontinued assets / liabilities	0	30.227
Total adjustments and variations	3.966	77.586
Cash flows generated (used) by operating activities	25.152	82.322
Cash flows generated (used) by investments		
Investments in intangible assets	(15.151)	(12.402)
Realisable value of intangible assets	26	403
Investments in tangible assets	(424)	(797)
Realisable value of tangible assets	4	0
Disposal/(acquisitions) in investments and avances	(59.240)	(0)
Other moviments equity	(12)	0
Investment flows from discontinued assets / liabilities	0	(72)
Cash flows generated/(used) by investments	(74.797)	(12.868)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financers	(154)	0
Net changes in short-term bank borrowings	(7.948)	(3.948)
Net variation in current financial assets and liabilities	(10.650)	30.487
Purchase of own shares	(6.854)	(7.167)
Ignitions loans and mortgages	116.700	104.000
Redemptions loans and mortgages	(67.000)	(128.000)
Payments for right of use	(96)	(176)
Dividends distributed to Ascopiave S.p.A. shareholders'	(47.442)	(75.163)
Dividends distributed to other shareholders	0	(1.761)
Dividends distributed from subsidiary companies	18.554	2.311
Cash flows from discontinued assets / liabilities	0	(29.149)
Cash flows generated (used) by financial activities	(4.890)	(108.566)
Variations in cash	(54.535)	(39.112)
Cash and cash equivalents at the beginning of the year	67.031	59.353
Cash and cash equivalents at the beginning of the year of the Companies held for sa	0	7.297
Cash and cash equivalents at the end of the period	12.495	20.241

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 2020, the share capital of the Company, amounting to Euro 234,411,575 was for the most part held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 30th June 2019 of the Ascopiave Group was authorised by resolution of the Board of Directors on 3rd August 2020.

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 consolidated 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 268 municipalities (268 municipalities as of 31st December 2019); managing a distribution network which spreads over 12,865 km (12,855 km as of 31st December 2019) and supplying the service to more than one million users.

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

General drafting criteria and main accounting standards adopted

The Consolidated financial statements of the Ascopiave Group as of 30th June 2020 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 2020 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 2020 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 2019. 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 2019.

Upon preparing the Consolidated Interim Financial Statements as at 30th June 2019, the Group applied the international accounting standard IFRS 5 “Non-current assets held for sale and discontinued operations” due to the

start of the operation concluded on 19th December 2019 with the Hera Group. On the basis of these provisions, the economic results achieved by the sales segment of the Group during the first six months of the year 2019 are shown separately in a single line of the income statement. The transactions between continuing operations and discontinued operations during the first half of 2019 were not eliminated. The extent and nature of such transactions would have in fact determined an overly distorted view of the operating results, not representing the performance as if these were standalone assets.

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 2020 was approved by the Board of Directors of the Company on 3rd August 2020.

Basis for measurement

Use of estimates

The drawing-up of the interim report for the first half of 2020 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, other overall profits/losses as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the Management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" in the Consolidated Financial Statements as of 31st December 2019.

Moreover, some evaluation procedures, in particular the most complex ones, such as the determination of any impairment of non-current assets, are usually fully 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 2020 and consolidated through the line-by-line or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
100% consolidated companies					
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	0.00%	100%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	100.00%	0.00%	100%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3,000,000	100.00%	0.00%	100%
Asco Energy S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	0.00%	100%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	100.00%	0.00%	100%
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	100.00%	0.00%	100%
Affiliated Companies					
Estenergy S.p.A.	Trieste (TS)	266,061,261	0.000%	0.000%	0%

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

Furthermore, commencing 1st July 2019, subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. into Ascopiave S.p.A., the company is no longer consolidated using the equity method and its operating results and balance sheet figures are represented within Edigas Esercizio Distribuzione Gas S.p.A., a company to which Ascopiave S.p.A. transferred the business unit relating to the activity previously conducted by Unigas Distribuzione S.r.l..

Synthesis data of fully consolidated companies

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Parent company					
Ascopiave S.p.A.	47,367	37,660	833,994	282,158	IFRS
100% consolidated companies					
AP Reti Gas Nord Est S.r.l.	18,008	2,742	132,579	(7,636)	IFRS
AP Reti Gas S.p.A.	43,159	7,242	306,032	(19,836)	IFRS
Edigas Esercizio Distribuzione Gas S.p.A.	11,655	1,712	54,791	7,341	Ita Gaap
AP Reti Gas Vicenza S.p.A.	9,702	(136)	17,142	15,709	Ita Gaap
AP Reti Gas Rovigo S.r.l.	2,260	752	16,413	1,275	Ita Gaap
Asco Energy S.p.A.	14,984	(112)	1,011	17,261	Ita Gaap

Information on consolidated subsidiaries with minority interests

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

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

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

This amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some business units related to the distribution of natural gas. Among these, the goodwill recognised subsequent to the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., for Euro 9,368 thousand, and the purchase of the entire share capital of the newly established company AP Reti Gas Nord Est S.r.l. for Euro 15,508 thousand (of which Euro 14,149 thousand recorded at the end of the previous year and Euro 1,359 thousand related to the adjustment). With regard to the latter, please note that the allocation made will be subject to further investigation and verification in order to determine, within the annual deadline set forth in the accounting standards, the definitive recognition of the business combination.

Pursuant to International Accounting Standard 36, goodwill is not subject to amortisation, but its impairment is verified at least annually.

In order to determine the recoverable amount, the goodwill is allocated to the Cash Generating Unit composed of the natural gas distribution activity (gas distribution CGU).

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

(Thousands of Euro)	30.06.2020	31.12.2019
Distribution of natural gas	49,272	47,914
Total goodwill	49,272	47,914

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

Given the results achieved during the first half of the year, the effects of the measures taken in the peak of the emergency and lockdown, the evolution of the health crisis, and the results of the impairment tests conducted upon preparing the financial statements as of 31st December 2019, the directors considered the changes found in the external indicators and internal values, previously used to estimate the recoverable amounts of the individual cash-generating units, as not significant and therefore did not deem it necessary to perform a full impairment test on the carrying amount of goodwill.

2. Other intangible fixed assets

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

(Thousands of Euro)	30.06.2020			31.12.2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	6,600	(5,753)	847	6,600	(5,700)	900
Concessions, licences, trademarks and similar rights	15,260	(10,998)	4,263	15,256	(10,458)	4,798
Other intangible assets	9,685	(4,310)	5,375	9,685	(4,199)	5,486
Tangible assets under IFRIC 12 concession	1,010,885	(477,062)	533,823	1,003,824	(462,330)	541,495
Tangible assets in progress under IFRIC 12 concession	20,452	0	20,452	13,649	0	13,649
Intangible assets in progress	2,125	0	2,125	868	0	868
Other intangible assets	1,065,007	(498,122)	566,885	1,049,882	(482,688)	567,194

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

(Thousands of Euro)	31.12.2019				30.06.2020	
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	900	(0)	2	50		847
Concessions, licences, trademarks and similar rights	4,798	4		539		4,263
Other intangible assets	5,486	(0)		111		5,375
Tangible assets under IFRIC 12 concession	541,495	7,086	29	14,734	(6)	533,823
Tangible assets in progress under IFRIC 12 concessio	13,649	6,804		0		20,452
Intangible assets in progress and advances payments	868	1,257		0		2,125
Other intangible assets	567,194	15,151	31	15,434	(6)	566,885

The investments made during the first six months of the financial year amount to Euro 15,151 thousand and mainly refer to costs incurred for the construction of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

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

Concessions, licences, trademarks and similar rights

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

Other intangible fixed assets

During the 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 negative net change amounts to Euro 7,672 thousand mainly explained by depreciation for the period and the investments made. Investments, including the reclassifications of assets under construction, totalled Euro 7,086 thousand.

The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has

not been launched, are depreciated by applying the lower 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 6,804 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:

(Thousands of Euro)	30.06.2020				31.12.2019			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	43,451	(15,373)		28,078	43,451	(14,743)		28,709
Plant and machinery	3,783	(1,748)	(995)	1,040	3,783	(1,699)	(995)	1,089
Industrial and commercial equipment	4,409	(3,740)		669	4,381	(3,688)		693
Other tangible assets	20,516	(17,559)		2,957	20,136	(17,149)		2,988
Tangible assets in progress and advance paym	536	(0)		536	499	0		499
Rights of use	1,658	(535)		1,123	991	(275)		716
Other tangible assets	74,354	(38,956)	(995)	34,403	73,242	(37,554)	(995)	34,694

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

(Thousands of Euro)	31.12.2019				30.06.2020
	Net value	Change for the period	Decrease	Amortizations during the period	Net value
Lands and buildings	28,709	0	4	627	28,078
Plant and machinery	1,089	0		49	1,040
Industrial and commercial equipment	693	27		52	669
Other tangible assets	2,988	359		390	2,957
Tangible assets in progress and advance payments	499	37		0	536
Rights of use	716	578		171	1,123
Other tangible assets	34,694	1,002	4	1,288	34,403

The investments made during the first half of the year amount to Euro 1,002 thousand and mainly relate to the costs incurred for the purchase of other assets and rights of use.

