

INTERIM REPORT AS OF 31ST MARCH 2021

Ascopiave Group

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- Declaration by the Manager - Certification of the Consolidated Financial Statements in accordance with art. 81-ter of Consob regulation no. 11971.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

Name	Office	Duration of office	From	To
Ceconato Nicola	Chairman of the Board of Directors and CEO*	2020-2022	29/05/2020	Approval of budget 2022
Pietrobon Greta	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022
Quarello Enrico	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022
Bet Roberto	Director	2020-2022	29/05/2020	Approval of budget 2022
Geronazzo Mariachiara	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022
Vecchiato Luisa	Director	2020-2022	29/05/2020	Approval of budget 2022
Novello Cristian	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022

The Board of Directors was appointed by the Ordinary Shareholders' Meeting held on 29th May 2020 and has been in office since 4th June 2020.

(*) Pietrobon Greta was appointed as the Lead Independent Director by the Board of Directors on 28th January 2021;

(**) Quarello Enrico was an independent director until 28th January 2021 and, subsequently, a non-independent director;

(***) Vecchiato Luisa was a non-independent director until 28th January 2021 and, subsequently, an independent director.

Name	Office	Duration of office	From	To
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

Internal committees

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Novello Cristian	08/06/2020	Approval of budget 2022	Pietrobon Greta	08/06/2020	Approval of budget 2022
Bet Roberto	08/06/2020	Approval of budget 2022	Quarello Enrico	08/06/2020	Approval of budget 2022
Geronazzo Mariachiara	08/06/2020	Approval of budget 2022	Vecchiato Luisa	08/06/2020	Approval of budget 2022

Independent Auditors

PriceWaterhouseCoopers S.p.A.

Registered office and Company data

Ascopiave S.p.A.
Via Verizzo, 1030
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Tel: +39 0438 980098
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Share Capital: Euro 234,411,575 fully paid up
VAT ID 03916270261

Investor relations

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e-mail: investor.relations@ascopiave.it

Main economic and financial data of the Ascopiave Group

Operating results

(Thousands of Euro)	1 st quarter 2021	% of revenues	1 st quarter 2020	% of revenues
Revenues	38,456	100.0%	44,662	100.0%
Gross operative margin	15,777	41.0%	15,554	34.8%
Operating result	6,996	18.2%	7,224	16.2%
Result for the period	13,619	35.4%	12,995	29.1%

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

Capital data

(Thousands of Euro)	31.03.2021	31.12.2020
Net working capital	(9,543)	29,287
Fixed assets and other non current assets	1,220,640	1,210,134
Non-current liabilities (excluding loans)	(47,213)	(47,071)
Net invested capital	1,163,884	1,192,350
Net financial position	(296,210)	(338,447)
Total Net equity	(867,674)	(853,903)
Total financing sources	(1,163,884)	(1,192,350)

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

Cash flow data

(Thousands of Euro)	1 st quarter	
	2021	2020
Net income of the Group	13.770	13.063
Cash flows generated (used) by operating activities	53.544	35.638
Cash flows generated/(used) by investments	(10.932)	(34.329)
Cash flows generated (used) by financial activities	(19.039)	(19.633)
Variations in cash	23.572	(18.324)
Cash and cash equivalents at the beginning of the year	21.902	67.031
Cash and cash equivalents at the end of the year	45.475	48.707

REPORT ON OPERATIONS

Foreword

The Ascopiave Group closed the first quarter of 2021 with a net consolidated profit of Euro 13.6 million (Euro 13.0 million as of 31st March 2020), marking an increase of Euro 0.6 million compared to the same period in the previous year.

Net consolidated assets as of 31st March 2021 amount to Euro 867.7 million (Euro 853.9 million as of 31st December 2020), and the net invested capital to Euro 1,163.9 million (Euro 1,192.4 million as of 31st December 2020).

During the first quarter of 2021, the Group accomplished investments for Euro 10.9 million (Euro 34.3 million in the first quarter of 2020, of which Euro 26.7 million in equity investments), mainly in the installation of electronic metres, as well as in the development, maintenance and modernisation of gas distribution networks and facilities for Euro 10.5 million (Euro 6.6 million in the first quarter of 2020).

The operating results achieved 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”.

Activities

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

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 12,900 km, providing services to a catchment area of approximately 777,000 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 operating processes.

Operating performance

The volumes of gas distributed through the networks managed by the Group were 669.9 million cubic metres, with an increase of 6.6% compared to the first quarter of 2020.

The distribution network as of 31st March 2021 has an extension of 12,933 km, up 65 km compared to the same period in the previous year.

Economic results and financial situation

Consolidated revenues in the first quarter of 2021 are to the tune of Euro 38.5 million, as compared to Euro 44.7 million recorded in the same period of the previous year.

The Operating Result of the Group equals Euro 7.0 million, down Euro 0.2 million compared to the first quarter of 2020.

The Net Result, equalling Euro 13.6 million, marks an increase of Euro 0.6 million compared to the same period in the previous year.

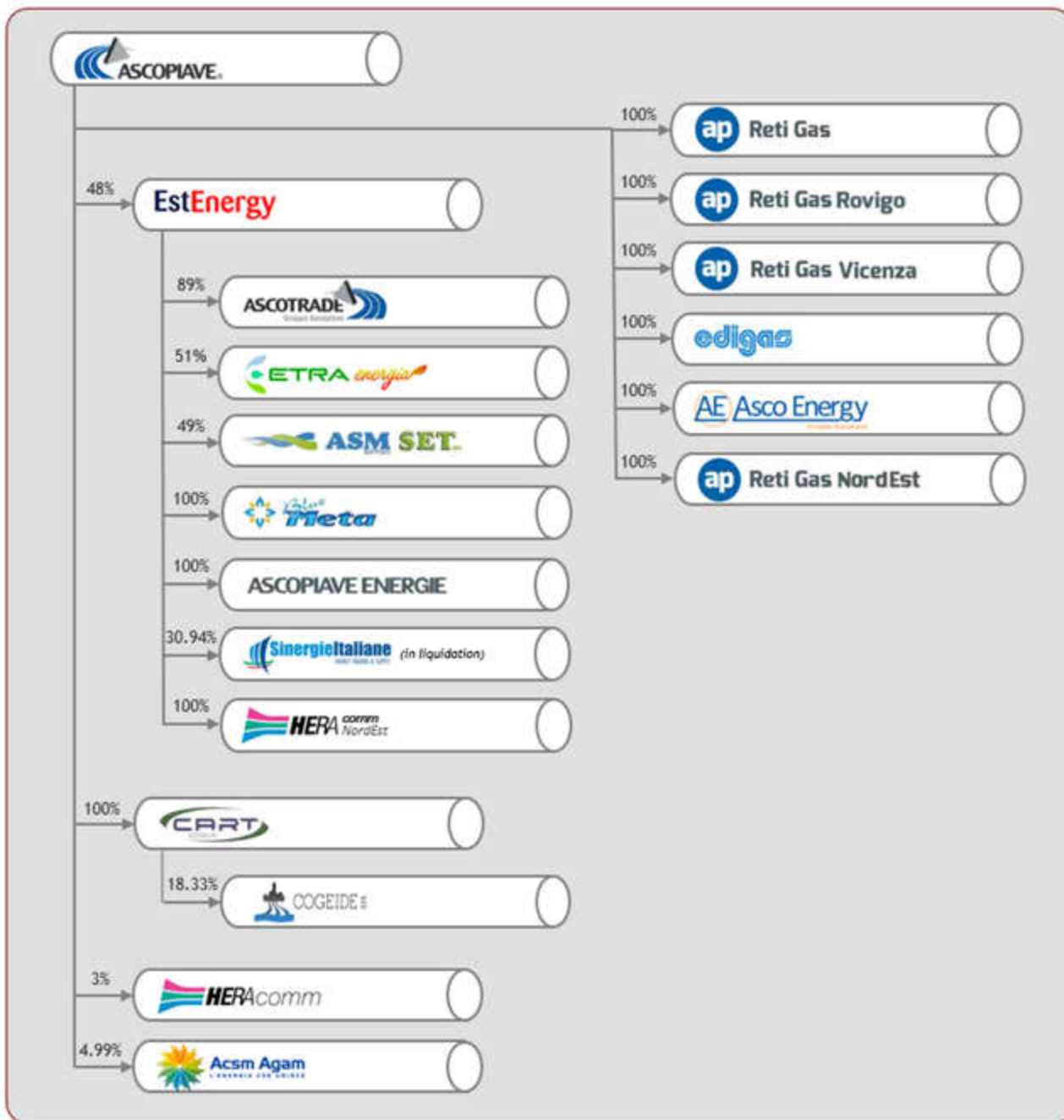
The Net Financial Position of the Group as of 31st March 2021 is equal to Euro 296.2 million, a decrease of Euro 42.8 million compared to Euro 339.0 million as of 31st December 2020.

The decrease in financial indebtedness is determined by the cash flow of the period (given by the sum of the net result and amortisation and depreciation and provisions), which generated resources for Euro 22.5 million, the management of current assets, which generated financial resources for Euro 31.3 million and the investment activity which caused the expenditure of Euro 10.9 million.

The ratio of Net financial position to Net equity as of 31st March 2021 was 0.34 (0.40 as of 31st December 2020).

The structure of the Ascopiave Group

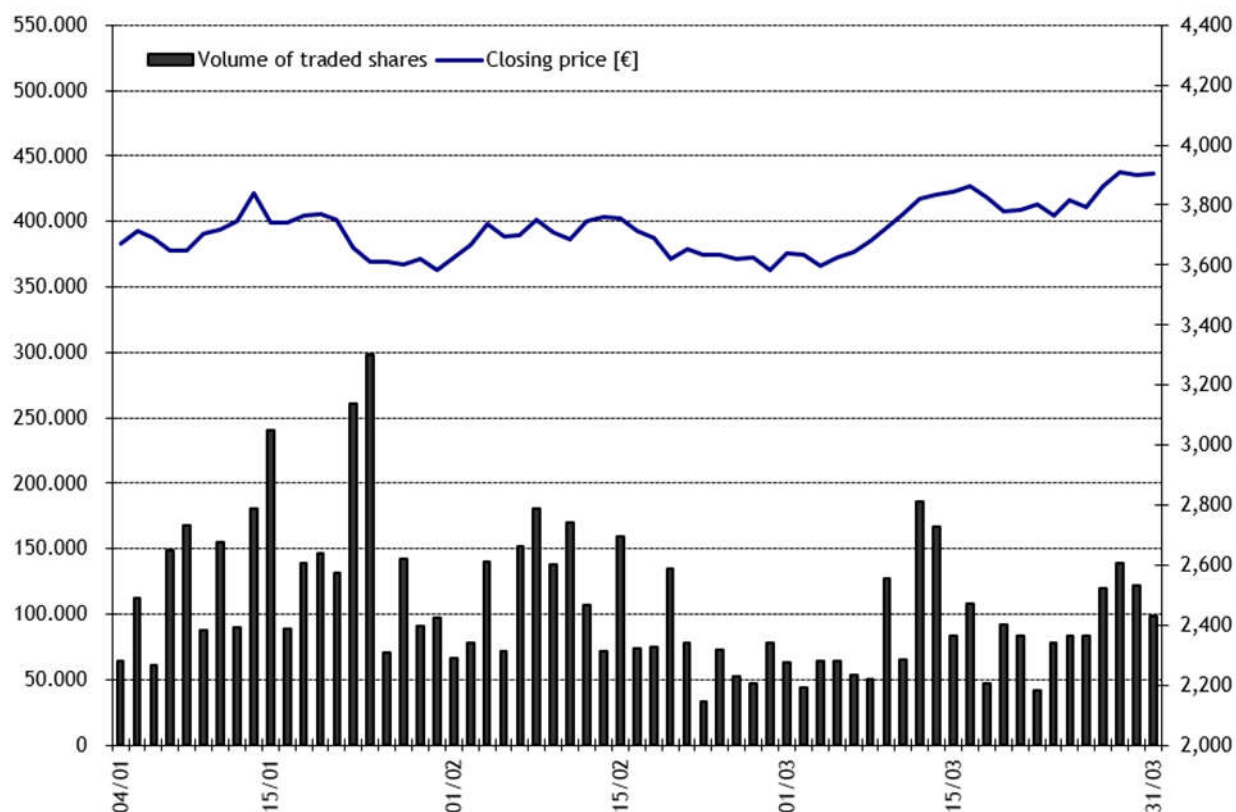
The table below shows the company structure of the Ascopiave Group as of 31st March 2021.



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

As of 31st March 2021, the Ascopiave share registered a quotation of Euro 3.905 Euro per share, up 6.4 percentage points as compared to the listing at the beginning of 2021 (Euro 3.670 per share, referred to the quotation of 4th January 2021).

Capitalisation of the Stock Exchange as of 31st March 2021 was Euro 913.12 million¹ (Euro 857.19 million as of 30th December 2020).



During the first quarter of 2021, the quotation of the shares showed an increase (+6.4%). In the same period, the FTSE Italia All Share index increased by 10.3%, FTSE Italia Star by 8.8% and the sectorial index FTSE Italia Utenze by 1.6%.