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. During the first half 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" did not register investments and the variation is explained by depreciation.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 27 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for metering activity.

Other assets

The investments made during the first half of the year are equal to Euro 359 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 133 thousand), and company vehicles (Euro 208 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 37 thousand.

Rights of use

The item includes the rights of use related to the first application of IFRS 16. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings (Euro 1,006 thousand), rental of vehicles and trucks (Euro 652 thousand). During the first six months of the year, the change recorded is Euro 578 thousand.

4. Equity investments

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

(Thousands of Euro)	31.12.2019			30.06.2020	
	Net value	Increase	Decrease	Measurement with the equity method	Net value
Shareholdings in associated companies	395,943	32,510	(17,764)	9,341	420,029
Shareholdings in other companies	54,002	26,730			80,732
Shareholdings	449,945	59,240	(17,764)	9,341	500,761

During the period, the item “Equity investments” recorded a net increase of Euro 50,816 thousand compared to the previous year. The change is mainly explained by the purchase of 4.99% of the share capital of Acsm Agam S.p.A. described in the paragraph “Significant events during the first half of 2020” of this interim financial report, the subscription of the capital increase of Estenergy for Euro 32,510 thousand, the dividends distributed by the same company for Euro 17,764 thousand and the measurement with the equity method of the consolidated results achieved by the associate Estenergy S.p.A..

The measurement with the equity method of the associate Estenergy S.p.A. represents the results achieved in the first half of the year by the Estenergy Group, equal to Euro 9,341 thousand under the scope of Ascopiave S.p.A..

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

Equity investments in affiliate companies

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

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

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

(Values referred to pro-rata partecipazione in Million of Euro)	First quarter as of First half 2020
Non-current assets	361.3
Current assets	113.3
Net equity of the Group	337.8
Net equity of Others	1.5
Non-current liabilities	54.0
Current liabilities	81.3
Revenues	191.0
Costs	171.3
Gross operative margin	19.7
Amortization and depreciation	6.8
Operating result	12.9
Group's Net Result	(11.5)
Third parties Net Result	1.3
NFP	42.3

Other investments

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

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

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

5. Other non-current assets

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

(Thousands of Euro)	30.06.2020	31.12.2019
Security deposits	1,230	1,171
Other receivables	2,215	2,125
Other non-current assets	3,445	3,296

Non-current assets recorded an overall change compared to the previous year equal to Euro 149 thousand. This is mainly explained by the increase of Euro 59 thousand in security deposits.

Non-current receivables recognised at the end of the first half of the year refer to guarantee deposits for Euro 1,230 thousand and other receivables for Euro 2,215 thousand. The latter also include the receivables from the municipality of Santorso, equal to Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality following the date of expiry of the concession, on 31st December

2006. The value of the receivables corresponds to what the municipality of Santorso has been asked to pay as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

As of 30th June 2020 there is an on-going litigation with the municipality mentioned, in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these interim financial statements.

6. Non-current financial assets

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

(Thousands of Euro)	30.06.2020	31.12.2019
Other financial receivables after 12 months	2,502	2,478
Non current financial assets	2,502	2,478

Non-current financial assets decreased from Euro 2,478 thousand in 2019, to Euro 2,502 thousand in the period in question, a minor change. The item mainly includes the receivable due 12 months after the reporting date from the municipality of Costabissara with which a settlement agreement was signed in 2019 for assessing the value of the natural gas distribution infrastructure, which had been delivered on 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)	30.06.2020	31.12.2019
Advance tax receivables	20,104	19,390
Advance tax receivables	20,104	19,390

Advance taxes increase from Euro 19,390 thousand in 2019 to Euro 20,104 thousand in the period in question recording an increase of Euro 714 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:

(Thousands of Euro)	30.06.2020			31.12.2019		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	7,198	(39)	7,159	7,374	(39)	7,335
Energy efficiency certificates	15,447	0	15,447	797	0	797
Fuels and warehouse materials	22,645	(39)	22,606	8,171	(39)	8,132

As of 30th June 2020, inventories are equal to Euro 22,606 thousand, recording an increase of Euro 14,474 thousand as compared to 31st December. This is mainly explained by the stock of energy efficiency certificates by the Group's ESCO and not sold at the reporting date, resulting in an increase in inventories equal to Euro 14,650 thousand. Please note that during the first half of the year the subsidiary AP Reti Gas Nord Est S.p.A., which became operational commencing 31st December 2019, set up the necessary inventories, resulting in an increase in inventories of Euro 964 thousand. Net of the changes described, the item showed a decrease of Euro 1,140 thousand, explained by the lower quantity of material in stock at the warehouses of the distribution companies.

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

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

9. Trade receivables

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

(Thousands of Euro)	30.06.2020	31.12.2019
Receivables from customers	8,147	18,966
Receivables for invoices to be issued	13,448	24,665
Bad debt provisions	(505)	(506)
Trade receivables	21,090	43,124

Trade receivables decreased from Euro 43,124 thousand in 2029 to Euro 21,090 thousand in the period in question, marking a decrease of Euro 22,034 thousand.

This is mainly explained by the seasonal nature of the business and partly offset by the extension of the scope of consolidation at the end of the previous year due to the finalisation of the partnership with the Hera Group with the acquisition of AP Reti Gas Nord Est S.r.l. which had no receivables at the end of the previous year, while at the end of the first half it records trade receivables for Euro 1,956 thousand. The trade receivables consist mainly in receivables from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located.

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

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

The changes in the provision for doubtful accounts during the first half of the year are shown in the following table:

(Thousands of Euro)	30.06.2020	31.12.2019
Bad debt provisions	506	3,715
Bad debt provisions from acquisitions	0	39
Adoption IFRS 5 - Companies held for sale		(3,244)
Use	(1)	(3)
Final bad debt provision	505	506

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)	30.06.2020	31.12.2019
Gross trade receivable invoices issued	8,147	18,966
- allowance for doubtful accounts	(505)	(506)
Net trade receivables for invoices issued	7,642	18,460
Aging of trade receivables for invoices issued		
- to expire	6,471	17,434
- expired within 6 months	825	863
- overdue by 6 to 12 months	118	244
- expired more than 12 months	733	425

10. Other current assets

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

(Thousands of Euro)	30.06.2020	31.12.2019
Tax consolidation receivables	12	1,927
Annual pre-paid expenses	1,836	687
Advance payments to suppliers	4,750	4,267
annual accrued income	21	93
Receivables due from CSEA	61,475	35,508
VAT Receivables	2,084	1,635
UTF and Provincial/Regional Additional Tax receivables	74	74
Other receivables	2,640	2,638
Other current assets	72,892	46,830

Other current assets increased from Euro 46,830 thousand to Euro 72,892 thousand, marking an increase of Euro 26,062 thousand. The extension of the scope of consolidation, occurred with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the finalisation of the partnership with the Hera Group, resulted in an increase in other assets of Euro 6,966 thousand, influencing in particular the receivables from Cassa Servizi Energetici e Ambientali (CSEA).

Net of the effects described, the item showed an increase compared to 31st December 2019 of Euro 19,096 thousand, mainly attributable to the higher receivables from Cassa Servizi Energetici ed Ambientali in relation to energy efficiency certificates. The increase is mainly explained by the rise in the objectives assigned to the Group's distribution companies and by the extension of the deadline for cancellation from May to November 2020.

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

The receivables from Cassa Servizi Energetici e Ambientali (CSEA), equal to Euro 61,475 thousand, are calculated based on the quantities of energy efficiency certificates delivered in November 2019, but not collected at the reporting date, which will be adjusted at the end of the regulatory period, and the quantities accrued until 30th June 2020 but not delivered yet on the same date. The unit contribution used for the economic quantification of the fulfilment is equal to the fair value of the forecast contribution for the contributions being accrued and, as of 30th June 2020, equal to Euro 250 (Euro 250 as of 31st December 2019; source STX). Please note that the natural deadline set for the cancellation of the efficiency certificates, normally set at 31st May, was postponed to November 2020 due to the Covid-19 health emergency.

11. Current financial assets

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

(Thousands of Euro)	30.06.2020	31.12.2019
Associated companies	0	6,195
Other financial current assets	3,403	798
Current financial assets	3,403	6,993

Current financial assets decreased by Euro 3,590 thousand, from Euro 6,993 thousand as at 31st December 2019 to Euro 3,403 thousand in the period in question. The decrease is mainly explained by the termination of the intercompany current accounts that the parent company Ascopiave maintained with the sales companies involved in the partnership finalised with the Hera Group on 19th December 2019 for Euro 6,195 thousand. The decrease was partially offset by the recognition of the receivable from the investee Hera Comm S.p.A. for Euro 2,700 thousand due to the dividend approved by the Shareholders' meeting of the Company and not paid at the reporting date.

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

12. Tax receivables

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

(Thousands of Euro)	30.06.2020	31.12.2019
Receivables related to IRAP	560	556
Receivables related to IRES	1,745	572
Other tax receivables	100	134
Tax receivables	2,405	1,263

Tax receivables increased from Euro 1,263 thousand to Euro 2,405 thousand in the period in question, marking an increase of Euro 1,142 as compared to 31st December 2019. The item includes the residual credit, minus the taxes for 2020, 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)	30.06.2020	31.12.2019
Bank and post office deposits	12,480	67,017
Cash and cash equivalents on hand	16	14
Cash and cash equivalents	12,495	67,031

Cash and cash equivalents decreased from Euro 67,031 thousand in the previous year, to Euro 12,495 thousand in the period in question, recording a decrease of Euro 54,536 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the changes in 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)	30.06.2020	31.12.2019
Cash and cash equivalents	12,495	67,031
Current financial assets	3,403	6,993
Current financial liabilities	(2,395)	(17,156)
Payables due to banks and financing institutions	(175,954)	(136,803)
Net short-term financial position	(162,451)	(79,935)
Non current financial assets	2,502	2,478
Medium- and long-term bank loans	(137,683)	(135,083)
Non-current financial liabilities	(768)	(441)
Net medium and long-term financial position	(135,950)	(133,046)
Net financial position	(298,401)	(212,981)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results in the first half of 2020" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

Consolidated Shareholders' Equity

14. Shareholders' equity

Ascopiave S.p.A.'s share capital as of 30th June 2020 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	30.06.2020	31.12.2019
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(33,661)	(26,774)
Reserves	571,724	125,756
Group's Net Result	21,185	493,216
Net equity of the Group	840,542	873,492
Net equity of Others		(0)
Total Net equity	840,542	873,492

Consolidated shareholders' equity at 30th June 2020 amounted to Euro 840,542 thousand, a decrease of Euro 32,950 thousand compared to 2019. Changes in the consolidated shareholders' equity during the first half of the year, excluding the result achieved, are mainly explained by the distribution of dividends for Euro 47,442 thousand and the purchases of treasury shares made in the period, which amounted to Euro 6,887 thousand.

At the end of the first half the company held treasury shares for a total value of Euro 33,661 thousand, up Euro 6,887 thousand compared to 31st December 2019.

As of 30th June 2020 Ascopiave S.p.A. held, subsequent to the purchases made during the period, 12,094,352 shares, equal to 5.159% of the share capital, for the value indicated above.

The hedge accounting reserve recorded at the end of the period represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations. Such reserve, as at, as of 30th June 2020, shows a negative balance of Euro 250 thousand.

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.

Non-current liabilities

15. Provisions for risks and charges

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

(Thousands of Euro)	30.06.2020	31.12.2019
Provisions for pension for gas sector employees	1,514	1,285
Other reserves for risks and charges	659	59
Provisions for risks and charges	2,173	1,344

Reserves for risks and charges increased from Euro 1,344 thousand in the previous year to Euro 2,173 thousand in the period in question, up Euro 829 thousand. The increase recorded is mainly due to the Euro 600 thousand provision relating to a proposal for the settlement of the judgments pending at the Regional Administrative Court of Lombardy between AP Reti Gas S.p.A. and some local authorities. For more information, please see the litigations section herein. The amount will be paid in a single and *pro-rata* instalment to each municipality subsequent to the acceptance of the proposal. The residual change, equal to Euro 229 thousand, is explained by the entry of the costs accrued during the period 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 2020	1,344
Provisions for risks and charges	875
Use of provisions for risks and charges	(46)
Provisions for risks and charges as of 30th June 2020	2,173

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

(Thousands of Euro)	30.06.2020	31.12.2019
Risk of litigation with suppliers	59	59
Funds on settlement agreements proposal on awaiting acceptance	600	
Retirement fund and similar obligations	1,514	1,285
Total	2,173	1,344

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

16. Severance indemnity

Severance indemnity decreases from Euro 4,931 thousand as of 1st January 2020 to Euro 4,661 thousand as of 30th June 2020, marking a decrease of Euro 270 thousand.

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

(Thousands of Euro)	
Severance indemnity as of 1st January 2020	4,931
Retirement allowance	(937)
Payments for current services and work	636
Actuarial loss/(profits) of the period (*)	30
Severance indemnity as of 30th June 2020	4,661

* including the interest cost booked in the income statement.

17. Medium- and long-term loans

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

(Thousands of Euro)	30.06.2020	31.12.2019
Loans from Cassa Centrale Banca	7,439	7,833
Loans from European Investment Bank	14,375	16,750
Loans from INTESA SAN PAOLO SPA	35,000	40,000
Loans from BNL	46,500	46,500
Loans from CREDIT AGRICOLE FRIULADRIA	21,000	24,000
Loans from UBI BANCA SPA	13,370	
Medium- and long-term bank loans	137,683	135,083
Current portion of medium-long-term loans	32,790	30,778
Medium- and long-term bank loans	170,473	165,861

Medium and long term loans, mainly represented as of 30th June 2020 by the payables of the Parent Company to BNL for Euro 50,750 thousand, Intesa SanPaolo for Euro 45,000 thousand, Crédit Agricole Friuladria for Euro 27,000 thousand, the European Investment Bank for Euro 19,125 thousand and UBI BANCA for Euro 20,000 thousand, increase from Euro 165,861 thousand to Euro 170,473 thousand, recording an increase of Euro 4,612 thousand, mainly explained by the loan taken out with UBI BANCA for Euro 20,000 thousand net of the instalments paid during the period in question.

Specifically:

- the loan with BNL, taken out in August 2019 for an amount equal to Euro 30,000 thousand, has a residual debt as of 30th June 2020 of 27,000 thousand, with the recognition of Euro 3,000 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with IFRS. The bank granted the company a moratorium on the capital portion due in August 2020, extending the duration of the repayment schedule by six months.
- 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 2020 of Euro 23,750 thousand, with the recognition of Euro 1,250 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with IFRS. The bank granted the company a moratorium on the capital portion due in August 2020, extending the duration of the repayment schedule by six months.
- the loan with Intesa SanPaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, has a residual debt as of 30th June 2020 of Euro 45,000 thousand, with the entry of Euro 10,000 thousand in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified annually on the Group's consolidated data prepared in accordance with the IFRS.
- the loan with Crédit Agricole Friuladria, disbursed in October 2019 for an amount equal to Euro 30,000 thousand, has a residual debt as of 30th June 2020 of Euro 27,000 thousand, with the recognition of Euro 6,000 in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified every six months on the Group's consolidated data prepared in accordance with the IFRS.
- the loan with Ubi Banca, disbursed in May 2020 for an amount of Euro 20,000 thousand, equal to the residual debt as of 30th June 2020, with the recognition of Euro 6,630 thousand in due to banks and short-term loans.
- the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, has a residual debt as of 30th June 2020 of Euro 19,125 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans; the loan requires compliance with certain financial covenants to be verified every six months on the Group's consolidated data prepared in accordance with the IFRS.

- the loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt as of 30th June 2020 of Euro 8,223 thousand, with the recognition of Euro 785 thousand in due to banks and short-term loans.

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

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

(Thousands of Euro)	30.06.2020
Year 2020	14,451
Year 2021	36,691
Year 2022	36,742
Year 2023	33,428
After 31st December 2023	49,162
Medium and long-term loans	170,473

18. Other non-current liabilities

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

(Thousands of Euro)	30.06.2020	31.12.2019
Security deposits	780	401
Multi-annual passive prepayments	24,981	24,152
Other non-current liabilities	25,762	24,553

Other non-current liabilities increased from Euro 24,553 thousand in the previous year to Euro 25,762 thousand in the first six months of 2020, marking an increase of Euro 1,209 thousand.

The item increased by Euro 829 thousand due to the performance of long-term deferred income, recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

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

19. Non-current financial liabilities

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

(Thousands of Euro)	30.06.2020	31.12.2019
Other's non-current financial liabilities	768	441
Non-current financial liabilities	768	441

Other non-current liabilities increased from Euro 441 thousand to Euro 768 thousand, with an increase of Euro 327 thousand. The increase is mainly explained by the execution of operating lease agreements for rentals of company offices and vehicles.

20. Deferred tax payables

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

(Thousands of Euro)	30.06.2020	31.12.2019
Deferred tax payables	21,745	22,021
Deferred tax payables	21,745	22,021

Payables for deferred taxation decrease from Euro 22,021 thousand in the previous year to Euro 21,745 thousand in the period in question, marking a decrease of Euro 276 thousand.

Deferred tax payables 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 2020 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

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

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

(Thousands of Euro)	30.06.2020	31.12.2019
Payables due to banks	143,164	106,025
Current portion of medium-long-term loans	32,790	30,778
Payables due to banks and financing institution:	175,954	136,803

Payables to banks increase from Euro 136,803 thousand in the previous year to Euro 175,954 thousand in the period in question, with an increase of Euro 39,151 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The chart below shows the breakdown of the Group's credit lines used and available and the related rates applied as at 30th June 2020.