In the following table, we report the main shares and stock-exchange data as of 31st March 2021:

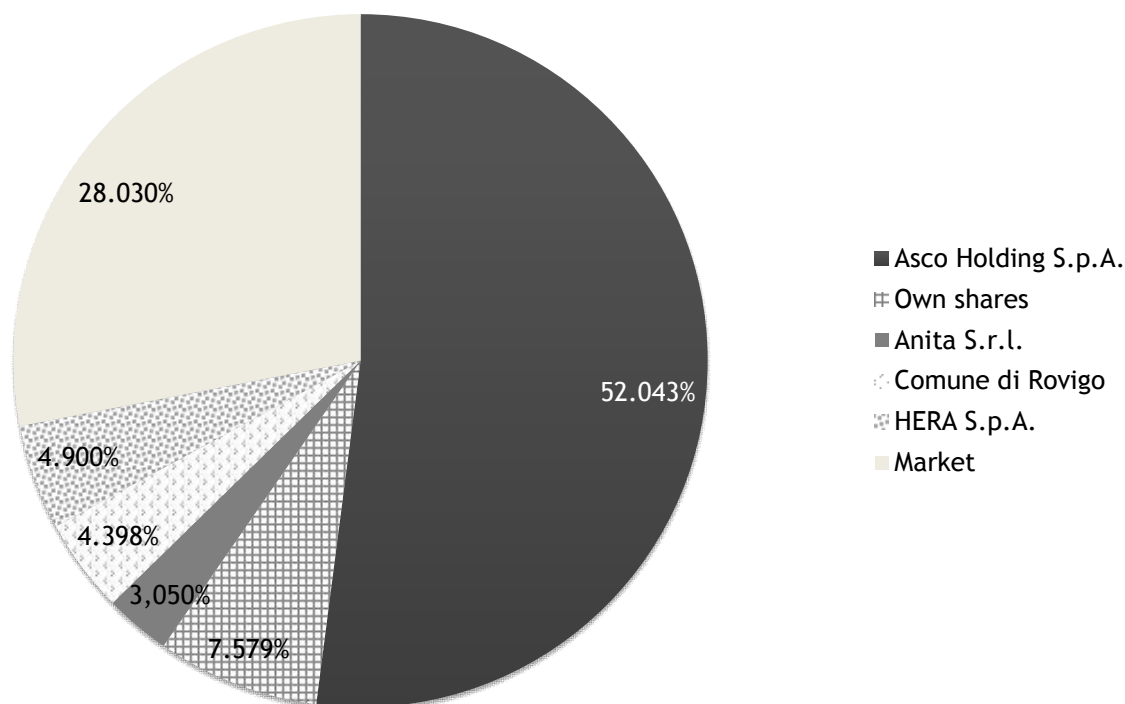
¹ The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 31st March 2021 equalled Euro 17.3 billion. Official data from Borsa Italiana (www.borsaitaliana.it).

Share and stock-exchange data	31.03.2021	30.12.2020
Earning per share (Euro)	0.06	0.27
Net equity per share (Euro)	3.70	3.64
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.905	3.635
Maximum annual price (Euro)	3.910	4.610
Minimum annual price (Euro)	3.585	2.720
Stock-exchange capitalization (Million of Euro)	913.12	857.19
No. of shares in circulation	216,644,717	216,644,717
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	17,766,858	17,766,858

Control of the Company

As of 31st March 2021, 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 quarter of 2021, Ascopiave S.p.A. continued its operating improvement 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 Manager in charge, helped by the Internal Auditing Supervisor and the Compliance Function, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor and update the important procedures for drafting financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

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

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

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

Ascopiave S.p.A. has 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. with the Parent company Asco Holding S.p.A..

During the first quarter of 2021, the transactions with the companies involved in the partnership produced revenues in relation to the following types of service:

- ✓ 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.

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, joined a new national tax consolidation agreement with the parent company Ascopiave S.p.A.. The other receivables recorded from the parent company Asco Holding S.p.A. refer to previous positions related to the tax consolidation with the same company which ceased in 2019.

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.	18	612	23	0	0	15	0	0	21	0
Total parent company	18	612	23	0	0	15	0	0	21	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	34	0	177	0	0	177	0	0	11	0
Bim Piave Nuove Energie S.r.l.	55	0	9	0	0	23	0	0	307	0
Total affiliated companies	89	0	186	0	0	200	0	0	318	0
<i>Transfer/disposal assets and subsidiary companies</i>										
Estenergy S.p.A.	2.698	0	0	0	0	0	0	0	6.259	0
Ascotrade S.p.A.	8.359	0	71	0	0	0	0	0	18.780	0
Blue Meta S.p.A.	2.378	0	95	0	0	81	0	0	5.261	0
Etra Energia S.r.l.	156	0	0	0	0	0	0	0	189	0
Ascopiave Energie S.p.A.	1.685	0	124	0	0	87	0	0	3.615	0
ASM Set S.r.l.	643	0	29	0	0	44	0	0	1.635	0
Total Transfer/disposal assets and subsidiary companies	15.920	0	318	0	0	212	0	0	35.738	0
Total	16.026	612	527	0	0	427	0	0	36.077	0

Significant events during the first quarter of 2021

The Board of Directors approved the 2020-2024 strategic plan of the Ascopiave Group.

On 15th January 2021, the Board of Directors of Ascopiave S.p.A., in a meeting chaired by Nicola Cecconato, approved the 2020-2024 strategic plan of the Ascopiave Group.

The plan envisages a sustainable growth process that will improve corporate profitability while maintaining a balanced financial structure and a stable and advantageous distribution of dividends. Economic and financial highlights:

- EBITDA in 2024: Euro 87 million (+Euro 25 million compared to 2020 preliminary financial statements)
- Net profit in 2024: Euro 51 million (+Euro 11 million compared to 2020 preliminary financial statements)
- Investments in 2020-2024: Euro 497 million
- Net debt in 2024: Euro 500 million
- Financial leverage (Net financial position / Shareholder's equity) in 2024: 0.57
- Forecast of dividends distributed: 16 cents per share in 2020, with an increase of 0.5 cents per share in subsequent years until 2024.

The plan develops a scenario that leverage the tenders won by the Group, if any, for the gas distribution service. This opportunity, which depends, among other things, on the actual publication schedule of the calls for tenders, involves a further estimated growth in EBITDA of Euro 20 million by 2024 and an increase in investments of Euro 188 million.

AP Reti Gas S.p.A., a company of the Ascopiave group, was chosen by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l. as an industrial partner for joint participation in tenders for the gas distribution service in the Milano 2 and Milano 3 Territorial Areas.

On 26th February 2021, AP Reti Gas S.p.A., a company of the Ascopiave Group, was informed by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l., state-owned companies active in the management of the gas distribution service in 20 municipalities of the province of Milan, that it was selected as an industrial partner for joint participation in each of the two future tenders for the assignment of the service in the Milano 2 and Milano 3 Territorial Areas (the "Territorial Tenders"). The company was chosen by means of a competitive procedure where AP Reti Gas submitted an economic-industrial bid (the "Tender for the Selection of the Industrial Partner").

Based on the partnership agreement with Aemme Linea Distribuzione and NED Reti Distribuzione Gas, a company will be incorporated upon winning a Territorial Tender: 51% of the share capital of such company will be held by the two state-owned companies and the remaining 49% by AP Reti Gas, with the possibility of establishing two companies at most if both Territorial Tenders are won. The governance of the companies to be incorporated will enable the Ascopiave Group to fully consolidate their accounting values.

AP Reti Gas will capitalise such companies through a capital contribution in proportion to the value of the assets that will be transferred by the state-owned partners, in addition to a premium. The values of the contributions by the state-owned partners will be commensurate with the actual reimbursement value of the plants currently managed by the same state-owned partners updated on the date of the transfer of these plants to the companies to be incorporated, net of the capital value of the loans taken out in relation to the investments made.

If the partnership obtains the management of both concessions, assigned through the Territorial Tenders in 2023, Ascopiave, on the basis of the information currently available, estimates an equity investment in both companies of approximately Euro 82 million.

In the coming months, the parties will define the details of the partnership, the shareholders' agreements and the articles of association of the companies to be established on the basis of the principles defined in the partnership agreement within 31st July 2021, a deadline that can be extended by mutual agreement between the parties but in any case soon enough to participate in the Territorial Tenders.

At present, the Ascopiave Group expects to be able to meet the financial commitments related directly and indirectly to participation in the future Territorial Tenders covered by the partnership agreement with Aemme Linea Distribuzione and NED Reti Distribuzione Gas by resorting to financial debt. The firm BonelliErede was the legal advisor of AP Reti Gas upon participating in the Tender for the Selection of the Industrial Partner.

Information on Covid 19

The international health emergency caused by the spread of the SarsCov2 virus, begun in the first months of 2020 and which affected the entire world, starting with the Asian countries and then continuing with several other nations, including severely Italy, is still underway and has significantly affected the first quarter of the year.

The Group has carefully and constantly monitored, since the outbreak in 2020 and throughout the emergency, the evolution of the situation in the area where the activities of the Group companies are located, but also the development of the pandemic at an international level, 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 same level of attention and prevention adopted in 2020 has been implemented in these first months of the year, a period in which the pandemic has continued to strike heavily, in particular in winter. Likewise, the Group's Management continues to monitor, by using external indicators and internally processed values, the impacts of the epidemic in terms of performance, in order to be able to introduce any corrective measures aimed at mitigating any effects on the execution of the business.

Thanks to the remedies already implemented in the previous financial year, the negative economic and financial effects did not affect the final results of the Group, 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.

Significant events after the first quarter of 2021

On 27th April 2021, Ascopiave S.p.A. announced the increase in its stake in Acsm Agam S.p.A., a multi-utility company based in the region of Lombardy and active in gas, electricity, water and environmental services, which amounts to 5.0000047% of the share capital with voting rights.

The Shareholders' Meeting of the parent company Ascopiave S.p.A. convened on 29th April 2021 in extraordinary and ordinary session. For further information, please refer to the paragraph on the events occurred subsequent to the end of the first quarter of 2021 in the explanatory notes.

Additional significant events

Energy efficiency and saving

As regards the objectives applicable to the Group's natural gas distribution companies in relation to energy efficiency certificates (EEC), with the delivery at the end of November 2020, the 2018 objective was completed for all the relevant companies. In addition, also in November 2020, the minimum quota of about 60% of the 2019 target and an advance quota of the 2020 target were delivered for all the relevant companies.

The natural deadline for delivering the efficiency certificates, normally set on 31st May of each year, was postponed in 2020 to November 2020 due to the health emergency caused by the pandemic in progress, just like the disbursement of the grants related to their delivery. In January 2021, the Group distribution companies collected contributions totalling Euro 20,546 thousand.

As regards the 2020 objectives, the sum of the objectives for the three relevant Group companies is 145,846 EECs. So far, the objectives for 2021 - and more generally for the 2021-2024 period - have not been published yet (consequently, they have been estimated in-house); the deadline set for the end of May 2021 for the delivery of the 2020 minimum target is confirmed.

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

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

In relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely: the early redemption (normally governed pursuant to Royal Decree no. 2578/1925) and the reimbursement from the (natural) expiration of the concession.

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

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the 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 rules 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 signed a convention, which implied hiring a renowned independent competent professional in order to determine the fundamental criteria to be applied 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 wrote 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 the Ascopiave 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) 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;
- Euro 5,467 thousand in 2020;

were paid for a total amount of Euro 56,702 thousand.

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

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

Litigations

LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 31st March 2021, the following are pending:

MUNICIPALITY OF SANTORSO (Ascopiave S.p.A.):

On 9th April 2021, a settlement agreement was signed, establishing the value of the plants at Euro 1.25 million, plus VAT, the compensation of legal costs and the instalment schedule of the amounts due by the Municipality over 12 years. As a result, the abandonment of the appeal pending before the Court of Appeal of Venice will be formalised soon.

LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st March 2021 no litigations are pending.

ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS

As of 31st March 2021, the following are pending:

MUNICIPALITY OF SOVIZZO (AP Reti Gas S.p.A.):

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 CONCORDIA SAGITTARIA, FOSSALTA DI PORTOGRUARO AND TEGLIO VENETO (AP Reti Gas S.p.A.)

Three administrative proceedings, pending before the Regional Administrative Court of Veneto, initiated by AP Reti Gas for the cancellation of the Municipal Council Resolutions no. 92, 85 and 70 passed in 2020, by which the three Municipalities approved the respective estimates of the residual value of the plants, prepared by the technician appointed by the Contracting Authority (Metropolitan City of Venice) in accordance with the ministerial guidelines, and not, as required by art. 15, paragraph 5 of Italian Legislative Decree 164/2000 and as done previously, in

application of the duly and promptly shared contractual criteria, with a value recognised to AP Reti Gas which is lower, respectively, by approximately Euro 412 thousand, Euro 375 thousand and Euro 48 thousand. At present, there are no further procedural documents.

MUNICIPALITIES OF ALBIGNASEGO AND CADONEGHE (AP Reti Gas Nord Est S.R.L.)

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

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

ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st March 2021, the following are pending:

GUIDELINES - MINISTERIAL DECREE 22nd MAY 2014 (Ascopiave S.p.A.)

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 Lazio 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) (Ascopiave S.p.A. - AP Reti Gas S.p.A.)

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 S.p.A., therefore, together with other appellants AP Reti Gas S.p.A. (as assignee of Ascopiave and passive subject of the legislation), 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.

ANAC GUIDELINES ON ART. 177 LEGISLATIVE DECREE 50/2016 (AP Reti Gas S.p.A.)

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

Article 177 of Legislative Decree 50/2016 establishes that, from 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/affiliate 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 March 2021”.

AP Reti Gas filed an appeal.

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

The appeal trial is currently suspended because, in a similar appeal, the Council of State raised the issue of the constitutional legitimacy of art. 177 of Italian Legislative Decree 50/2016.

Press release of ANAC’s Chairman issued on 16th October 2019 (AP Reti Gas S.p.A.)

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 and related procedure to access the documents (AP Reti Gas S.p.A.)

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.

Subsequent to the appeal by Italgas Reti, the Regional Administrative Court of Lombardy, with Judgement no. 1517 dated 04/08/2020, partially accepted the request of Italgas Reti, ordering ARERA to submit the documents used for determining the rate of return on invested capital (beta parameter).

Subsequently, Italgas initiated first a “compliance” procedure, aimed at enforcing the Judgement, then challenged it (obviously, for the non-accepted portions).

Both measures were notified to AP Reti, as a mere Third-Party Counterparty.