Bank	Type of line of credit	Credit line at 30/06/2020	Rate at 30/06/2020	Use of credit line at 30/06/2020
Banca di Credito Cooperativo delle Prealpi	Long-term mortgage	4.112	1,83%	4.112
Banca Europea per gli Investimenti	Long-term mortgage	6.875	0,42%	6.875
Banca Europea per gli Investimenti	Long-term mortgage	12.250	0,66%	12.250
Banca Monte dei Paschi di Siena	Endorsement loan	11.000	n.d.	9.700
Banca Nazionale del Lavoro	Cash loan	24.000	0,20%	24.000
Banca Nazionale del Lavoro	Long-term mortgage	23.750	1,92%	23.750
Banca Nazionale del Lavoro	Long-term mortgage	27.000	0,64%	27.000
Banca Nazionale del Lavoro	Endorsement loan	10.077	n.d.	435
Banca Popolare dell'Emilia Romagna	Cash loan	10.000	0,20%	10.000
Banca Sella	Cash loan	5.000	n.d.	-
Banco BPM	Cash loan	20.000	0,12%	20.000
Banco BPM	Cash loan	1.625	n.d.	-
Banco BPM	Endorsement loan	10.000	n.d.	-
Cassa centrale BCC Italiano	Long-term mortgage	4.112	1,83%	4.112
Credito Emiliano	Cash loan	30.000	0,02%	30.000
Credit Agricole Corporate	Long-term mortgage	27.000	0,75%	27.000
Credit Agricole Friuladria	Cash loan	3.000	0,20%	3.000
Intesa SanPaolo	Cash loan	56.000	0,40%	20.000
Intesa SanPaolo	Long-term mortgage	50.000	0,41%	45.000
Intesa SanPaolo	Endorsement loan	2.500	n.d.	-
Cassa Depositi e Prestiti	Endorsement loan	9.943	n.d.	9.943
Unicredit	Cash loan	10.900	12,70%	7.455
Unicredit	Cash loan	18.700	0,00%	18.700
Unicredit	Endorsement loan	21.464	n.d.	12.064
Unione di Banche Italiane	Cash loan	10.000	0,25%	10.000
Unione di Banche Italiane	Long-term mortgage	20.000	0,55%	20.000
BNL	Endorsement loan	75	n.d.	75
Unicredit	Cash loan	500	n.d.	-
Unicredit	Endorsement loan	500	n.d.	-
UBI	Endorsement loan	107	n.d.	107
Unicredit	Cash loan	3.000	n.d.	-
Unicredit	Endorsement loan	3.000	n.d.	-
Banca Alto Vicentino	Endorsement loan	1.527	n.d.	1.527
Intesa SanPaolo	Cash loan	50	n.d.	-
Intesa SanPaolo	Endorsement loan	2.457	n.d.	2.457
Unicredit	Cash loan	5.000	n.d.	-
Unicredit	Endorsement loan	13.746	n.d.	200
Unicredit	Cash loan	500	n.d.	-
Unicredit	Endorsement loan	500	n.d.	-
		460.269		349.761

Note: the total use of credit lines is not equal to the total bank loan because this not include the use of endorsement loan.

22. Trade payables

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

(Thousands of Euro)	30.06.2020	31.12.2019
Payables to suppliers	4,029	3,046
Payables to suppliers for invoices not yet receive	73,022	49,036
Trade payables	77,052	52,082

Trade payables increase from Euro 52,082 thousand in the previous year to Euro 77,052 thousand in the period in question, marking an increase of Euro 24,970 thousand. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, led to the recognition of trade payables totalling Euro 9,889 thousand. The company became operational on 31st December 2019 and at that date had no trade payables; consequently, trade payables accrued at the end of the first half of 2020 led to a change in the Group's trade payables of the same amount.

Net of the effects described, trade payables increased by Euro 15,081 thousand mainly due to the energy efficiency targets.

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

The payables connected with the purchase of the energy efficiency certificates, needed to achieve the energy saving objectives that the Group distribution companies must fulfil, are calculated by evaluating the amounts of certificates accrued until the reporting date. The unit cost of certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30th June 2020 and amounting to Euro 260 (Euro 260 on 31st December 2019).

23. Payables to tax authorities

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

(Thousands of Euro)	30.06.2020	31.12.2019
IRAP payables	314	82
IRES payables	941	4,646
Tax payables	1,256	4,728

Tax payables decrease from Euro 4,728 thousand in the previous year to Euro 1,256 thousand in the period in question, marking a decrease of Euro 3,473 thousand. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, determined the recognition of tax payables totalling Euro 1,107 thousand. The company became operational on 31st December 2019 and at that date had no tax payables; consequently, the tax payables accrued at the end of the first half of 2020 resulted in a change in the item of the same amount.

Net of the change described, tax payables decreased by Euro 4,580 thousand, explained by the payment of taxes in full settlement of the previous year net of the payables accrued during the periods towards the tax authorities for IRES and IRAP. In 2019, the Group companies joined the national tax agreement with the parent company Ascopiave S.p.A. except AP Reti Gas Nord Est S.r.l..

24. Other current liabilities

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

(Thousands of Euro)	30.06.2020	31.12.2019
Advance payments from customers	374	221
Amounts due to parent companies for tax consol	(682)	1,668
Amounts due to social security institutions	240	1,120
Amounts due to employees	6,106	6,207
VAT payables	378	495
Payables to revenue office for withholding tax	224	966
Annual passive prepayments	738	661
Annual passive accruals	688	698
Other payables	13,925	13,514
Other current liabilities	21,991	25,549

Other current liabilities decreased from Euro 25,549 thousand in 2019 to Euro 21,991 thousand in the first half of 2020, marking a decrease of Euro 3,558 thousand. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, led to the recognition of other current liabilities totalling Euro 3,682 thousand. The company became operational on 31st December 2019 and at that date it presented other minor current liabilities; consequently, the payables accrued at the end of the first half of 2020 resulted in a change in the item of Euro 7,235 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 30th June 2020.

Tax consolidation payables

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

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as of 30th June 2020 but not yet paid on that date.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30th June 2020 but not paid out on that date as well as social security contributions. The item decreased by Euro 101 thousand from Euro 6,207 thousand in 2019 to Euro 6,106 thousand in the period in question.

VAT payables

Payables to the tax authorities for VAT at the end of the first half of 2020 amount to Euro 378 thousand and decrease by Euro 117 thousand as compared to the previous year. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, led to the recognition of VAT payables for a total of Euro 25 thousand. The company became operational on 31st December 2019 and at that date had no VAT positions; consequently, the payables accrued at the end of the first half of 2020 resulted in a change in the item of the same amount.

Annual deferred income

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

Annual accrued liabilities

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

Other payables

At the end of the first half of 2020, the item showed a balance of Euro 13,925 thousand, recording an increase compared to the previous year of Euro 411 thousand. The item also includes payables for staff charges accrued as of 30th June and payables to Cassa per i Servizi Energetici e Ambientali (CSEA) for tariff components and/or equalisation amounts.

25. Current financial liabilities

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

(Thousands of Euro)	30.06.2020	31.12.2019
Shareholders for dividends	7	(0)
Financial payables within 12 months	2,043	16,889
Payables to leasing companies within 12 months	345	267
Current financial liabilities	2,395	17,156

Current financial liabilities decrease from Euro 17,156 thousand in 2019 to Euro 2,395 thousand in the period in question, marking a decrease of Euro 14,761 thousand.

The decrease is mainly explained by the termination of the intercompany current accounts that the parent company Ascopiave maintained with the sales companies involved in the partnership finalised with the Hera Group on 19th December 2019. The financial payables recorded at the end of the previous year amounted to Euro 16,889 thousand, resulting in a change of the same amount in the item.

Financial payables related to the application of the international accounting standard IFRS 16 recorded a change equal to Euro 78 thousand during the first half of the year due to the payment of the rents for the period. They represent financial payables expiring within twelve months for operating lease agreements signed for rentals of company offices and vehicles.

26. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	30.06.2020	31.12.2019
Liabilities on derivatives on raw material	281	98
Current liabilities from derivative financial instruments	281	98

Current liabilities on derivative financial instruments relate to interest rate hedging contracts executed by the parent company Ascopiave in 2019. With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph "Risk and uncertainty factors" herein, which illustrates their effects.

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

#	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	BNL	Interest Rate Swap	Euribor 6M	09-Aug-19	09-Feb-20	09-Aug-24	Vanilla: Fixed - Float	27,000,000 €	166
2	Credit Agricole	Interest Rate Swap	Euribor 6M	27-Sep-19	01-Oct-19	27-Sep-24	Vanilla: Fixed - Float	30,000,000 €	115
Totale								57,000,000 €	281

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

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

27. Revenues

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

(Thousands of Euro)	1st Half 2020	1st Half 2019
Revenues from gas transportation	55,034	36,506
Revenues from connections	267	173
Revenues from heat supply	(0)	6
Revenues from distribution services	1,966	2,032
Revenues from services supplied to Group compa	4,130	3,774
Revenues from ARERA contributions	23,923	17,293
Other revenues	1,199	1,032
Revenues	86,518	60,816

At the end of the first half of the year, the Ascopiave Group's revenues amounted to Euro 86,518 thousand, an increase of Euro 25,702 thousand compared to the period shown for comparative purposes (Euro 60,816 thousand). The increase is mainly explained by the expansion of the consolidation scope which occurred during the previous year with the merger through acquisition of the gas distribution unit managed by Unigas Distribuzione S.r.l. effective 1st July 2019 and by the completion of the partnership with the Hera Group and the consequent consolidation of AP Reti Gas Nord Est S.r.l. as of 31st December 2019. With regard to Unigas Distribuzione, the expansion of the scope of consolidation led to the line-by-line consolidation of the results achieved from that date, while previously the revenues were recorded under financial income and charges in the item "profit/loss of companies valued using the equity method".

Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* on the distribution network generated revenues for Euro 55,034 thousand, marking an increase of Euro 18,528 thousand as compared to the same period in the previous year. The change is mainly explained by the extension of the scope of consolidation which led to the recognition of the Restriction on total revenues of the merged unit and the new consolidated company.

The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by ARERA. The item "revenues from gas transport" includes an equalisation amount of Euro 2,443 thousand, an increase as compared to the previous year of Euro 7,965 thousand. The equalisation amount varies according to the seasonality and the temperature trend as it results from the difference between the revenues charged to the sales companies for the natural gas transport service (contracts due to lower consumption) and the Restriction on Total Revenues recognised in the period in question.

The revenues derived from *services provided by distributors*, being equal to Euro 1,966 thousand, decreased compared to the same period in the previous year by Euro 66 thousand. The change is mainly explained by the lower activities requested by customers on metres during the lockdown imposed at the national level due to the Covid-19 health emergency. The decrease caused by this effect was almost entirely neutralised by the extension of the scope of consolidation which determined the recognition of the revenues achieved by the company consolidated commencing 31st December 2019 AP Reti Gas Nord Est S.r.l. and the revenues from services rendered in the territory where Unigas Distribuzione Gas S.r.l., a company merged through acquisition effective 1st July 2019, operated.

Revenues for *services provided to Group companies* show an increase of Euro 356 thousand compared to the previous year, and amount to Euro 4,130 thousand as of 30th June 2020.

The contributions made by the Regulatory Authority for Energy, Networks and the Environment at the end of the first half of the year amount to Euro 23,923 thousand, up Euro 6,849 thousand compared to the previous year. The increase recorded is mainly explained by the recognition of revenues related to the objectives of the company AP Reti Gas Nord Est S.p.A. and the objectives related to the plants managed by the company Unigas Distribuzione Gas S.r.l..

The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the distributors to which such obligations apply. The contributions recognised as of 30th June 2020 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2020 target (regulatory period June 2019 - May 2020). Due to the Covid-19 health emergency, the deadline set for 31st May 2020 for the delivery of the efficiency certificates necessary for the fulfilment of the objectives was postponed to November. The unit contribution used for the economic quantification of the fulfilment of the obligation is the fair value of the forecast contribution for the contributions being accrued and, as of 30th June 2020, equal to Euro 250 (Euro 250 as of 30th June 2019; source STX).

The item “Other revenues” increased from Euro 1,032 thousand in the first half of 2019, to Euro 1,199 thousand in the period in question, showing an increase of Euro 167 thousand. The change is mainly explained by the recognition of contributions, for Euro 397 thousand, obtained by the natural gas distribution companies for investments in facility safety. This increase was partially offset by the lower revenues achieved by the heat supply and cogeneration plants during the period in question, which resulted in a decrease of Euro 262 thousand.

28. Cost of other raw materials

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

(Thousands of Euro)	1st Half 2020	1st Half 2019
Purchase of other raw material	1,047	719
Purchase costs for other raw materials	1,047	719

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 1,047 thousand, up Euro 327 thousand as compared to the same period in the previous year. The change is mainly explained by the recognition of the costs incurred upon conducting the activities in the facilities previously managed by Unigas Distribuzione S.r.l. subsequent to the merger through acquisition effective 1st July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item “profit/loss of companies measured with the equity method”.

The consolidation of AP Reti Gas Nord Est S.r.l. commencing 31st December 2019 determined the entry of costs for Euro 179 thousand.

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

29. Costs for services

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

(Thousands of Euro)	1st Half 2020	1st Half 2019
Costs for counting meters reading	557	317
Mailing and telegraph costs	76	83
Maintenance and repairs	1,763	1,189
Consulting services	2,039	2,062
Commercial services and advertisement	28	51
Sundry suppliers	983	859
Directors' and Statutory Auditors' fees	679	661
Insurances	163	361
Personnel costs	221	306
Other managing expenses	556	676
Costs for use of third-party assets	11,309	8,438
Costs for services	18,376	15,001

The *costs for services* incurred during the first half of 2020 increase by Euro 3,375 thousand as compared to the same period in the previous year, from Euro 15,001 thousand in the first half of 2019 to Euro 18,376 thousand in the period in question, mainly explained by the expansion of the scope of consolidation which led to the recognition of the costs incurred for the management of the distribution facilities previously managed by Unigas Distribuzione S.r.l. until 1st July 2019 and by AP Reti Gas Nord Est S.r.l..

The costs incurred for *metre reading*, amounting to Euro 557 thousand, compared to the same period in the previous year increased by Euro 240 thousand (Euro 317 thousand as of 30th June 2019) mainly explained by the expansion of the scope of consolidation

The costs for *maintenance and repairs* increase from Euro 1,189 thousand during the first half of 2019, to Euro 1,763 thousand in the period in question, up Euro 574 thousand, mainly explained by the expansion of the scope of consolidation. The item mainly includes costs related to software fees and expenses incurred for routine facility maintenance.

At the end of the period in question, the costs incurred for *consultancy* amounted to Euro 2,039 thousand, a decrease of Euro 23 thousand as compared to the same period in the previous year. The change recorded is mainly explained by the costs incurred in the first half of 2019 for the completion of the extraordinary operations that were in progress at the end of the period shown for comparison purposes. The decrease in costs incurred was almost entirely offset by the expansion of the consolidation scope.

The item *remuneration of directors and auditors* increased by Euro 18 thousand as compared to the same period in the previous year, totalling Euro 679 thousand.

Other operating costs decreased by Euro 120 thousand compared to the previous year, and amount to Euro 556 thousand.

The item costs for use of third-party assets mainly includes the fees paid to the Local Authorities for the management of natural gas distribution concessions and recorded an increase of Euro 2,871 thousand as compared to the same period in the previous year. The change is mainly explained by the recognition of fees accrued as concerns the facilities previously managed by Unigas Distribuzione S.r.l., subsequent to the merger through acquisition effective 1st July 2019, and AP Reti Gas Nord Est S.r.l.. As regards the first, the extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item "profit/loss of companies measured with the equity method".

30. Costs for staff

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Wages and salaries	9,874	7,775
Social security contributions	3,258	2,434
Severance indemnity	666	544
Other costs	18	42
Totale personal costs	13,816	10,796
Capitalized personal costs	(4,216)	(3,236)
Personal costs	9,600	7,560

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

Costs for staff increase from Euro 10,796 thousand in the first half of 2019, to Euro 13,816 thousand in the period in question, up Euro 3,020 thousand. The change is mainly explained by the extension of the consolidation scope which determined the recognition of costs incurred by the subsidiary AP Reti Gas Nord Est S.r.l. and the extension of the consolidation scope subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. which took place on 1st July 2019.

As of 30th June 2020, costs for long-term incentive plans were recognised totalling Euro 223 thousand and costs for short-term incentive plans were recognised totalling Euro 257 thousand.

In accordance with IFRS 2, the cost of the long-term incentive plans had an offsetting item in the shareholders' equity reserves for Euro 33 thousand for the portion to be paid in shares and in the retirement funds for Euro 334 thousand for the cash portion. The amounts recorded for long-term incentive plans refer to the last year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

Capitalised personnel cost registered an increase of Euro 980 thousand, from Euro 3,236 thousand in the first half of 2019, to Euro 4,216 thousand in the period in question. The expansion of the scope of consolidation has in fact more than offset the negative effects deriving from the Covid-19 health emergency which, during the lockdown, had determined a decrease in investments and a consequent reduction in the hours worked for this purpose.

Net personnel costs consequently increased by Euro 2,040 thousand.

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

Description	30.06.2020	expansion of the perimeter	net of the expansion of the perimeter	30.06.2019	Variation
Managers (average)	13	1	12	14	-1
Office workers (average)	302	93	209	223	80
Manual workers (average)	157	50	107	118	40
No. of personal employed	472	144	328	354	118

The extension of the scope of consolidation is related to the average employees of AP Reti Gas Nord Est S.r.l., because the first consolidation of such company occurred on 31st December 2019, and the staff of Unigas Distribuzione S.r.l., merged through acquisition with effect from 1st July 2019.

31. Other operating costs

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Other provisions	600	0
Membership and ARERA fees	413	388
Capital losses	82	393
Extraordinary losses	189	24
Other taxes	534	342
Other costs	517	224
Costs of contracts	605	159
Energy efficiency certificates	24,977	18,465
Other management costs	27,917	19,995

Other operating costs, increasing from Euro 19,995 thousand in the first half of 2019 to Euro 27,917 thousand in the period in question, show an increase of Euro 7,922 thousand; this change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +6,512 thousand) and related to the higher efficiency and energy saving objectives applicable to the Group companies. The higher objectives assigned are primarily explained by the energy efficiency objectives related to the extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. (through the partnership concluded with the Hera Group on 19th December 2019) and the merger through acquisition of Unigas Distribuzione Gas S.r.l. effective 1st July 2019.