The Company, in order to protect its legitimate interests, which only partially coincide with those of Italgas Reti, decided to intervene in the two judgments.

ASCO ENERGY - CONTARINA - PROJECT FINANCING (Asco Energy S.p.A.)

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. Due to the supplementary documentation acquired, additional grounds were brought.

The discussion hearing was held on 14th April 2021.

AWARD OF THE “BELLUNO” TERRITORIAL TENDER and related procedure to access the documents (AP Reti Gas S.p.A.)

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.

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

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

The appeal filed by AP Reti Gas pursuant to art. 116 of the Administrative Procedure Code, in order to access the parts of the tender indicated by Italgas as covered by secrecy, was accepted by order dated 16th October 2020. Italgas Reti lodged an appeal. With injunction published on 6th April 2021, the Council of State accepted the appeal and, overturning the ruling of the Regional Administrative Court, denied access to the tender documents covered by secrecy.

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

Finally, the Regional Administrative Court set the hearing on the merits for January 2021. The Parties, however, by mutual agreement, also in consideration of the appeal relating to the procedure to access the documents (then pending), requested and obtained the postponement of the hearing to 16th June 2021.

Please note that the entire administrative process that led to the territorial tender was appealed by the Municipalities belonging to the Area against the Contracting Authority. Specifically, the municipalities intend to reset the entire procedure.

With Judgement no. 1208 dated 7th December 2020, the Regional Administrative Court of Veneto declared the appeal inadmissible. The municipalities have appealed.

CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st March 2021, the following are pending:

REQUEST FOR DAMAGES DUE TO SUPPLY INTERRUPTION AGAINST AP RETI GAS VICENZA (AP Reti Gas Vicenza S.p.A.)

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

The Company, while hoping for an amicable settlement, regularly entered an appearance and, exercising the negotiation indemnity, impleaded the contractor.

ASCOPIAVE - UNIT B (Ascopiave S.p.A.)

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

The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate) and Euro 208 thousand (estimate of a Third-party firm).

All the Parties regularly appeared before the Court.

The Court, by Order dated 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 (Gas distribution companies of the Ascopiave Group)

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

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

For this purpose (and to meet provisions of the regulations), the company has created a management procedure that starts with the activation of the Default Service and ends with the termination (for any reason) of the Default Service. The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous data and/or efforts to contact the involved final customers, notification of delays, past due notifications and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code (or art. 703 Civil Procedural Code).

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

- 3 procedures have been filed (hearings already scheduled/under scrutiny);
- 9 procedures are in execution of judgment;
- 3 procedures for which the appeal was rejected;
- 2 procedures with procedural issues (e.g. whose appeal was rejected);
- 13 procedures are being managed (an appeal could be necessary);
- 493 procedures have been completed (in various stages).

Between 50 and 70 procedures for which legal action is likely to be taken are expected every year for all Group companies. From 2014 to 31st December 2020, the total legal fees (including taxes), for the procedures forwarded to the Law firms, amount to approximately Euro 427 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

Some claims are pending with the Court of Cassation related to the refusal to reimburse the additional IRES tax (so-called Robin Tax) subsequent to the negative ruling by the respective Regional Tax Commissions.

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

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

Subsequently, in 2015, the Constitutional Court declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid. The tax authorities expressly denied the reimbursement. Several claims were filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the acceptance of the claim would cause a massive financial burden for the entire country; as regards the time expected to settle this litigation, no temporary framework can be provided. So far, the appeals relating to the companies Ascopiave, also on behalf of the merged company Unigas Distribuzione, AP Reti Gas Rovigo and Edigas Esercizio Distribuzione Gas have been filed.

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, for which Ascopiave issued a specific guarantee; the company presented its briefs against the Report on Findings. Subsequent to the submission of the briefs, Agenzia delle Entrate issued the tax demands to Ascotrade relating to the disputed matters, following which the company filed an appeal with the Provincial Tax Commission of Venice, accepted on 21st April 2021, with the cancellation of the related challenged documents.

As regards the following years, the audit continued with the issuance on 29th September 2020, against Ascotrade S.p.A., of the Report on Findings referring to the year 2015, subsequent to which, after the presentation of specific briefs, Agenzia delle Entrate issued a notice of assessment on 23rd December 2020, then appealed by the company before the Provincial Tax Commission of Venice, still pending.

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

AUDIT OF THE PROVINCIAL DIRECTION OF ROVIGO

In March 2021, the company AP Reti Gas Rovigo S.r.l. received a notification from Agenzia delle Entrate - Provincial Direction of Rovigo requesting the documents relating to the 2017 financial year pursuant to Art. 51 Presidential

Decree 633/72, Art. 32 Presidential Decree 600/73. The documentation requested by Agenzia delle Entrate was sent by certified e-mail on 7th April 2021.

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) with 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 regulations concerning the criteria to be applied to calls for tenders and the evaluation of the bid for assigning the gas distribution service were approved (the so-called Decree for Criteria).

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

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

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

The conversion into Law of the Decree (Law no. 9/2014) made substantial changes to Article 15 of Legislative Decree no. 164/2000, stating 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 ARERA so that it can be checked before publishing the invitation to tender.

In addition, Law no. 9/2014 established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 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 provisions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

On 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 stated in the agreements or contracts and what cannot be deduced from the will of the parties.

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

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

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

Lastly, by Resolution 310/2014/R/gas - “Provisions for determining the reimbursement value of natural gas distribution networks”, published on 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 Entity shall send the Authority the verification documents containing a detailed calculation of the reimbursement value (RIV), if this value is 10% higher than the local RAB.

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

With Law no. 116/2014 dated 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 stated in Annex 1 of Ministerial Decree 226/2011, the time limit was extended by eight months; for the areas belonging to the second, third and fourth groups the deadline was postponed by six months and lastly for the areas of the fifth and sixth groups the extension is four months.

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes of 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, was brought to 10%;
- 3) the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

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

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

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

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

The Law dated 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 entities from the obligation to send detailed assessments to the Authority if all the following conditions are met jointly:

- the local tender authority can also certify through a suitable third party that the reimbursement value has been determined by applying the provisions contained in the Guidelines dated 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 April 2021, the Shareholders' meeting approved the financial statements and the distribution of the ordinary dividend, to the tune of Euro 0.16 per share, with ex-dividend date on 3rd May 2021, record date on 4th May 2021 and payment on 5th May 2021.

Treasury shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31st March 2021 the Company owns 17,766,858 own shares for a value of Euro 55,628 thousand (unchanged since 31st December 2020), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

Outlook for 2021

As far as the gas distribution activities are concerned, in 2021 the Group will continue its normal operations and service management and perform preparatory activities for the next invitations to tender for awarding concessions. Should the tender procedures of the Territorial Areas in which the Ascopiave Group is interested progress in 2021, in light of the time normally required for participants to submit bids and for the contracting authorities to evaluate and select them and announce a winner, the new managements, if any, are expected to start subsequent to the end of the current year, therefore without changes in the scope of the activities currently managed.

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 annual 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.

With regard to energy efficiency obligations, new regulatory measures are being adopted which, among other things, should decrease the quantity of obligations to be obtained with a possible positive impact on the margins of the year 2021.

As regards energy efficiency obligations, it is presumable that the economic margin achievable in 2021 will be consistent with that achieved in 2020, 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 quarter of 2021 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 will continue to monitor the pandemic at the national and international level so as 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 2021 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 early 2020, the health emergency caused by Covid-19 concretely 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 2020, which was followed by an urgent meeting of the Council of Ministers on 23rd February 2020 for the first important action by the government, on the same day, Sunday 23rd February 2020, at the Ascopiave Group headquarters in Pieve di Soligo, as requested and directed by the Chairman Nicola Ceconato, a specific Crisis Unit was set up to handle the emergency, composed of: Roberto Zava (HR Director and Operational Coordinator of the Crisis Unit), Antonio Vendraminelli (Distribution SBU Director), Alberto Tomasoni (Health and Safety Officer), Romeo Ghizzo (IT), Luisa Bedin (Assets), Gabriele Kaserer (Organisation), Manlio Boscheratto (Staff).

The task entrusted to the Crisis Unit was to provide operational instructions aimed at supporting the activities of the Group companies by ensuring all the necessary measures to protect workers' health.

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

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

As regards the measures adopted for handling the biological risk in the workplace, in addition to observing the regulations issued through the various Prime Ministerial Decrees and other provisions of the health authorities, in compliance with art. 13 of the protocol signed on 15th March 2020 (later updated on 24th April 2020) by the Government and the social partners, the so-called Central Committee, that is, concerning the Ascopiave Group as a whole, was established in agreement and with the participation of the trade unions (with equal representation) with the task of assessing and drafting the "shared regulatory protocol of measures to fight against and contain the spread of Covid-19 in the workplace"; sub-committees were also set up for subsidiaries.

The aforementioned "protocol" was implemented by the Committee and the main actions consisted of: 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 of the headquarters with tables and chairs arranged in order to respect distances, initially, then the canteen service was suspended and subsequently resumed for fewer guests and with adequate distancing; 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); rescheduling of operations for all technical, administrative and secretarial areas; strengthening of cleaning services; frequent sanitisation of the premises; 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; purchase, distribution or placement in the various areas of material for personal hygiene and for cleaning; purchase of PPE stocks; installation of non-contact thermometers for measuring body temperature at the entrance to the headquarters and placement in all offices of infrared thermometers for measuring body temperature. All this reduced the risk, so much so that no clusters or outbreaks occurred and the cases found were attributable to external situations.

With regard to employment, an exercise was started, starting from the "Distribution" area of the subsidiaries, to reschedule operations, and non-urgent activities were gradually minimised.

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

In general, business continuity was guaranteed in all areas, although the employees were encouraged in all ways to leave the workplaces and remote work was facilitated by providing the necessary technological equipment. Personnel could only be present at the offices and workstations subject to the authorisation of their supervisor and only for valid and justified operational reasons. In total, this exodus has involved over 90% of the employees of the Pieve di Soligo headquarters 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 first wave of the pandemic ended in May 2020 when a slow and planned return of almost all 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, 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.

In October 2020, on the other hand, with the new governmental restrictions adopted as a result of the second wave of the pandemic, the organisational measures passed at the beginning of the emergency were re-implemented, and continued in the first months of 2021, with the progressive planned leave of employees from the offices maximising the use of agile work by providing the appropriate technological equipment; in addition, the use of holidays or leaves or other possibilities given by the contractual instruments was encouraged.

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 incompliance with the ordinances issued.

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

Overall, as of 31st March 2021, 16 official and informal meetings of the Central Committee were convened and regularly held, while communications to employees throughout the Ascopiave Group on the emergency, always on the same date, were 52, demonstrating a continuous, complete and far-reaching information.

As for the staff of Ascopiave S.p.A. and the affiliate companies, the first resource tested positive for Covid-19 on 15th October 2020, but the employee had already been working from home for some time, without accessing the headquarters or seeing colleagues; then, until 31st December 2020, 25 more cases were recorded, mostly attributable to infections occurring within the family.

During the first months of 2021, the company continued to monitor the situation by updating on a case-by-case basis the communication with employees on the new measures taken at the national and regional level for the containment of the pandemic.

In order to ensure greater prevention, 12 additional infrared thermometers have been placed at the entrances of the sites of all the companies of the Ascopiave Group so as to measure body temperature on the wrist with an alarm in case of temperature above 37.5°, and with sanitising gel for the hands.

The Company has intensified the daily cleaning and periodic sanitation of the premises.

In the first three months of 2021, 13 more employees tested positive for Covid-19: none of these cases is particularly serious and the infections are attributable to external or family contacts.

The management of the Covid-19 emergency continues to be on the agenda of meetings with the specially established Committee and the members of the crisis unit. In March 2021, the Company, through Assindustria, a trade association, offered its headquarters as a vaccination hub, since the premises are adequate. No answer has been received yet, except informally, as the quantities of vaccines available outside the official channels organised by the Region through the Ulss (Local health and social care facility) are not sufficient for the moment.

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

To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 2.25% in the first quarter of the year (8.30% as of 31st December 2020) of the total gross receivables from third parties for invoices issued; the significant decrease compared to the end of the year is ascribable to the factoring operation without recourse performed in December 2020, concerning the receivables of the distribution companies for the transport service. 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 31st March 2021 the Ascopiave Group holds a portfolio of 268 natural gas distribution concessions (268 as of 31st December 2020). 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 operating activity and the operating results, financial position and cash flows, 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, if not inferable from the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 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 Decree of the Minister for Economic Development dated 12th November 2011 no. 226 establishes that the new operator acquires the property of the plant by paying the reimbursement value to the outgoing operator, except for any portion thereof owned by the municipality.

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, please note that the Authority has intervened with Resolution 367/2014/R/gas, stating that the

reimbursement value, stated in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets transferred for consideration to the new operator in the second period of concession based on the reimbursement value, stated 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 stated in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services (RTDG), and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

OPERATIONAL RISKS

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

Risks of malfunctioning and/or interruption of the distribution service

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

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

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

Risk associated with the installation of Smart Metres

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

Risks associated with energy efficiency certificates

Pursuant to art. 16.4 of Italian Legislative Decree no. 164/2000, natural gas distribution companies must pursue energy saving objectives in end uses and in the development of renewable sources; based on the results achieved, distributors are assigned the so-called Energy Efficiency Certificates, whose cancellation involves a reimbursement by

Cassa per i Servizi Energetici e Ambientali financed through the funds established through the RE (Energy Saving) component of the distribution tariffs. The ARERA determines the specific energy saving objectives applicable to electricity and natural gas distributors taking into account the annual national quantities of saving that must be pursued through the white certificate mechanism. There is a potential risk of economic loss for the Group due to any negative difference between the average purchase value of the certificates and the tariff contribution granted and/or any failure to achieve the assigned objectives.

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

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

Regulatory risk

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

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

Legal and non-compliance risk

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

Additional information

Seasonal nature of the activity

Since the execution of the partnership agreement with the Hera Group, finalised on 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 affiliates valued using the equity method which, as they work in the natural gas sales sector, are significantly exposed to the risks associated with such activity.

Gas consumption, in fact, 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 companies in a uniform manner throughout the year. Therefore, the data and the information contained in the interim financial statements and pertaining to those companies do not allow for immediate indications to be drawn regarding the overall performance for the year.

Comments on the economic-financial results of the first quarter of 2021

Performance Indicators

According to Consob communication DEM 6064293 dated 28th July 2006 and 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 before amortisation and depreciation, write-downs of receivables, financial management and taxes.
- **Operating result:** this indicator is also included in the accounting standards we have adopted, and it is defined as the operating margin (Ebit) minus the balance of costs and non-recurrent revenues. The latter item 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 the distribution and metering 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 quarter		Var.	Var. %
	2021	2020		
Ascopiave Group				
Number of concessions	268	268	0	0.0%
Length of distribution network (km)	12,933	12,868	65	0.5%
Number of POD	776,987	777,280	-293	0.0%
Volumes of gas distributed (scm/mln)	669.9	628.1	41.8	6.6%

Comments on the trend of the main operational indicators of the Group's activity are reported below. The value of each indicator is obtained by adding the values of the indicators of each consolidated company.

As far as the activity of gas distribution is concerned, in the first three months of 2021, the volumes distributed through the networks managed by the Group companies totalled 669.9 million cubic metres, up 6.6% compared to the same period in the previous year.

As of 31st March 2021, the number of redelivery points (PDR) managed by the Group companies was 776,987.

General operational performance - The Group's economic results

(Thousands of Euro)	1 st quarter			
	2021	% of revenues	2020	% of revenues
Revenues	38,456	100.0%	44,662	100.0%
Total operating costs	22,679	59.0%	29,107	65.2%
Gross operative margin	15,777	41.0%	15,554	34.8%
Amortization and depreciation	8,781	22.8%	8,330	18.7%
Operating result	6,996	18.2%	7,224	16.2%
Financial income	12	0.0%	169	0.4%
Financial charges	569	1.5%	584	1.3%
Evaluation of subsidiary companies with the net equity method	8,842	23.0%	8,242	18.5%
Earnings before tax	15,281	39.7%	15,051	33.7%
Taxes for the period	1,663	4.3%	2,055	4.6%
Net result for the period	13,619	35.4%	12,995	29.1%
Group's Net Result	13,619	35.4%	12,995	29.1%
Third parties Net Result		0.0%		0.0%

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

In the first quarter of the year, the Group incomes amounted to Euro 38,456 thousand, down 13.9% compared to the same period in the previous year. The following table reports the details of income.

1 st quarter

(Thousands of Euro)	2021	2020
Revenues from gas transportation	27,078	28,100
Revenues from connections	143	134
Revenues from heat supply		5
Revenues from distribution services	1,480	1,137
Revenues from services supplied to Group compa	2,253	2,201
Revenues from ARERA contributions	6,906	12,295
Other revenues	597	791
Revenues	38,456	44,662

The **tariff revenues from gas distribution** (from Euro 27,718 thousand to Euro 26,685 thousand) decreased by Euro 1,034 thousand compared to the same period in the previous year. In fact, at the end of the first quarter of 2020, the final tariffs for 2019 were published; the adjustment of the equalisation amount recognised at the end of the year to the final value resulted in the entry in the first quarter of 2020 of a positive effect, equal to Euro 903 thousand.

The **revenues from energy efficiency certificates** (from Euro 12,295 thousand to Euro 6,906 thousand) decreased by Euro 5,389 thousand compared to the same period in the previous year. The change is partly explained by the lower targets expected for the year 2021.

The **operating result** in the first three months of 2021 amounted to Euro 6,996 thousand, recording a decrease of Euro 228 thousand (-3.2%) compared to the same period in the previous year.

The decrease is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 1,034 thousand;
- higher margin on energy efficiency certificates for Euro 197 thousand;
- positive change in other items of cost and revenues, equal to Euro 608 thousand.

The positive change in other items of cost and revenues, equal to Euro 608 thousand, is due to:

- higher other revenues for Euro 205 thousand;
- higher material and service costs and other charges equalling Euro 176 thousand;
- lower staff costs for Euro 1,031 thousand, mainly due to higher capitalisations;
- an increase in amortisation and depreciation of fixed assets and provisions for Euro 451 thousand.

The **net consolidated profit** in the first three months of 2021, equal to Euro 13,619 thousand, records an increase of Euro 623 thousand (+4.8%) compared to the same period in the previous year.

This change is due to the following factors:

- decrease in the operating result, as previously stated, for Euro 228 thousand;
- decrease in financial revenues for Euro 156 thousand;
- decrease in financial charges for Euro 15 thousand;
- decrease in taxes for Euro 393 thousand;
- higher result of companies consolidated through the equity method (representative of the equity investment held by Ascopiave, equal to 48%, in the EstEnergy Group, established subsequent to the partnership with the Hera Group) for Euro 600 thousand.

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 30.2% in the first quarter of 2020 to 25.8%.

General operational performance - Financial situation

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

(Thousands of Euro)	31.03.2021	31.12.2020
A Cash and cash equivalents on hand	17	14
B Bank and post office deposits	45,457	21,889
D Liquid assets (A) + (B) + (C)	45,475	21,902
E Current financial assets	1,007	798
F Payables due to banks	(117,705)	(125,723)
G Current portion of medium-long-term loans	(40,027)	(40,024)
H Current financial liabilities	(1,529)	(1,065)
I Current financial indebtedness (F) + (G) + (H)	(159,262)	(166,812)
J Net current financial indebtedness (I) - (E) - (D)	(112,781)	(144,111)
K Medium- and long-term bank loans	(186,173)	(195,999)
L Non current financial assets	3,160	2,226
M Non-current financial liabilities	(417)	(563)
N Non-current financial indebtedness (K) + (L) + (M)	(183,430)	(194,336)
O Net financial indebtedness (J) + (N)	(296,210)	(338,447)

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

The financial position decreased from Euro 338,994 thousand as of 31st December 2020 to Euro 296,210 thousand as of 31st March 2021, reporting a decrease of Euro 42,784 thousand.

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

(Thousands of Euro)	31.03.2021	31.12.2020
Net financial indebtedness	(296,210)	(338,994)
Non current financial assets	(3,160)	(2,226)
Net financial indebtedness ESMA	(299,371)	(341,220)

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

(Thousands of Euro)	First quarter	
	2021	2020
Net Income	13,619	12,995
Depreciations and amortizations	8,833	8,330
(a) Self financing	22,452	21,326
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	31,264	14,312
(c) Change in financial position generated by operating activities = (a) + (b)	53,716	35,638
(d) Change in financial position generated by investing activities	(10,932)	(34,329)
(e) Other financial position changes	0	(6,498)
Net financial position changes = (c) + (d) + (e)	42,784	(5,189)

The cash flow generated by operations (c), equal to Euro 53,716 thousand, was due to self-financing for Euro 22,452 thousand and other positive financial variations amounting to Euro 31,264 thousand, related to the management of the net circulating capital for Euro +40,106 thousand and the measurement of companies consolidated through the equity method for Euro -8,842 thousand.

The management of the net circulating capital generated financial resources amounting to Euro 40,106 thousand and was influenced mainly by the change in the net operating capital which generated financial resources for Euro 33,912 thousand and the positive variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro 1,993 thousand and the VAT position for Euro 4,441 thousand.

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

(Thousands of Euro)	First quarter	
	2021	2020
Inventories	(123)	(4,131)
Trade receivables and payables	(14,219)	778
Operating receivables and payables	48,254	22,814
Severance pay and other funds	111	219
Current taxes	1,663	2,055
Tax receivables and payables	4,421	817
Change in net working capital	40,106	22,554

Investment activities generated a cash requirement of Euro 10,932 thousand, for net investments in tangible and intangible assets, mainly for works and developments of natural gas distribution facilities.

The following table shows in detail the other changes in the financial position in the first quarter of 2021. Please note that, during the period, Ascopiave S.p.A. did not purchase own shares on the electronic stock market.

(Thousands of Euro)	First quarter	
	2021	2020
Sale of own shares	0	(6,498)
Other changes in financial position	0	(6,498)

General operational performance - Investments

During the first quarter of the year, the Group made investments in tangible and intangible assets for Euro 10,965 thousand, an increase as compared to the same period in the previous year of Euro 3,224 thousand.

The investments in infrastructures for the distribution of natural gas, amounting to Euro 10,513 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 4,717 thousand, the creation of connections for Euro 2,871 thousand and the installation of metres for Euro 2,925 thousand. The other investments amounted to Euro 451 thousand and mainly concerned the purchase of software licences used by the Group's distribution companies for the management of remote metering for Euro 130 thousand.

INVESTMENTS (Thousands of Euro)	First quarter	
	2021	2020
Connecting a gas users	2,871	1,994
Expansions, reclamations and network upgrades	4,598	2,224
Flowmeters	2,925	1,997
Maintenance	119	372
Raw material (gas) investments	10,513	6,587
Land and buildings	68	71
Industrial and commercial equipment	98	13
Forniture	5	8
Vehicles	88	171
Hardware e Software	192	892
Other assets	0	0
Other investments	451	1,154
Investments	10,965	7,741

Ascopiave Group

Schedules of the interim financial report

as of 31st March 2021

Consolidated assets and liabilities statement

(Thousands of Euro)		31.03.2021	31.12.2020
ASSETS			
Non-current assets			
Goodwill	(1)	49.272	49.272
Other intangible assets	(2)	579.861	577.413
Tangible assets	(3)	33.098	33.443
Shareholdings in Controlled and Affiliated companies	(4)	445.646	436.805
Shareholdings in other companies	(4)	78.925	78.925
Other non-current assets	(5)	3.436	4.154
Non current financial assets	(6)	3.160	2.226
Advance tax receivables	(8)	30.402	30.122
Non-current assets		1.223.800	1.212.359
Current assets			
Inventories	(8)	15.035	14.912
Trade receivables	(9)	53.475	33.587
Other current assets	(10)	61.902	75.964
Current financial assets	(11)	1.007	798
Tax receivables	(12)	3.583	3.583
Cash and cash equivalents	(13)	45.475	21.902
Current assets		180.476	150.747
ASSETS		1.404.277	1.363.106
Net equity and liabilities			
Total Net equity			
Share capital		234.412	234.412
Own shares		(55.628)	(55.628)
Reserves		688.890	675.119
Net equity of the Group		867.674	853.903
Net equity of the Minorities		0	0
Total Net equity	(14)	867.674	853.903
Non-current liabilities			
Provisions for risks and charges	(15)	2.516	2.412
Severance indemnity	(16)	4.776	4.770
Medium- and long-term bank loans	(17)	186.173	195.999
Other non-current liabilities	(18)	27.391	26.905
Non-current financial liabilities	(19)	417	563
Deferred tax payables	(20)	12.904	12.984
Non-Current liabilities		234.178	243.632
Current liabilities			
Payables due to banks and financing institutions	(21)	157.733	165.747
Trade payables	(22)	72.443	66.774
Tax payables	(23)	7.188	5.174
Other current liabilities	(24)	63.533	26.263
Current financial liabilities	(25)	1.154	1.065
Current liabilities from derivative financial instruments	(26)	375	548
Current liabilities		302.425	265.570
Liabilities		536.603	509.203
Net equity and liabilities		1.404.277	1.363.106

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

Income statement and Comprehensive consolidated income statement

(Thousands of Euro)		First quarter	
		2021	2020
Revenues	(27)	38.456	44.662
Total operating costs		22.679	29.107
Purchase costs for other raw materials	(28)	1.312	862
Costs for services	(29)	9.584	9.596
Costs for personnel	(30)	4.351	5.382
Other management costs	(31)	8.239	13.288
Other income	(32)	467	21
Amortization and depreciation	(33)	8.781	8.330
Operating result		6.996	7.224
Financial income	(34)	12	169
Financial charges	(34)	569	584
Evaluation of subsidiary companies with the net equity method	(34)	8.842	8.242
Earnings before tax		15.281	15.051
Taxes for the period	(35)	(1.663)	(2.055)
Result of the period		13.619	12.995
Group's Net Result		13.619	12.995
Minorities' Net Result		(0)	(0)
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	(68)
Total comprehensive income		13.770	12.927
Group's overall net result		13.770	12.927
Minorities' overall net result		(0)	(0)
Base income per share		0,063	0,058
Diluted net income per share		0,063	0,058

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the specific 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

(migliaia di Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Profit/(loss) carried forward	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2021	234.412	46.882	(55.628)	(527)	433.301	136.762	58.701	853.903	(0)	853.903
Result for the period							13.619	13.619		13.619
Other operations					152	(0)		152		152
Total result of overall income statement				(0)	152	(0)	13.619	13.770	(0)	13.770
Allocation of 2020 result					(0)	58.701	(58.701)	(0)		(0)
Balance as of 31th March 2021	234.412	46.882	(55.628)	(527)	433.453	195.463	13.619	867.673	(0)	867.674

(Thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Profit/(loss) carried forward	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2020	234.412	46.882	(26.774)	(51)	(10.955)	136.762	493.216	873.492	(0)	873.492
Result for the period						(0)	12.995	12.995	(0)	12.995
Other operations					(68)	(0)		(68)	(0)	(68)
Total result of overall income statement					(68)	(0)	12.995	12.927	(0)	12.927
Allocation of 2019 result					(0)	493.216	(493.216)	(0)		(0)
Purchase of own shares			(6.498)		(0)	(0)		(6.498)		(6.498)
Balance as of 31th March 2020	234.412	46.882	(33.271)	(51)	(11.023)	629.978	12.995	879.922	(0)	879.922

Consolidated statement of cash flows

	First quarter	
	2021	2020
Total comprehensive income	13.770	13.063
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Fair value of derivatives, changes in the period	(14)	(68)
Amortization	(33)	8.330
Svaluation of assets	(33)	0
Variations in severance indemnity	(16)	116
Current assets / liabilities on financial instruments	(26)	11
Net variation of other funds	(15)	103
Evaluation of subsidiaries with the net equity method	(34)	(8.242)
Interests paid		(526)
Interest expense for the period	(34)	542
Taxes for the period	(35)	2.055
Total adjustments	1.439	2.324
Variations in assets and liabilities		
Inventories	(8)	(4.131)
Accounts payable	(9)	(7.673)
Other current assets	(10)	(9.195)
Trade payables	(22)	8.451
Other current liabilities	(24)	32.237
Other non-current assets	(5)	(111)
Other non-current liabilities	(18)	673
Total variations in assets and liabilities	38.334	20.251
Cash flows generated (used) by operating activities	53.544	35.638
Cash flows generated (used) by investments		
Investments in intangible assets	(2)	(7.237)
Investments in tangible assets	(3)	(362)
Disposal/(acquisitions) in investments and avances	(4)	(26.730)
Cash flows generated/(used) by investments	(10.932)	(34.329)
Cash flows generated (used) by financial activities		
Net changes in short-term bank borrowings	(21)	(9.839)
Net variation in current financial assets and liabilities	(11; 25)	(9.995)
Purchase of own shares	(14)	(6.498)
Ignitions loans and mortgages	(17)	48.700
Redemptions loans and mortgages	(17)	(42.000)
Cash flows generated (used) by financial activities	(19.039)	(19.633)
Variations in cash	23.572	(18.324)
Cash and cash equivalents at the beginning of the period	21.902	67.031
Cash and cash equivalents at the end of the period	45.475	48.707

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. Ascopiave S.p.A. is a joint-stock company with Italian domicile that was established in Italy.