The costs recognised as of 30th June 2020 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2020 target (regulatory period June 2020 - May 2021). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 30th June 2020 and amounting to Euro 260 (Euro 260 as of 30th June 2019).

The provisions made, equal to Euro 600 thousand, relate to a proposal for the settlement of the judgments pending at the Regional Administrative Court of Lombardy between AP Reti Gas S.p.A. and some local authorities. For more information, please see the litigations section herein. The amount will be paid in a single and *pro-rata* instalment to each municipality subsequent to the acceptance of the proposal.

The increase in the item other taxes, from Euro 342 thousand to Euro 534 thousand in the period in question, is mainly due to higher payments for TOSAP and IMU related to the extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. (through the partnership concluded with the Hera Group on 19th December 2019).

The increase recorded in the item “other costs”, from Euro 224 thousand to Euro 517 thousand in the period in question, is mainly explained by the donations made by the parent company Ascopiave S.p.A. in favour of the Veneto Region for the management of the Covid-19 health emergency.

32. Other operating revenues

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Other income	27	1,298
Other income	27	1,298

At the end of the period considered, the item “other operating income” shows a decrease of Euro 1,271 thousand, from Euro 1,298 thousand as of 30th June 2019, to Euro 27 thousand in the reference period.

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

33. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Intangible fixed assets	15,434	10,024
Tangible fixed assets	1,117	920
Impairment losses and reversals assets	171	159
Amortization and depreciation	16,722	11,103

Amortisation and depreciation show an increase of Euro 5,619 thousand, from Euro 11,103 thousand as of 30th June 2019, to Euro 16,722 thousand in the period in question.

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

Financial income and expense

34. Financial income and expense

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Interest income on bank and post office account	1	51
Other interest income	49	38
Distribution of dividends from controlled compan	3,489	0
Financial income	3,539	89
Interest expense on banks	31	49
Interest expense on loans	683	633
Other financial expenses	100	131
Financial charges	815	813
Evaluation of subsidiary companies with net equit	9,341	0
Evaluation of subsidiary companies with net equit		648
Evaluation of subsidiary companies with the net	9,341	648
Total net financial expenses	12,065	(75)

At the end of the first half of 2020, the balance between financial income and expenses showed a gain of Euro 2,724 thousand, an increase as compared to the previous year of Euro 3,448 thousand. The change is mainly explained by the dividends received from the stakes held in HERA COMM S.p.A. for Euro 2,700 thousand and in ACSM - AGAM S.p.A. for Euro 789 thousand.

The items "other interest income" and "other expenses" show a decrease of Euro 39 thousand and an increase of Euro 2 thousand respectively.

The item “Result quota from jointly controlled companies” does not show balances in the first half of the year, while it recorded a balance equal to Euro 648 thousand, at the end of the same period in the previous year. The item included the operating results achieved by Unigas Distribuzione S.r.l. as of 30th June 2019. On 1st July 2019 the company was merged through acquisition resolved by the Shareholders of the companies and consequently, commencing that date, the items that made up this net change are fully recognised in the consolidated financial statements of the Group.

The item “profit /(loss) of companies measured using the equity method” includes the consolidated profits achieved by the associate Estenergy S.p.A., a company in which the Ascopiave Group holds a 48% stake subsequent to the completion of the business partnership with the Hera Group on 19th December 2019. At the end of the period in question, the consolidated results of the associate showed profits amounting to Euro 9,341 thousand.

Taxes

35. Taxes in the reference period

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
IRES current taxes	4,553	3,147
IRAP current taxes	308	461
(Advance)/Deferred taxes	(1,039)	(684)
Taxes previous years	(58)	
Taxes for the period	3,763	2,924

Taxes accrued increased from Euro 2,924 thousand in the first half of 2019 to Euro 3,763 thousand in the period in question, up Euro 838 thousand, mainly due to an increase in result before tax.

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Earnings before tax	24,948	7,660
Taxes for the period	3,763	2,924
Percentage of income before taxes	15.1%	38.2%

The tax-rate as of 30th June 2020 is 15.1%, a decrease of 23.1% compared to the same period in the previous year. The change is mainly explained by the significant variation in the results achieved by the companies measured with the equity method. The tax rate normalised of this effect is 24.1%, while at the end of the first half of 2019 it was 41.7%. The item was also affected by the positive effects deriving from the decrees issued due to Covid-19 which entailed a decrease in the tax burden.

Net result of divested companies

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

(Thousands of Euro)	1st Quarter 2020	1st Quarter 2019
Net result from transfer/disposal of assets		29,466
Net result from transfer/disposal of assets		29,466

The item highlights the result achieved by the divested companies at the end of the first half of the previous year and reclassified pursuant to IFRS 5 due to the partnership with the Hera Group finalised on 19th December 2019.

The item therefore includes the results achieved during the first half of 2019 by the gas and electricity sales companies involved in the partnership. This result benefitted from the recognition of the positive effects deriving from the recalculation of the coefficient “k” which are not recurring and are better described in the following paragraph “Non-recurrent components”.

Non-recurrent components

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

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

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.

OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 30TH JUNE 2020

Commitments and risks

Guarantees given

As of 30th June 2020, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30.06.2020	31.12.2019
On credit lines	3,849	3,849
On execution of works (letter of comfort)	1,694	1,292
On UTF offices and regions for taxes on gas (letter of comfort)	0	150
On distribution concession (letter of comfort)	6,085	3,390
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	0	675
On participation in the tender	75	75
Total	12,203	9,931

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

(Thousands of Euro)	30.06.2020	31.12.2019
On credit lines	41,132	41,882
Patronage on derivative financial instruments	23,400	23,400
Guarantees on credit lines (letter of comfort)	0	102
On UTF offices and regions for taxes on gas (letter of comfort)	1,850	2,510
On UTF offices and regions for taxes on electricity (letter of comfort)	0	104
On agreements for transport of gas (letter of comfort)	9,724	2,852
On agreements for transport of electricity (letter of comfort)	0	14,700
On purchase of gas agreements (letter of comfort)	0	126
Totale	76,106	85,676

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation, a stake sold to the Hera Group, amount as of 30th June 2020 to Euro 25,332 thousand, unchanged since 31st December 2019.

Risk and uncertainty factors

Information on agreements not disclosed in the balance sheet

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

Management of financial risk: objectives and criteria

The investments in the operative activities of the Group mainly consist of short-term and medium/long-term bank loans, financial leasing, lease contracts with the possibility of purchase and short-term bank deposits at sight. The recourse to such forms of investment exposes the Group to the risk connected with the fluctuation of interest tax

rate, that successively determine possible variations on financial costs.

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

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

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

Interest rate risks

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

The medium-long term loans, with variable and fixed rates, have a residual debt as of 30th June 2020 of Euro 170,473 thousand and expiration dates between 1st July 2020 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2020 and 2025, with residual balance as of 30th June 2020 of Euro 73,500 thousand (Euro 81,500 thousand as of 31st December 2019), represented by:

- Loan with the European Investment Bank granted in August 2013 with a residual debt as of 30th June 2020 of Euro 19,125 thousand,
- Loan with BNL disbursed in August 2019 with a residual debt as of 30th June 2020 of Euro 27,000 thousand, the latter hedged by a financial derivative with effect from February 2020, for which the interest rate risk is therefore neutralised,
- Loan with Crédit Agricole - Friuladria granted in October 2019 with a residual debt as of 30th June 2020 of Euro 27,000 thousand, the latter is hedged by a financial derivative instrument, and therefore its interest rate risk is neutralised.

As of 30th June 2020, the derivative instruments to hedge against the risk of changes in interest rates, relating to the loans taken out with BNL and Crédit Agricole - Friuladria, detailed in paragraph no. 26 “Current liabilities on derivative financial instruments”, have a mark to market which is negative for Euro 281 thousand and are effective.

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

- the loan taken out with BNL in August 2017, with a residual debt as of 30th June 2020 of Euro 23,750 thousand,
- the loan signed with Cassa Centrale Banca at the beginning of 2018, with a residual debt as of 30th June 2020 of Euro 8,223 thousand,
- the loan taken out with Intesa SanPaolo in November 2019, with a residual debt as of 30th June 2020 of Euro 45,000 thousand,
- the loan taken out with UBI Banca in May 2020, with a residual debt as of 30th June 2020 of Euro 20,000 thousand.

The loans above are subjected to covenants.

Please refer to Paragraph no. 17 “Medium and Long Term Loans” for additional details.