As of 31st March 2021, the majority share of the Company’s share capital, amounting to Euro 234,411,575, was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 31st March 2021 of the Ascopiave Group was authorised by resolution of the Board of Directors on 13th May 2021.

The activities of the Ascopiave Group

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

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 2020), has a distribution network extending for over 12,930 km (12,910 km as of 31st December 2020) and provides a service to a catchment area bigger than 1 million inhabitants.

The Ascopiave Group holds a 48% stake in the share capital of EstEnergy S.p.A., a company selling natural gas and electricity, and a 19% stake in the share capital of Cogeide S.p.A., a company operating in the field of water services in the region of Lombardy.

General drafting criteria and compliance with IFRS

The Ascopiave Group’s Interim Financial Statements as of 31st March 2021 were prepared pursuant to IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted at the reporting date by the European Commission pursuant to the procedure set forth in EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002.

The accounting standards adopted in these Interim Financial Statements are consistent with those used in the Consolidated Financial Statements as of 31st December 2020.

The interim financial statements are expressed in Euro, the currency used in the economy where the Group operates, and include the Consolidated assets and liabilities statement, the Comprehensive consolidated income statement, the Consolidated statement of changes in shareholders’ equity, the Consolidated statement of cash flows and the Explanatory notes. All the values reported in the statements and explanatory notes are expressed in thousands of Euros, unless otherwise indicated.

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

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group. These Interim financial statements as of 31st March 2021 were approved by the Board of Directors of the Company on 13th May 2021.

Measurement criteria

Use of estimates

The preparation of the interim report for the first quarter of 2021 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent assets and liabilities at the reporting date.

If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" of the Consolidated Financial Statements as of 31st December 2020.

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

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

Consolidation area and principles

The interim 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 recognised in the year they are incurred. The assets and liabilities, the charges and income of companies consolidated with the line-by-line method are fully included in the consolidated financial statements; the book value of investments is eliminated against the corresponding share of equity of the investee companies. Receivables and payables, as well as the costs and revenues arising from transactions between companies included in the consolidation area are entirely eliminated; the capital gains and losses arising from transfers of assets between consolidated companies, the gains and losses deriving from transactions between consolidated companies related to the sale of assets that remain as inventories of the purchasing company, the write-downs and write-backs of investments in consolidated companies, as well as intercompany dividends are also eliminated.

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

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

In the case of shares acquired subsequent to the acquisition of control (purchase of minority interests), any positive difference between the acquisition cost and the corresponding portion of equity acquired is recognised in 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.

Affiliates are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in affiliates are initially recorded at cost and subsequently assessed using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the entry of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment.

The financial statements of subsidiaries and jointly controlled Companies used for the purpose of preparing the Interim Report are those approved by the respective Boards of Directors. The data of the companies consolidated on a line-by-line basis or with the equity method are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRS adopted by the European Union.

The companies included in the consolidation area as of 31st March 2021 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%	100.00%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3,000,000	100.00%	100.00%	0%
Asco Energy S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100.00%	0%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	100.00%	100.00%	0%
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	100.00%	100.00%	0%
Cart Acqua S.r.l.	Orio al Serio (BG)	50,000	100.00%	100.00%	0%
Affiliated Companies					
Estenergy S.p.A.	Trieste (TS)	299,925,761	48.00%	48.00%	0%
Cogeide S.p.A.	Mozzanica (BG)	16,945,026	19.00%	19.00%	0%

No changes occurred compared to the financial statements closed on 31st December 2020.

Synthesis data of companies consolidated on a line-by-line basis

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.	3.054	(864)	807.575	316.116	IFRS
100% consolidated companies					
AP Reti Gas Nord Est S.r.l.	6.593	1.215	136.779	(17.144)	IFRS
AP Reti Gas S.p.A.	19.560	3.511	329.248	(37.502)	IFRS
Cart Acqua S.r.l.	74	(14)	3.845	(129)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	5.389	862	65.318	7.050	Ita Gaap
AP Reti Gas Vicenza S.p.A.	4.356	(131)	17.338	19.428	Ita Gaap
AP Reti Gas Rovigo S.r.l.	1.169	309	20.508	2.736	Ita Gaap
Asco Energy S.p.A.	238	(1)	748	0	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 31st March 2021, remains unchanged as compared to 31st December 2020. 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.

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)	31.03.2021	31.12.2020
Distribution of natural gas	49,272	49,272
Total goodwill	49,272	49,272

As of 31st March 2021, considering the outcome of the impairment tests conducted while preparing the financial statements as of 31st December 2020, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to perform another impairment test on the book value of the goodwill reported above.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.03.2021			31.12.2020		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	6.929	(5.849)	1.081	6.915	(5.813)	1.103
Concessions, licences, trademarks and similar rights	15.860	(11.806)	4.054	15.860	(11.537)	4.324
Other intangible assets	9.685	(4.479)	5.206	9.685	(4.420)	5.265
Tangible assets under IFRIC 12 concession	1.043.148	(499.409)	543.740	1.035.350	(491.578)	543.771
Tangible assets in progress under IFRIC 12 concession	23.498	0	23.498	20.783	0	20.783
Intangible assets in progress and advances payments	2.283	0	2.283	2.167	0	2.167
Other intangible assets	1.101.404	(521.543)	579.861	1.090.760	(513.348)	577.413

The changes in the inventory allowance for intangible assets in the quarter under examination and in 2020 are shown in the following table:

	31.12.2020					31.03.2021
(Thousands of Euro)	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	1.103	2		28		1.081
Concessions, licences, trademarks and similar rights	4.324	(0)		270		4.054
Other intangible assets	5.265	0		59		5.206
Tangible assets under IFRIC 12 concession	543.771	7.847	48	7.845	(14)	543.740
Tangible assets in progress under IFRIC 12 concessio	20.783	2.732	17	0		23.498
Intangible assets in progress and advances payments	2.167	116		0		2.283
Other intangible assets	577.413	10.697	66	8.201	(14)	579.861

	31.12.2019							31.12.2020
(Thousands of Euro)	Net value	Change for the period	Extension of the scope of consolidation	Decrease	Reclassifications	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	900	254	5			55		1.103
Concessions, licences, trademarks and similar rights	4.798	604	0			1.078		4.324
Other intangible assets	5.486	0	0			220		5.265
Tangible assets under IFRIC 12 concession	541.495	33.603	0	2.078		30.388	(1.139)	543.771
Tangible assets in progress under IFRIC 12 concessio	13.649	7.135	0	1		0		20.783
Intangible assets in progress and advances payments	868	1.821	0		(522)	0		2.167
Other intangible assets	567.194	43.417	5	2.079	(522)	31.742	(1.139)	577.413

The investments made during the first quarter of the year amount to Euro 10,697 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 first quarter of the year, the item "Industrial patents and intellectual property rights" did not register significant investments and its variation equals the amortisation of the period.

Concessions, licences, trademarks and similar rights

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

Other intangible fixed assets

In the first quarter of the year the item did not record investments and the change is explained by amortisation.

Leased plants and machinery

The item reports the costs incurred for the construction of natural gas facilities and distribution network, the related connections as well as for the installation of metering and reduction groups. At the end of the first quarter of the year the item recorded a net negative change of Euro 32 thousand mainly explained by the amortisation of the period and the investments made. Including the reclassifications of assets under construction, investments totalled Euro 7,847 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 construction of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the period. The item increased by Euro 2,732 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 three 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 amortisation of tangible assets at the end of the periods under examination are shown in the following table:

(Thousands of Euro)	31.03.2021				31.12.2020			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	43.545	(16.282)	(265)	26.998	43.545	(15.983)	(265)	27.297
Plant and machinery	4.042	(1.818)	(1.059)	1.165	4.042	(1.798)	(1.059)	1.184
Industrial and commercial equipment	4.590	(3.826)		764	4.488	(3.798)		689
Other tangible assets	20.842	(18.150)		2.692	20.692	(17.954)		2.738
Tangible assets in progress and advance paym	650	0	(55)	595	650	0	(55)	595
Rights of use	1.682	(798)		885	1.668	(728)		940
Other tangible assets	75.350	(40.874)	(1.379)	33.098	75.083	(40.262)	(1.379)	33.443

The changes in the inventory allowance for tangible assets in the quarter under examination and in 2020 are shown in the following table:

(Thousands of Euro)	31.12.2020					31.03.2021	
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value	
Lands and buildings	27.297	0		299		26.998	
Plant and machinery	1.184	0		19		1.165	
Industrial and commercial equipment	689	94		20		764	
Other tangible assets	2.738	108		154		2.692	
Tangible assets in progress and advance payments	595	0		0		595	
Rights of use	940	32		88		885	
Other tangible assets	33.443	235	0	580	0	33.098	

(Thousands of Euro)	31.12.2019					31.12.2020	
	Net value	Change for the period	Extension of the scope of consolidation	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	28.709	102	0	8	(265)	1.240	27.297
Plant and machinery	1.089	258	0		(64)	99	1.184
Industrial and commercial equipment	693	60	0			64	689
Other tangible assets	2.988	259	36			545	2.738
Tangible assets in progress and advance payments	499	151	0		(55)	0	595
Rights of use	716	616	0			392	940
Other tangible assets	34.694	1.445	36	8	(383)	2.340	33.443

The investments made during the first quarter of the year amount to Euro 235 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 quarter of the year, the item did not register investments and the variation is explained by depreciation.

Plants and machinery

During the first quarter 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 94 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 quarter of the year are equal to Euro 108 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 59 thousand) and company vehicles (Euro 49 thousand).

Tangible assets under construction and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. At the reporting date, the item is unchanged compared to 31st December 2020.

Rights of use

The item includes the rights of use related to the application of IFRS 16. The effect of the application of the standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings and rental of vehicles and trucks. During the period, the change recorded was Euro 32 thousand.

4. Equity investments

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

	31.12.2020		31.03.2021
	Net value	Increase	Net value
(Thousands of Euro)			
Shareholdings in associated companies	436,805	8,842	445,646
Shareholdings in other companies	78,925	0	78,925
Shareholdings	515,729	8,842	524,571

During the quarter, the item “Equity investments” recorded an overall increase of Euro 8,842 thousand due to investments in affiliates.

The table below shows the details of the equity investments recognised at the end of the periods considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Shareholdings in Estenergy S.p.A.	437.840	428.998
Shareholdings in Cogeide S.p.A.	7.806	7.806
Shareholdings in associated companies	445.646	436.805
Shareholdings in Hera Comm S.p.A.	54.000	54.000
Shareholdings in ACSM - AGAM SPA	24.923	24.923
Shareholdings in Banca di Credito Cooperativo del	1	1
Shareholdings in Banca Alto Vicentino	1	1
Shareholdings in other companies	78.925	78.925
Shareholdings	524.571	515.729

Equity investments in subsidiary and affiliate companies

At the end of the first quarter of the year, investments in affiliate companies were recorded for a total of Euro 445,646 thousand, an amount related to the 48% stake held in EstEnergy S.p.A. and the stake in Cogeide S.p.A..

During the first quarter of 2021, the equity investment in EstEnergy, equal to Euro 437,840 thousand, changed by Euro 8,842 thousand, explained by the valuation using the equity method of the consolidated results accrued during the period. The Company, whose share capital is owned by Ascopiave S.p.A. (48%) and Hera S.p.A. (52%) sells natural gas and electricity.