Sensitivity analysis of the interest rate risk

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

(Thousands of Euro)	March	June	
Net Financial Position 2020	(218,171)	(297,043)	
Borrowing rates of interest	0.05%	0.00%	
Lending rates of interest	0.31%	0.33%	
Borrowing rate of interest plus 200 basis points	2.05%	2.00%	
Lending rates of interest plus 200 basis points	2.31%	2.33%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.00%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(219,259)	(298,524)	
Net Financial Position recalculated with decrease of 50 basis points	(217,899)	(296,673)	Total
Effect on pre-tax result of the increase of 200 basis points	(1,088)	(1,481)	(2,569)
Effect on pre-tax result of the decrease of 50 basis points	272	370	642

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 2,569 thousand or positive for Euro 642 thousand.

Receivable risk

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

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

Liquidity risk

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

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

Specific risks in the business sectors in which the Group operates

Regulations

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

Public contributions received

As regards the novelties introduced by Law no. 124 dated 4th August 2017 “Annual Competition Law”, in art. 1 par. 125-129, please note that during the first half of 2020 the following contributions were received from public bodies, mainly related to user connections and interventions on the natural gas distribution network.

Grantor Entities			
Beneficiary institution	Name / Company name	Type of operation	Amount (Euro)
AP RETI GAS Nord Est S.r.l.	COMUNE DI VARMO	interventions on gas derivations	340
AP RETI GAS S.p.A.	A.T.E.R. PROVINCIA DI TREVISO	interventions on gas derivations	14,850
AP RETI GAS S.p.A.	AMM. COMUNALE DI CASTELSANGIOVA	interventions on gas derivations	785
AP RETI GAS S.p.A.	COMUNE DI CAMPOSAMPIERO	interventions on gas derivations	2,565
AP RETI GAS S.p.A.	COMUNE DI CASTELLO DI GODEGO	interventions on gas derivations	6,886
AP RETI GAS S.p.A.	COMUNE DI CHIONS	gas distribution network	7,158
AP RETI GAS S.p.A.	COMUNE DI CUNARDO	interventions on gas derivations	785
AP RETI GAS S.p.A.	COMUNE DI FONTE	interventions on gas derivations	1,639
AP RETI GAS S.p.A.	COMUNE DI MASERADA SUL PIAVE	interventions on gas derivations	1,674
AP RETI GAS S.p.A.	COMUNE DI PONTE DI PIAVE	gas distribution network	587
AP RETI GAS S.p.A.	COMUNE DI SESTO AL REGHENA	interventions on gas derivations	1,185
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	COMUNE DI ALBENGA	interventions on gas derivations	4,249
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	COMUNE DI CARISIO	gas distribution network	5,650
AP RETI GAS VICENZA S.p.A.	COMUNE DI COSTABISSARA	interventions on gas derivations	2,315
AP RETI GAS Rovigo S.r.l.	COMUNE DI ROVIGO	gas distribution network	22,540

Management of Capital

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

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

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

(Thousands of Euro)	30.06.2020	31.12.2019	30.06.2019
Financial position in the short term	162,451	79,935	129,682
financial position in the medium-long term	135,950	133,046	48,993
Financial gross debt	298,401	212,981	178,675
Share capital	234,412	234,412	234,412
Own shares	(33,661)	(26,774)	(24,147)
Reserves	618,606	172,638	155,512
Undistributed net profit	21,185	493,216	32,324
Total Net equity	840,542	873,492	398,099
Total capital and gross debt	1,138,944	1,086,474	576,774
Debt/Net assets ratio	0.36	0.24	0.45

Business segment reporting

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

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

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

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

	Distribuzione gas	Vendita gas	Trading gas	Vendita energia elettrica	Altro	30.06.2020 valori da nuove acquisizioni	Elisioni	Totale
Primo semestre 2020 (Migliaia di Euro)								
Ricavi netti a clienti terzi	65.666	0	0	0	2.907	17.945		86.518
Ricavi intragruppo tra segmenti	1.110	0	0	0	2.977	62	(4.149)	0
Ricavi del segmento	66.775	0	0	0	5.884	18.008	(4.149)	86.518
Risultato ante imposte	12.821	0	0	0	8.796	3.331		24.948
Risultato netto da attività cessate	0	0	0	0	0	0		0

	Distribuzione gas	Vendita gas	Trading gas	Vendita energia elettrica	Altro	30.06.2019 valori da nuove acquisizioni	Elisioni	Totale
Primo semestre 2019 (Migliaia di Euro)								
Ricavi netti a clienti terzi	52.422	(0)	0	0	8.394	0		60.816
Ricavi intragruppo tra segmenti	606	(0)	0	0	9.546	0	(10.153)	0
Ricavi del segmento	53.028	(0)	0	0	17.941	0	(10.153)	60.816
Risultato ante imposte	11.632	0	0	0	(3.972)	0		7.660
Risultato netto da attività cessate	0	24.630	33	4.202	600	0		29.466

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	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	13	0	0	0	0	0	0	0	25	0
Total parent company	13	0	0	0	0	0	0	0	25	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	7	0	59	0	0	328	0	0	10	0
Total affiliated companies	7	0	59	0	0	328	0	0	10	0
<i>Transfer/disposal assets and subsidiary companies</i>										
Estenergy S.p.A.	0		0	0	0	0	0	0	7,754	0
Ascotrade S.p.A.	2,835		14	0	0	0	2	0	22,931	0
Blue Meta S.p.A.	886		44	0	0	42	2	0	6,605	0
Etra Energia S.r.l.	130		0	0	0	0	1	0	317	0
Ascopiave Energie S.p.A.	675		61	0	0	51	3	0	4,347	0
ASM Set S.r.l.	196		0	0	0	0	1	0	1,945	0
Total Transfer/disposal assets and subsidiary companies	4,721	0	119	0	0	93	8	0	43,899	0
Total	4,741	0	178	0	0	421	8	0	43,934	0

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

Ascopiave S.p.A., AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and Asco Energy S.p.A. had joined the consolidation of tax relations held by the Parent company Asco Holding S.p.A.. The tax consolidation ceased due to the change of the reporting date which does not coincide with 31st December. Consequently, the current assets and liabilities recorded refer only to previous positions.

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

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

As concerns parent companies:

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

As concerns subsidiaries of the parent company:

Costs for services to the affiliate Asco TLC S.p.A. refer to a rental fee for the servers. Revenues for the aforementioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

As concerns discontinued operations:

- with Ascotrade S.p.A.:

- o Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
- o Trade payables relate to natural gas and electricity supplies incurred by Ascopiave S.p.A. and AP Reti Gas S.p.A.;
- o Costs for services concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
- o The revenues for services are connected to revenues for gas transportation and distribution services recorded by AP Reti Gas S.p.A. and to administrative, IT, personnel and facility services provided by

Ascopiave S.p.A.;

- with Blue Meta S.p.A.:
 - o Trade receivables refer to the natural gas transportation service on the distribution network with Edigas Distribuzione Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
 - o Trade payables relate to natural gas and electricity supplies incurred by Edigas Distribuzione Gas S.p.A.;
 - o Costs for services concern the purchase of gas and electricity incurred by Edigas Distribuzione Gas S.p.A.;
 - o The other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
 - o The revenues for services are connected to revenues for gas transportation and distribution services recorded by Edigas Distribuzione Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;

- with Etra Energia S.r.l.:
 - o Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.
 - o The other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
 - o The revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;

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

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

Revenues for services recognised towards Sinergie Italiane S.r.l. in liquidation relate to service contracts between the parties and re-invoicing of consultancy.

Please note that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 30th June 2020 to Euro 25,332 thousand (Euro 25,332 thousand as of 31st December 2019).

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with related parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 of 24th February

1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

On 24th November 2010, the Board of Directors approved a procedure for operations with related parties (the "Procedure"). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-*bis* of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12th March 2010 and subsequent modifications.

The Procedure was implemented on 1st January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11th September 2006 (and following modifications).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the afore-mentioned transactions.

Financial statements representation pursuant to Consob resolution 15519/2006

Please find below the Financial statements representation showing the effects of the transactions with related parties pursuant to Consob resolution no. 15519 dated 27th July 2006:

Consolidated assets and liabilities statement

(Thousands of Euro)	30.06.2020	Of which related parties						31.12.2019	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill	49.272							47.914						
Other intangible assets	566.885							567.194						
Tangible assets	34.403							34.694						
Shareholdings	500.761			420.029		420.029	83,9%	449.945		395.943		395.943	88,0%	
Other non-current assets	3.445							3.296						
Non current financial assets	2.502							2.478						
Advance tax receivables	20.104							19.390						
Non-current assets	1.177.372			420.029		420.029	35,7%	1.124.910		395.943		395.943	35,2%	
Current assets														
Inventories	22.606							8.132						
Trade receivables	21.090	13	7	4.721		4.741	22,5%	43.124	10	19	23.595	23.624	54,8%	
Other current assets	72.892							46.830	646			646	1,4%	
Current financial assets	3.403							6.993			6.195	6.195	88,6%	
Tax receivables	2.405							1.263						
Cash and cash equivalents	12.495							67.031						
								0						
Current assets	134.892	13	7	4.721		4.741	3,5%	173.373	656	19	29.790	30.465	17,6%	
ASSETS	1.312.264	13	7	424.750		424.770	32,4%	1.298.283	656	19	425.733	426.408	32,8%	
Net equity and liabilities														
Total Net equity														
Share capital	234.412							234.412						
Own shares	(33.661)							(26.774)						
Reserves	639.791							665.854						
Net equity of the Group	840.542							873.492						
Net equity of Others								0						
Total Net equity	840.542							873.492						
Non-current liabilities														
Provisions for risks and charges	2.173							1.344						
Severance indemnity	4.661							4.931						
Medium- and long-term bank loans	137.683							135.083						
Other non-current liabilities	25.762							24.553						
Non-current financial liabilities	768							441						
Deferred tax payables	21.745							22.021						
Non-current liabilities	192.792							188.374						
Current liabilities														
Payables due to banks and financing institutions	175.954							136.803						
Trade payables	77.052		59	119		178	0,2%	52.082		4	512	516	1,0%	
Tax payables	1.256							4.728						
Other current liabilities	21.991							25.549						
Current financial liabilities	2.395							17.156			16.204	16.204	94,5%	
Current liabilities from derivative financial instruments	281							98						
Current liabilities	278.929		59	119		178	0,1%	236.417	4	16.716	16.720	16.720	7,1%	
Liabilities	471.721		59	119		178	0,0%	424.791	4	16.716	16.720	16.720	3,9%	
Net equity and liabilities	1.312.264		59	119		178	0,0%	1.298.283	4	16.716	16.720	16.720	1,3%	

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Comprehensive consolidated income statement

(Thousands of Euro)	First half year 2020	Of which related parties						First half year 2019	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	86.518	25	10	43.899		43.934	50,8%	60.816	15	66	2.434		2.514	4,1%
Total operating costs	56.913		328	93	679	1.100	1,9%	41.978		358	37	818	1.214	2,9%
Purchase costs for other raw materials	1.047							719						
Costs for services	18.376		328	93	679	1.100	6,0%	15.001		332	37	458	827	5,5%
Costs for personnel	9.600							7.560				360	360	4,8%
Other management costs	27.917							19.995		27			27	0,1%
Other income	27							1.298						
Amortization and depreciation	16.722							11.103						
Operating result	12.883	25	(318)	9.699	(679)	8.727	67,7%	7.735	15	(293)	2.396	(818)	1.300	16,8%
Financial income	3.539			1		1	0,0%	89			2		2	2,2%
Financial charges	815			8		8	1,0%	813			2		2	0,2%
Evaluation of subsidiary companies with the net equity method	9.341				9.341	9.341	100,0%	648				648	648	99,9%
Earnings before tax	24.948	25	(318)	9.692	8.662	18.062	72,4%	7.660	15	(293)	2.396	(170)	1.948	25,4%
Taxes for the period	3.763							2.924						
Result for the period	21.185							4.736						
Net result from transfer/disposal of assets								29.466		128	29.338		29.210	99,1%
Net result for the period	21.185							34.202						

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	Of which related parties					First half	Of which related parties				
	year 2020	A	B	C	D	Total	year 2019	A	B	C	D	Total
Net income of the Group	21,185						4,736					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Third-parties operating result	0					0	1,878					0
Companies held for sale operating result	0					0	27,588					0
Amortization	16,722					0	11,103					0
Variations in severance indemnity	54					0	210					0
Current assets / liabilities on financial instruments and forward purchasee and sales	31					0	0					0
Net variation of other funds	829					0	0					0
Evaluation of subsidiaries with the net equity method	(9,341)			(9,341)		0	(648)		(648)			(648)
Gains on disposal of investments	(2,700)					0	0					0
Gains on disposal of investments net income discontinued assets	0					0	(1,247)					0
Interests paid	(700)					0	(458)					0
Taxes paid	(9,302)					0	(471)					0
Interest expense for the year	744					0	779					0
Taxes for the year	3,763					0	2,924					0
Inventories	(14,474)					0	(1,489)					0
Accounts payable	22,034	(3)	12	18,874		18,883	2,622	26	(32)	(399)	0	(405)
Other current assets	(26,062)	646			0	646	(8,453)	668	0	(21)	0	646
Trade payables	24,970	0	(55)	(393)	0	(448)	6,581	0	297	35	0	332
Other current liabilities	(3,660)	0	0	0	0	0	5,442	(423)	0	0		(423)
Other non-current assets	(149)		0	0	0	0	(249)					0
Other non-current liabilities	1,208					0	1,247					0
Operating flows from discontinued assets / liabilities	0					0	30,227			4,502		(161)
Total adjustments and variations	3,966	643	8	19,780	0	20,431	77,586	271	265	3,468	0	4,004
Cash flows generated (used) by operating activities	25,152	643	8	19,780	0	20,431	82,322	271	265	3,468	0	4,004
Cash flows generated (used) by investments												
Investments in intangible assets	(15,151)					0	(12,402)					0
Realisable value of intangible assets	26					0	403					0
Investments in tangible assets	(424)					0	(797)					0
Realisable value of tangible assets	4					0	0					0
Disposal/(acquisitions) in investments and avances	(59,240)					0	(0)					0
Other moviments equity	(12)					0	0					0
Investment flows from discontinued assets / liabilities	0					0	(72)					0
Cash flows generated/(used) by investments	(74,797)	0	0	0	0	0	(12,868)	0	0	0	0	0
Cash flows generated (used) by financial activities												
Net changes in debts due to other financiers	(154)					0	0					0
Net changes in short-term bank borrowings	(7,948)					0	(3,948)					0
Net variation in current financial assets and liabilities	(10,650)	0	0	(6,528)	0	(6,528)	30,487	0	0	(5,705)	0	(5,705)
Purchase of own shares	(6,854)					0	(7,167)					0
Ignitions loans and mortgages	116,700					0	104,000					0
Redemptions loans and mortgages	(67,000)					0	(128,000)					0
Payments for right of use	(96)					0	(176)					0
Dividends distributed to Ascopiave S.p.A. shareholders'	(47,442)					0	(75,163)					0
Dividends distributed to other shareholders	0					0	(1,761)					0
Dividends distributed from subsidiary companies	18,554					0	2,311			2,311		2,311
Cash flows from discontinued assets / liabilities	0					0	(29,149)					0
Cash flows generated (used) by financial activities	(4,890)					0	(108,566)			(3,394)		3,304
Variations in cash	(54,535)	0	0	(6,528)	0	(6,528)	(39,112)					0
Cash and cash equivalents at the beginning of the year	67,031						59,353					0
Cash and cash equivalents at the beginning of the year of the Companies held for sale	(0)						7,297					0
Cash and cash equivalents at the end of the period	12,495						20,241					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

(migliaia di Euro)	30.06.2020	Of which related parties						31.12.2019	Of which related parties							
		A	B	C	D	Total	%		A	B	C	D	Total	%		
A Cash and cash equivalents on hand	16							14								
B Bank and post office deposits	12.480							67.017								
C Securities held for trading																
D Liquid assets (A) + (B) + (C)	12.495							67.031								
E Current financial assets	3.403							6.993			6.195			6.195	88,6%	
F Payables due to banks	(143.164)							(106.025)								
G Current portion of medium-long-term loans	(32.790)							(30.778)								
H Current financial liabilities	(2.395)							(17.156)			(16.204)			(16.204)	94,5%	
I Current financial indebtedness (F) + (G) + (H)	(178.350)							(153.959)			(16.204)			(16.204)	10,5%	
J Net current financial indebtedness (I) - (E) - (D)	(162.451)							(79.935)			(10.009)			(10.009)	12,5%	
K Medium- and long-term bank loans	(137.683)							(135.083)								
L Non current financial assets	2.502							2.478								
M Non-current financial liabilities	(768)							(441)								
N Non-current financial indebtedness (K) + (L) + (M)	(138.950)							(133.046)								
O Net financial indebtedness (J) + (N)	(298.401)							(212.981)			(10.009)			(10.009)	4,7%	

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:

Group A - Parent companies:

- Asco Holding S.p.A.

Group B - Affiliates and Jointly controlled companies:

- Asco TLC S.p.A.

Group C - Associates:

- Estenergy S.p.A. (Group)

Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events subsequent to the end of the first half of 2020

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

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

Goals and policies of the Group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership. As for the segment of gas sale, on 19th December 2019, the Group finalised the business partnership with the Hera Group through the creation of a primary entity in Northern-Eastern Italy boasting over one million energy customers, as well as, at the same time, a reorganisation of the respective gas distribution activities.

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

Pieve di Soligo, 3rd August 2020

The Chairman of the Board of Directors
Nicola Ceconato

DECLARATION

(Translation from the original in Italian)

Certification of the Half Year Report as of 30th June 2020

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 Ceconato in his capacity as Chairman of the Board of Directors, and dr. Riccardo Paggiaro, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 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 2020 –30th June 2020

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 – 3rd August 2020

<i>Chairman of the Board of Directors</i>	<i>Officer Responsible for the preparation of Corporate Financial Reports</i>
<i>signature</i>	<i>signature</i>
dr. Nicola Ceconato	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 2020, 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 2020 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, 3 August 2020

PricewaterhouseCoopers SpA

Unsigned copy

Alessandro Mazzetti
(Partner)

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

PricewaterhouseCoopers SpA

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