The table below shows the operating results, financial position and cash flows of the EstEnergy Group at the reporting date and at the end of the same period in the previous year:

(Values referred to pro-rata participation in Million of Euro)	1 st quarter 2021 pro-rata	1 st quarter 2021	1 st quarter 2020 pro-rata	1 st quarter 2020
Non-current assets	330,7	689,0	322,6	672,1
Current assets	192,6	401,3	166,2	346,2
Net equity of the Group	356,9	743,6	322,2	671,3
Third parties net equity	2,7	5,7	2,3	4,7
Non-current liabilities	27,8	57,8	44,7	93,1
Current liabilities	136,0	283,2	119,3	248,6
Revenues	135,5	282,4	130,6	272,1
Costs	118,1	246,1	114,7	239,0
Gross operative margin	17,4	36,3	15,9	33,1
Amortization and depreciation	3,9	8,2	3,3	6,9
Operating result	13,5	28,1	13,0	27,1
Net result of the Group	9,4	19,7	8,9	18,5
Third parties net result	0,6	1,3	0,6	1,2
NFP	(27,8)	(57,9)	(37,3)	(77,6)

On 18th December 2020, the acquisition by the parent company Ascopiave S.p.A. of 100% of the shares of the company CART Acqua S.r.l. led to the registration of the stake held by the latter in Cogeide S.p.A., which represents 18% of the share capital. The equity investment is registered for a value of Euro 7,806 thousand. Given the corporate structure of Cogeide S.p.A., and the powers attributed to Ascopiave S.p.A., the company was classified as an affiliate and, as the acquisition date is close to the reporting date of the year 2020, the price paid was considered the best indicator for the fair value of the investment.

The business combination was provisionally recognised as of 31st December 2020 in accordance with the international accounting standard IFRS 3.62.

Other investments

At the end of the first quarter of the year, other equity investments amounted to Euro 78,925 thousand.

The item includes equity investments already recorded at the end of the previous year, unchanged in the quarter in question, consisting of 3% of the share capital of Hera Comm for Euro 54,000 thousand, of 4.99% of the share capital of Acsm Agam S.p.A. for Euro 24,923 thousand, whose value was reduced by Euro 1,806 thousand in 2020, and the residual equity investments, equal to Euro 2 thousand, relating to the stakes in Banca Prealpi SanBiagio Credito Cooperativo - Soc. Coop. for Euro 1 thousand and in Banca Alto Vicentino S.p.A. for Euro 1 thousand.

Ascopiave S.p.A. has put options on the equity investment held in the affiliate company EstEnergy and on the stake in Hera Comm which, at the end of the year, showed a nil fair value.

5. Other non-current assets

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

(Thousands of Euro)	31.03.2021	31.12.2020
Security deposits	1,376	1,353
Other receivables	2,060	2,802
Other non-current assets	3,436	4,154

Non-current assets recorded an overall decrease compared to the previous year equal to Euro 715 thousand. This is mainly explained by the reclassification in non-current and current financial assets of the receivable from the municipality of Santorso with which a settlement agreement was signed, as better explained in the paragraph “Non-current financial assets” herein. The reclassification resulted in a decrease of Euro 748 thousand in the item “Other receivables”.

Non-current receivables recognised at the end of the first quarter of the year refer to guarantee deposits for Euro 1,353 thousand and other receivables for Euro 2,060 thousand.

6. Non-current financial assets

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

(Thousands of Euro)	31.03.2021	31.12.2020
Other financial receivables after 12 months	3,160	2,226
Non current financial assets	3,160	2,226

Non-current financial assets increased from Euro 2,226 thousand in 2020 to Euro 3,160 thousand in the period in question, marking an increase of Euro 934 thousand mainly relating to the recognition of the receivable deriving from the execution of the settlement agreement for assessing the value of the natural gas distribution infrastructure, already approved at the reporting date of this interim financial report, signed on 9th April 2021 with the Municipality of Santorso. The parties agreed on an amount of Euro 1,250 thousand to be paid in 12 annual instalments having the same amount, of which the first on the date of execution of the agreement. The plants were delivered on 31st December 2006. 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.

Furthermore, the item includes the receivable from the Municipality of Costabissara, with which a settlement agreement was signed in order to assess the value of the natural gas distribution infrastructure.

7. Advance tax receivables

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

(Thousands of Euro)	31.03.2021	31.12.2020
Advance tax receivables	30,402	30,122
Advance tax receivables	30,402	30,122

Advance taxes increase from Euro 30,122 thousand in 2020 to Euro 30,402 thousand in the period in question, marking an increase of Euro 280 thousand. In calculating the taxes, reference was made to the IRES rate and, where

applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st March 2021 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)	31.03.2021			31.12.2020		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	8,380	(39)	8,341	9,254	(39)	9,215
Energy efficiency certificates	6,694		6,694	5,697	0	5,697
Fuels and warehouse materials	15,074	(39)	15,035	14,951	(39)	14,912

At the end of the first three months the year, inventories are equal to Euro 15,035 thousand, marking an increase of Euro 123 thousand as compared to 31st December 2020. This is mainly explained by the increase, equal to Euro 997 thousand, in the stock of energy efficiency certificates purchased by the Group's ESCO and not sold at the reporting date. This increase was almost entirely offset by the decrease in material inventories in warehouses which decreased by Euro 874 thousand.

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

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

9. Trade receivables

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

(Thousands of Euro)	31.03.2021	31.12.2020
Receivables from customers	30,694	8,463
Receivables for invoices to be issued	23,473	25,816
Bad debt provisions	(692)	(692)
Trade receivables	53,475	33,587

Trade receivables, from Euro 33,587 thousand in 2020 to Euro 53,475 thousand in the period in question, mark an increase of Euro 19,888 thousand. The increase is mainly explained by the transfers of trade receivables by the Group distribution companies to factoring companies without recourse for a total amount of Euro 13,425 thousand. Net of the effects of factoring, the increase in trade receivables is Euro 6,463 thousand, an effect partially explained by the distribution of natural gas consumption during the year, with greater concentration in the first quarter of the year. 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 692 thousand, represents the risks to which the Group's distribution companies are exposed and, at the end of the first quarter of the year, did not require additional amounts.

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

(Thousands of Euro)	31.03.2021	31.12.2020
Bad debt provisions	692	506
Provisions	0	189
Use	(0)	(3)
Final bad debt provision	692	692

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

(Thousands of Euro)	31.03.2021	31.12.2020
Gross trade receivable invoices issued	30.694	8.463
- allowance for doubtful accounts	(692)	(692)
Net trade receivables for invoices issued	30.002	7.771
Ageing of trade receivables for invoices issued		
- to expire	28.874	6.931
- expired within 6 months	1.014	863
- overdue by 6 to 12 months	23	244
- expired more than 12 months	783	425

10. Other current assets

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

(Thousands of Euro)	31.03.2021	31.12.2020
Tax consolidation receivables	694	694
Annual pre-paid expenses	915	323
Advance payments to suppliers	6,232	3,196
annual accrued income	19	19
Receivables due from CSEA	50,546	68,169
VAT Receivables	905	1,124
UTF and Provincial/Regional Additional Tax receiv	40	40
Other receivables	2,550	2,399
Other current assets	61,902	75,964

Other current assets decreased from Euro 75,964 thousand to Euro 61,902 thousand, down Euro 14,062 thousand.

The decrease is mainly explained by the lower receivables from Cassa Servizi Energetici ed Ambientali in relation to energy efficiency certificates, due to the postponement in 2020 of the natural deadline set for the cancellation of efficiency certificates, normally scheduled for 31st May, and extended to November 2020 due to the Covid-19 health emergency. As a result, the receivables deriving from the certificates purchased in order to fulfil the 2019 objective as well as the quota of the 2020 objective were entered at the end of the year. The certificates delivered on 30th November 2020 were collected in January 2021, resulting in a decrease in the item equal to Euro 20,326 thousand. The receivables from Cassa Servizi Energetici e Ambientali (CSEA), equal to Euro 50,546 thousand, are calculated based on the quantities of energy efficiency certificates delivered in November 2020 which will be adjusted at the end of the regulatory period, and the quantities accrued until 31st March 2021 but not delivered on the same date. The unit contribution used for the economic quantification of the fulfilment is equal to the final contribution set for objectives related to closed regulatory periods, and equal to the fair value of the forecast contribution for the contributions being accrued and, as of 31st March 2021, equal to Euro 250 (Euro 250 as of 31st December 2020; source STX).

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 refer to previous positions and do not relate to taxes accrued during the year.

11. Current financial assets

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

(Thousands of Euro)	31.03.2021	31.12.2020
Other financial current assets	1,007	798
Current financial assets	1,007	798

Current financial assets mark an increase of Euro 209 thousand, from Euro 798 thousand at 31st December 2020 to Euro 1,007 thousand in the period in question. The increase is explained by the registration of the receivable amounting to Euro 209 thousand from the municipality of Santorso, described in the paragraph “Non-current financial assets” of this interim financial report, for the amounts to be collected within twelve months.

At the end of the period, the item also included 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, subsequent to the settlement agreement reached with the Local Body in 2019.

12. Tax receivables

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

(Thousands of Euro)	31.03.2021	31.12.2020
Receivables related to IRAP	583	583
Receivables related to IRES	2,922	2,922
Other tax receivables	78	78
Tax receivables	3,583	3,583

Tax receivables, amounting to Euro 3,583 thousand, are unchanged compared to the previous year. The item includes the residual credit, minus the taxes for 2020, of the IRAP and IRES advances paid.

13. Cash and cash equivalents

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

(Thousands of Euro)	31.03.2021	31.12.2020
Bank and post office deposits	45,457	21,889
Cash and cash equivalents on hand	17	14
Cash and cash equivalents	45,475	21,902

Cash and cash equivalents increased from Euro 21,902 thousand in the previous year, to Euro 45,475 thousand in the quarter in question, recording an increase of Euro 23,573 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 quarter 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)	31.03.2021	31.12.2020
Cash and cash equivalents	45,475	21,902
Current financial assets	1,007	798
Current financial liabilities	(1,529)	(1,065)
Payables due to banks and financing institutions	(157,733)	(165,747)
Net short-term financial position	(112,781)	(144,111)
Non current financial assets	3,160	2,226
Medium- and long-term bank loans	(186,173)	(195,999)
Non-current financial liabilities	(417)	(563)
Net medium and long-term financial position	(183,430)	(194,336)
Net financial position	(296,210)	(338,447)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of the first quarter of 2021" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

Consolidated Shareholders' Equity

14. Shareholders' equity

Ascopiave S.p.A. share capital as of 31st March 2021 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	31.03.2021	31.12.2020
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(55,628)	(55,628)
Reserves	628,389	569,536
Group's Net Result	13,619	58,701
Net equity of the Group	867,674	853,903
Net equity of Others		
Total Net equity	867,674	853,903

Consolidated shareholders' equity at 31st March 2021 amounted to Euro 867,674 thousand, marking an increase compared to 2020 of Euro 13,771 thousand. Changes in the consolidated shareholders' equity during the first quarter of the year, excluding the result achieved, are mainly explained by the changes in hedge accounting reserves linked to derivative instruments. At the end of the first quarter of the year, the company held 17,766,858 treasury shares, equal to 7.579% of the share capital, for a total value of Euro 55,628 thousand, unchanged since 31st December 2020.

The hedge accounting reserve recorded at the end of the quarter 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 31st March 2021, shows a negative balance of Euro 344 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)	31.03.2021	31.12.2020
Provisions for pension for gas sector employees	1,850	1,853
Other reserves for risks and charges	667	559
Provisions for risks and charges	2,516	2,412

Reserves for risks and charges, from Euro 2,412 thousand in the previous year to Euro 2,516 thousand in the quarter in question, increased by Euro 104 thousand.

The increase in provisions for other risks and charges, equal to Euro 107 thousand, is mainly explained by the additional provision allocated by the subsidiary AP Reti Gas Nord Est S.r.l. due to the charges that the company could incur because of the energy efficiency objectives set for 2020 and the charges of the first quarter of 2021. The obligation related to the Company's facilities has not been formally reassigned by the Regulatory Authority for Energy, Networks and the Environment (ARERA) but, due to its size and volumes managed, the Company is supposed to achieve energy saving objectives. The company has consequently recorded the net charge that it could accrue in relation to the share of the 2021 target due to the purchase of the necessary certificates and their transfer to the Authority or to the transferor company of the business unit. The quantity of certificates required for the 2020 and 2021 objectives was estimated in-house.

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 2021	2,412
Provisions for risks and charges	107
Use of provisions for risks and charges	(3)
Provisions for risks and charges as of 31st March 2021	2,516

The following table shows the composition of provisions for risks and charges by type:

(Thousands of Euro)	31.03.2021	31.12.2020
Risk of litigation with suppliers	667	559
Retirement fund and similar obligations	1.850	1.853
Total	2.516	2.412

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, from Euro 4,770 thousand as of 1st January 2021 to Euro 4,776 thousand as of 31st March, increased by Euro 6 thousand.

The following table shows the changes in the item in the period considered:

(Thousands of Euro)	
Severance indemnity as of 1st January 2021	4,770
Retirement allowance	(294)
Payments for current services and work	300
Severance indemnity as of 31st March 2021	4,776

17. Medium- and long-term loans

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

(Thousands of Euro)	31.03.2021	31.12.2020
Loans from Cassa Centrale banca	6,840	7,041
Loans from European Investment Bank	9,625	12,000
Loans from INTESA SAN PAOLO SPA	80,000	80,000
Loans from BPER	10,041	
Loans from BNL	38,000	42,250
Loans from CREDIT AGRICOLE FRIULADRIA	15,000	18,000
Loans from UBI BANCA SPA		10,041
Loans from MEDIOBANCA	26,667	26,667
Medium- and long-term bank loans	186,173	195,999
Current portion of medium-long-term loans	40,027	40,024
Medium- and long-term bank loans	226,201	236,023

Medium and long term loans, mainly represented as of 31st March 2021 by the payables of the Parent Company to Intesa Sanpaolo for Euro 90,000 thousand, BNL for Euro 46,500 thousand, Mediobanca for Euro 30,000 thousand, Crédit Agricole Friuladria for Euro 21,000 thousand, BPER for Euro 16,690 thousand, the European Investment Bank for Euro 14,375 thousand and Cassa Centrale Banca for Euro 7,636 thousand, decrease from Euro 236,023 thousand to Euro 226,201 thousand, down Euro 9,822 thousand, mainly explained by the payment of the instalments in the first quarter of the year.

Specifically:

- the loan with Intesa Sanpaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, has a residual debt as of 31st March 2021 of Euro 40,000 thousand, with the recognition of Euro 10,000 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, which at the reporting date were fulfilled;
- the loan with Intesa Sanpaolo, disbursed in November 2020 for a total amount of Euro 50,000 thousand, equal to the residual debt as of 31st March 2021, has no amounts 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, which at the reporting date were fulfilled;
- the loan with BNL, granted in August 2019 for an amount equal to Euro 30,000 thousand, has a residual debt as of 31st March 2021 of Euro 24,000 thousand, with the recognition of Euro 6,000 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with IFRS, which at the reporting date were fulfilled;
- the loan with BNL, disbursed in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt as of 31st March 2021 of Euro 22,500 thousand, with the recognition of Euro 2,500 thousand in due to banks and short-term loans; the contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with IFRS, which at the reporting date were fulfilled;
- the loan with Mediobanca, disbursed in December 2020 for a total amount of Euro 30,000 thousand, equal to the residual debt as of 31st March 2021, with the entry of Euro 3,333 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, which at the reporting date were fulfilled;
- 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 31st March 2021 of Euro 21,000 thousand, with the recognition of Euro 6,000 in due to banks and short-term loans. The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled;
- the loan with BPER, originally disbursed in May 2020 by UBI Banca for an amount equal to Euro 20,000 thousand and transferred to BPER subsequent to the reorganisation of the bank, has a residual debt as of 31st March 2021 of Euro 16,690 thousand, with the recognition of Euro 6,648 in due to banks and short-term loans;
- the loan with the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, has a residual debt as of 31st March 2021 of Euro 14,375 thousand, with the recognition of Euro 4,750 thousand in due to banks and short-term loans. The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled;
- the loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, has a residual debt as of 31st March 2021 of Euro 7,636 thousand, with the recognition of Euro 796 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..

18. Other non-current liabilities

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

(Thousands of Euro)	31.03.2021	31.12.2020
Security deposits	1,072	823
Multi-annual passive prepayments	26,319	26,082
Other non-current liabilities	27,391	26,905

Other non-current liabilities increased from Euro 26,905 thousand in the previous year to Euro 27,391 thousand in the quarter in question, with an increase of Euro 486 thousand.

The item increased by Euro 237 thousand due to the performance of long-term deferred income, which was recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

Security deposits recorded at the end of quarter increased by Euro 249 thousand and 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)	31.03.2021	31.12.2020
Payables due to leasing companies (over 12 months)	417	563
Non-current financial liabilities	417	563

Other non-current liabilities decreased from Euro 563 thousand in the previous year to Euro 417 thousand in the quarter in question, down Euro 146 thousand, mainly explained by the payment of operating lease fees for the rental of company headquarters 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)	31.03.2021	31.12.2020
Deferred tax payables	12,904	12,984
Deferred tax payables	12,904	12,984

Payables for deferred taxation decrease from Euro 12,984 thousand in the previous year to Euro 12,904 thousand in the quarter in question, down Euro 80 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 31st March 2021 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)	31.03.2021	31.12.2020
Payables due to banks	117,705	125,723
Current portion of medium-long-term loans	40,027	40,024
Payables due to banks and financing institution:	157,733	165,747

Payables to banks decrease from Euro 165,747 thousand in the previous year to Euro 157,733 thousand in the quarter in question, with a decrease of Euro 8,014 thousand and include debtor accounting balance to credit institutions and the short-term quota of loan.

22. Trade payables

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

(Thousands of Euro)	31.03.2021	31.12.2020
Payables to suppliers	4,947	4,733
Payables to suppliers for invoices not yet receive	67,496	62,041
Trade payables	72,443	66,774

Trade payables increase from Euro 66,774 thousand in the previous year to Euro 72,443 thousand in the quarter in question, up Euro 5,669 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, the purchase of the energy efficiency certificates needed to achieve the objectives set 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 31st March 2021 and amounting to Euro 260 (Euro 260 on 31st December 2020).

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)	31.03.2021	31.12.2020
IRAP payables	1,300	801
IRES payables	5,887	4,373
Tax payables	7,188	5,174

Tax payables, from Euro 5,174 thousand in the previous year to Euro 7,188 thousand in the quarter in question, mark an increase of Euro 2,014 thousand, explained by the registration of the payables accrued during the period towards the tax authorities for IRES and IRAP. In 2019, the Group companies joined the national tax agreement with the parent company Ascopiave S.p.A..

24. Other current liabilities

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

(Thousands of Euro)	31.03.2021	31.12.2020
Advance payments from customers	532	514
Amounts due to parent companies for tax consol	(0)	20
Amounts due to social security institutions	1,043	1,495
Amounts due to employees	4,815	3,921
VAT payables	4,538	315
Payables to revenue office for withholding tax	614	850
Annual passive prepayments	808	743
Annual passive accruals	605	680
Payables due to CSEA	48,646	16,082
Other payables	1,931	1,643
Other current liabilities	63,533	26,263

Other current liabilities increased from Euro 26,263 thousand in 2020 to Euro 63,533 thousand in the first quarter of the year, marking an increase of Euro 37,270 thousand. The change is mainly explained by higher payables to Cassa per i Servizi Energetici e Ambientali (CSEA) totalling Euro 32,564 thousand as regards the tariff components related to natural gas transport and higher payables to the tax authorities for VAT amounting to Euro 4,223 thousand.

The item "Payables to Cassa per i Servizi Energetici e Ambientali" has been isolated with effect from this report. This item was included in the "Other payables" until the end of FY 2020 and consequently, for the sake of comparability, the data shown for comparative purposes were restated accordingly.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of 31st March 2021.

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 payables recorded as of 31st March 2021 refer to previous positions.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employees and

directors, accrued as of 31st March 2021 but not paid at that date.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st March 2021 but not paid out on that date and the relevant social security contributions. The item increased by Euro 894 thousand, from Euro 3,921 thousand in 2020 to Euro 4,815 thousand in the quarter in question.

VAT payables

Payables to the tax authorities for VAT at the end of the first quarter of 2021 amount to Euro 4,538 thousand and increase by Euro 4,223 thousand as compared to the previous year, mainly related to the dynamics of the VAT advances paid at the end of 2020 which resulted in a lower payable.

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 quarter of 2021, the item showed a balance of Euro 1,931 thousand, recording an increase compared to the previous year of Euro 288 thousand.

25. Current financial liabilities

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

(Thousands of Euro)	31.03.2021	31.12.2020
Financial payable within 12 months	685	685
Payable to leasing companies within 12 months	470	380
Current financial liabilities	1,154	1,065

Current financial liabilities increase from Euro 1,065 thousand in 2020 to Euro 1,065 thousand in the quarter in question, up Euro 89 thousand.

Financial payables related to the application of the international accounting standard IFRS 16 recorded a change equal to Euro 89 thousand during the first quarter of the year due to the reclassification of the amounts beyond the year net of the fees paid. 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)	31.03.2021	31.12.2020
Liabilities on derivatives on raw material	375	548
Current liabilities from derivative financial instruments	375	548

Current liabilities on derivative financial instruments relate to interest rate hedging contracts executed by the parent company Ascopiave in 2019 and 2020. 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 31st March 2021, 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-Feb-25	Vanilla: Fixed - Float	24.000.000 €	168
2	Credit Agricole	Interest Rate Swap	Euribor 6M	27-Sep-19	01-Oct-19	27-Sep-24	Vanilla: Fixed - Float	21.000.000 €	112
3	Intesa Sanpaolo	Interest Rate Swap	Euribor 6M	30-Nov-20	30-Nov-20	30-Nov-23	Vanilla: Fixed - Float	50.000.000 €	82
4	Mediobanca	Interest Rate Swap	Euribor 6M	02-Dec-20	02-Dec-20	02-Dec-25	Vanilla: Fixed - Float	30.000.000 €	13
Total								125.000.000 €	375

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)	1 st quarter	
	2021	2020
Revenues from gas transportation	27,078	28,100
Revenues from connections	143	134
Revenues from heat supply		5
Revenues from distribution services	1,480	1,137
Revenues from services supplied to Group compa	2,253	2,201
Revenues from ARERA contributions	6,906	12,295
Other revenues	597	791
Revenues	38,456	44,662

The revenues of the Ascopiave Group are substantially entirely generated in Italy and at the end of the first quarter of the year they amounted to Euro 38,456 thousand, down Euro 6,206 thousand compared to the period shown for comparative purposes (Euro 44,662 thousand), mainly explained by the reduction in revenues associated with energy efficiency obligations, which decreased by Euro 5,389 thousand.

The *transportation of natural gas* on the distribution network generated revenues for Euro 27,078 thousand marking a decrease of Euro 1,021 thousand compared to the same period in the previous year. The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by ARERA. The item “revenues from gas transport” includes an equalisation amount of Euro 14,893 thousand, an increase as compared to the previous year of Euro 3,792 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. In fact, at the end of the first quarter of 2020, the final tariffs for 2019 were published; the adjustment of the equalisation amount recognised at the end of the year to the final value resulted in the entry in the first quarter of 2020 of a positive effect, equal to Euro 903 thousand.

The revenues derived from *services provided by distributors*, being equal to Euro 1,480 thousand, increased compared to the same period in the previous year by Euro 343 thousand.

Revenues for *services provided to Group companies* show an increase of Euro 52 thousand compared to the same period in the previous year and amount to Euro 2,253 thousand as of 31st March 2021.

The *contributions made by the Regulatory Authority for Energy, Networks and the Environment* at the end of the first quarter amount to Euro 6,906 thousand, down Euro 5,389 thousand compared to the same period in the previous year, mainly explained by the decrease in the energy saving objectives assigned to the Group’s natural gas distribution companies.

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 31st March 2021 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2021 target (regulatory period June 2021 - May 2022). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution for the contributions being accrued and, as of 31st March 2021, equal to Euro 250 (source STX), in line with the figure as of 31st March 2020.

The item “*Other revenues*” decreased from Euro 689 thousand in the first quarter of 2020, to Euro 549 thousand in the period in question, down Euro 140 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)	1 st quarter	
	2021	2020
Purchase of other raw material	972	862
Purchase costs for other raw materials	972	862

At the end of the first quarter of the year, the costs incurred for the purchase of other raw materials are equal to Euro 972 thousand, up Euro 109 thousand compared to the same period in the previous year.

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

29. Costs for services

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

(Thousands of Euro)	1 st quarter	
	2021	2020
Costs for counting meters reading	325	270
Mailing and telegraph costs	132	153
Maintenance and repairs	906	781
Consulting services	1,032	927
Commercial services and advertisement	34	9
Sundry suppliers	488	667
Directors' and Statutory Auditors' fees	381	348
Insurances	207	265
Personnel costs	106	148
Other managing expenses	373	304
Costs for use of third-party assets	5,600	5,725
Costs for services	9,584	9,596

The costs for services incurred during the first quarter of the year, down Euro 11 thousand, are substantially in line with the data of the same period in the previous year.

The costs incurred for *metre reading*, amounting to Euro 325 thousand, increased by Euro 55 thousand compared to the same period in the previous year (Euro 270 thousand as of 31st March 2020).

The costs for *maintenance and repairs* increased from Euro 781 thousand in the previous period, to Euro 906 thousand in the quarter in question, up Euro 125 thousand. The item mainly includes costs related to software fees and expenses incurred for routine facility maintenance.

At the end of the quarter in question, the costs incurred for *consultancy* amounted to Euro 927 thousand, up Euro 106 thousand compared to the same period in the previous year.

Utility costs decreased by Euro 179 thousand compared to the same period in the previous year, from Euro 667

thousand on 31st March 2020 to Euro 488 thousand on 31st March 2021.

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 a decrease of Euro 125 thousand compared to the same period of the previous year.

30. Costs for staff

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

(Thousands of Euro)	1 st quarter	
	2021	2020
Wages and salaries	4,813	5,052
Social security contributions	1,570	1,603
Severance indemnity	300	321
Other costs	6	12
Total cost for staff	6,689	6,989
Cost for staff capitalized	(2,338)	(1,607)
Cost for staff	4,351	5,382

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

Costs for staff decrease from Euro 6,989 thousand in the first quarter of 2020, to Euro 6,689 thousand in the period in question, down Euro 299 thousand.

Capitalised personnel cost registered an increase of Euro 732 thousand, from Euro 1,607 thousand in the first quarter of the previous year, to Euro 2,338 thousand in the reference period.

Personnel costs consequently decreased by Euro 1,031 thousand.

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

Description	1 st quarter	
	2021	2020
Managers	13	13
Office workers	301	304
Manual workers	155	160
No. of persoal employed	469	477

The extension of the scope of consolidation, related to the acquisition of Cart Acqua S.r.l., resulted in an increase in the resources of the Group of three units, of which 1 executive and 2 employees.

31. Other operating costs

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

1 st quarter

(Thousands of Euro)	2021	2020
Other provisions	107	
Membership and ARERA fees	405	55
Capital losses	73	18
Extraordinary losses	7	24
Other taxes	255	184
Other costs	143	382
Costs of contracts	237	27
Energy efficiency certificates	7,013	12,599
Other management costs	8,239	13,288

Other operating costs decrease from Euro 13,288 thousand in the first quarter of 2020 to Euro 8,239 thousand in the reference period, down Euro 5,049 thousand. This change is mainly due to lower costs incurred for the purchase of Energy efficiency certificates (Euro -5,586 thousand) related to the lower efficiency and energy saving objectives applicable to the Group companies.

The costs recognised at the end of the first quarter of 2021 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2021 target (regulatory period June 2021 - May 2022). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 31st March 2021 and amounting to Euro 260 (in line with 31st March 2020).

At the end of the first quarter of the year, provisions equal to Euro 107 thousand were allocated. Energy efficiency obligations, in fact, should apply to the subsidiary AP Reti Gas Nord Est S.r.l. also in consideration of its size and plants managed. The Regulatory Authority for Energy, Networks and the Environment (ARERA) has not modified the objectives previously assigned for 2020 and 2021, leaving the amount of certificates that derives from the plants managed by the new company to the transferor. Pursuant to the agreements between the parties involved in the commercial partnership between the Ascopiave Group and the Hera Group, the objectives for 2020 and 2021 are attributable to the newly established company AP Reti Gas Nord Est S.r.l. which manages the plants and which consequently has allocated a provision for risks representative of the probable charges that the company will incur in relation to the finding and purchase of the certificates needed to fulfil its part of the objective, during 2021, and their transfer to AcegasApsAmga S.p.A.. The provision recorded represents the quantity related to the first quarter of 2021, estimated at 8,750 certificates.

32. Other operating revenues

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

1 st quarter

(Thousands of Euro)	2021	2020
Other income	467	21
Other income	467	21

At the end of the period considered, the item “other operating income” shows an increase of Euro 446 thousand, from Euro 31 thousand as of 31st March 2020, to Euro 467 thousand in the reference period. The increase is mainly explained by the recognition of the capital gain generated by the transfer of the natural gas distribution plants of the

municipality of Santorso. During the first quarter of the year, the Parent Company finalised a settlement agreement with the Local Body aimed at defining the transfer value of such plants. The agreement was approved by the parties during the quarter and signed on 9th April 2021.

33. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	1 st quarter	
	2021	2020
Intangible fixed assets	8,201	7,700
Tangible fixed assets	492	559
Impairment losses and reversals assets	88	71
Amortization and depreciation	8,781	8,330

Amortisation and depreciation show an increase compared to the same period in the previous year of Euro 451 thousand, from Euro 8,330 thousand as of 31st March 2020, to Euro 8,781 thousand in the period in question. The increase recorded is mainly explained by the depreciation and amortisation of the investments made in the previous year and in the first quarter of 2021.

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)	1 st quarter	
	2021	2020
Interest income on bank and post office accounts	0	1
Other interest income	12	168
Distribution of dividends from controlled companies		
Financial income	12	169
Interest expense on banks	54	13
Interest expense on loans	408	372
Other financial expenses	107	199
Financial charges	569	584
Evaluation of subsidiary companies with net equity method	8,842	8,242
Evaluation of subsidiary companies with the net equity meth	8,842	8,242
Total net financial expenses	8,285	7,827

At the end of the first quarter of the year, the balance between financial income and expenses showed a loss of Euro 557 thousand, an increase as compared to the same period in the previous year of Euro 142 thousand, at the end of which it showed a negative balance of Euro 415 thousand. The increase in financial charges is mainly explained by the interest accrued on the loans that the Parent Company took out during the year 2020.

The item “profit /(loss) of companies measured using the equity method” includes the consolidated profits achieved by the affiliate 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 quarter in question, the consolidated results of the affiliate showed profits amounting to Euro 8,842 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)	1 st quarter	
	2021	2020
IRES current taxes	1,515	2,105
IRAP current taxes	499	377
(Advance)/Deferred taxes	(359)	(426)
Taxes for the period	1,663	2,055

Taxes accrued decreased from Euro 2,055 thousand in the previous year to Euro 1,663 thousand in the period in question, down Euro 393 thousand, partly explained by the lower tax base.

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

(Thousands of Euro)	1 st quarter	
	2021	2020
Earnings before tax	15,281	15,051
Taxes for the period	1,663	(2,055)
Percentage of income before taxes	10.9%	13.7%

The tax-rate as of 31st March 2021 is 10.9%, a decrease from 13.7% in the same period in the previous year, also in relation to the variation in the results achieved by the companies measured with the equity method.

The tax rate normalised of these effects is 25.8%, down 4.4% compared to 30.2% in the first quarter of 2020.

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 31st March 2021.

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 quarter of the year, no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 31ST MARCH 2021

Commitments and risks

Guarantees given

As of 31st March 2021, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31.03.2021	31.12.2020
Guarantees on credit lines (letter of comfort)	5.849	5.849
On execution of works (letter of comfort)	1.623	1.623
On distribution concession (letter of comfort)	6.485	6.485
On purchase/sale of shares (letter of comfort)	500	500
On participation in the tender	75	75
Total	14.533	14.533

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

(Thousands of Euro)	31.03.2021	31.12.2020
On credit lines	34.799	34.799
Patronage on derivative financial instruments	23.400	23.400
Patronage of electricity agreements	3.000	3.000
On agreements for transport of gas (letter of comfort)	1.850	1.850
Totale	63.049	63.049

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 31st March 2021 to Euro 23,999 thousand, unchanged since 31st December 2020.

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 operations of the Group are mainly financed through short-term and medium/long-term bank loans, lease agreements with the possibility of purchase and short-term bank deposits at sight. The recourse to such forms of financing, which are in part at variable rates, exposes the Group to the risk connected with the fluctuation of interest tax rate, that successively determine possible variations in financial costs.

Operations expose the Group to the possibility of receivable risks with the counterparties.

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

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

Interest rate risk

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

The medium-long term loans managed by the Group, with variable and fixed rates, have a residual debt as of 31st March 2021 of Euro 226,201 thousand and due dates between 1st April 2021 and 28th February 2030.

Medium and long-term loans at variable rates envisage repayment between 2021 and 2025, with a residual balance as

of 31st March 2021 of Euro 139,375 thousand (Euro 147,750 thousand as of 31st December 2020), of which Euro 125,000 thousand hedged by a financial derivative instrument, and therefore with neutralised interest rate risk.

As of 31st March 2021, the derivative instruments to hedge against the risk of changes in interest rates, relating to the loans taken out with BNL, Crédit Agricole - Friuladria, Intesa Sanpaolo and Mediobanca, detailed in paragraph no. 26 “Current liabilities on derivative financial instruments”, have a mark to market which is negative for Euro 375 thousand and are effective.

The following loans are not exposed to interest rate risks, as they envisage the application of a fixed rate: BNL, BPER (originally signed with UBI Banca, then transferred to BPER subsequent to the reorganisation of the bank), Cassa Centrale Banca and Intesa Sanpaolo, with an overall residual debt at the end of the first quarter of the year of Euro 86,826 thousand.

Covenants apply to the loans above.

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)	1 st quarter 2021	
Net Financial Position 2021	(317.602)	
Borrowing rates of interest	0,00%	
Lending rates of interest	0,30%	
Borrowing rate of interest plus 200 basis points	2,00%	
Lending rates of interest plus 200 basis points	2,30%	
Borrowing rate of interest reduced of 50 basis points	0,00%	
Lending rates of interest reduced of 50 basis points	0,00%	
Net Financial Position recalculated with the increase of 200 basis points	(319.168)	
Net Financial Position recalculated with decrease of 50 basis points	(317.210)	Total
Effect on pre-tax result of the increase of 200 basis points	(1.566)	(1.566)
Effect on pre-tax result of the decrease of 50 basis points	392	392

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 1,566 thousand or positive for Euro 392 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 Grid Code.

Liquidity risk

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

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

Specific risks of the business sectors in which the Group operates

Regulations

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

Management of Capital

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

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

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

(Thousands of Euro)	31.03.2021	31.12.2020
Financial position in the short term	112,781	144,111
financial position in the medium-long term	183,430	194,336
Financial gross debt	296,210	338,447
Share capital	234,412	234,412
Own shares	(55,628)	(55,628)
Reserves	675,271	616,418
Undistributed net profit	13,619	58,701
Total Net equity	867,674	853,903
Total capital and gross debt	1,163,884	1,192,350
Debt/Net assets ratio	0.34	0.40

The debt/net equity ratio as of 31st March 2021 is 0.34, an improvement compared to 31st December 2020, when it amounted to 0.40.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 42,784 thousand during the first quarter of 2021, and the Shareholders' equity, which increased by Euro 13,771 thousand, changes due in part to the result of the period and in part to the normal flow of operations.

Representation of financial assets and liabilities by category

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 31st March 2021 and as of 31st December 2020 are as follows:

						31.03.2021	
(Thousands of Euro)	A	B	C	D	Total	Fair value	
Other non-current assets			2.494		2.494	2.494	
Non current financial assets			3.160		3.160	3.160	
Trade receivables and Other current assets			107.308		107.308	107.308	
Current financial assets			1.007		1.007	1.007	
Cash and cash equivalents			45.475		45.475	45.475	
Medium- and long-term bank loans				71.654	71.654	71.654	
Other non-current liabilities				1.072	1.072	1.072	
Non-current financial liabilities				417	417	417	
Payables due to banks and financing institutions				170.771	170.771	170.771	
Trade payables and Other current liabilities				134.635	134.635	134.635	
Current financial liabilities				1.154	1.154	1.154	
Current liabilities from derivative financial instruments		375			375	375	

						31.12.2020	
(Thousands of Euro)	A	B	C	D	Total	Fair value	
Other non-current assets			3.191		3.191	3.191	
Current assets from derivative financial instruments					0	0	
Trade receivables and Other current assets			2.226		2.226	2.226	
Current financial assets			104.519		104.519	104.519	
Cash and cash equivalents			798		798	798	
Current assets from derivative financial instruments			21.902		21.902	21.902	
Medium- and long-term bank loans							
Other non-current liabilities				195.999	195.999	195.999	
Non-current financial liabilities				823	823	823	
Payables due to banks and financing institutions				563	563	563	
Trade payables and Other current liabilities				165.747	165.747	165.747	
Current financial liabilities				91.780	91.780	91.780	
Current liabilities from derivative financial instruments				1.065	1.065	1.065	

Legend

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

Business segment reporting

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

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

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

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

1stQ 2021 (Thousand of Euro)	Gas distribution	Other	31.03.2021 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	35,411	2,971	74		38,456
Intra-group revenues among the segments	1,656	913	0	(2,569)	0
Segment revenues	37,067	3,884	74	(2,569)	38,456

1stQ 2020 (Thousand of Euro)	Gas distribution	Other	31.03.2020 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	42,791	1,871	0		44,662
Intra-group revenues among the segments	719	932	0	(1,651)	0
Segment revenues	43,510	2,803	0	(1,651)	44,662

Transactions with related parties

The transactions with related parties in the financial period considered are detailed in the following table:

(Thousands of Euro)	Trade receivabl es	Other receivabl es	Trade payables	Other payables	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	18	612	23	0	0	15	0	0	21	0
Total parent company	18	612	23	0	0	15	0	0	21	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	34	0	177	0	0	177	0	0	11	0
Bim Piave Nuove Energie S.r.l.	55	0	9	0	0	23	0	0	307	0
Total affiliated companies	89	0	186	0	0	200	0	0	318	0
<i>Transfer/disposal assets and subsidiary companies</i>										
Estenergy S.p.A.	2.698	0	0	0	0	0	0	0	6.259	0
Ascotrade S.p.A.	8.359	0	71	0	0	0	0	0	18.780	0
Blue Meta S.p.A.	2.378	0	95	0	0	81	0	0	5.261	0
Etra Energia S.r.l.	156	0	0	0	0	0	0	0	189	0
Ascopiave Energie S.p.A.	1.685	0	124	0	0	87	0	0	3.615	0
ASM Set S.r.l.	643	0	29	0	0	44	0	0	1.635	0
Total Transfer/disposal assets and subsidiary companies	15,920	0	318	0	0	212	0	0	35,738	0
Total	16,026	612	527	0	0	427	0	0	36,077	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 of the latter, which no longer coincides with 31st December. Consequently, the current assets and liabilities refer only to previous positions.

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

In 2019, 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.

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 with the associate Asco TLC S.p.A. refer to a rental fee for the servers. Revenues from the aforementioned subsidiary derive from the contract to supply gas and electricity and from service contracts signed between the parties.

As regards affiliates:

- 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 goods 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 goods concern the purchase of gas and electricity incurred by Edigas Distribuzione Gas 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 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.;
 - Trade payables relate to supplies of natural gas and electricity with Ascopiave S.p.A. and AP Reti Gas S.p.A.;
 - Costs for goods concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
 - 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.:
 - Costs for goods are related to the purchase of gas with AP Reti Gas Rovigo S.r.l.;
 - Costs for services refer to administrative services provided to Ascopiave S.p.A.;
 - Revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas Rovigo S.r.l..

The letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 31st March 2021 to Euro 23,999 thousand (unchanged since 31st December 2020).

Furthermore:

- the economic relations between the companies of the Group and subsidiaries and associates occur at market prices and are eliminated in the process of consolidation;
- the operations performed by the companies of the Group with related parties are part of normal operations and are settled at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 dated 24th February 1998, the members of the Board of Directors did not perform any transactions that could potentially represent a conflict of interest with the Group companies.

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

The Procedure was implemented on 1st January 2011 and replaced the previous regulation regarding transactions with related parties, approved by the Board of Directors of the Company on 11th September 2006 (and subsequent amendments).

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

In order to correctly implement the Procedure, a map of all the so-called Related Parties, to which the control provisions and the contents of the document apply, is drafted periodically. 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)	31.03.2021	Of which related parties						31.12.2020	Of which related parties								
		A	B	C	D	Total	%		A	B	C	D	Total	%			
ASSETS																	
Non-current assets																	
Goodwill	49.272							49.272									
Other intangible assets	579.861							577.413									
Tangible assets	33.098							33.443									
Shareholdings in Controlled and Affiliated companies	445.646			445.646		445.646	100,0%	436.805			436.805		436.805	100,0%			
Shareholdings in other companies	78.925							78.925									
Other non-current assets	3.436							4.154									
Non current financial assets	3.160							2.226									
Advance tax receivables	30.402							30.122									
Non-current assets	1.223.800			445.646		445.646	36,4%	1.212.359			436.805		436.805	36,0%			
Current assets																	
Inventories	15.035							14.912									
Trade receivables	53.475	18	89	15.920		16.027	30,0%	33.587	19	240	10.202		10.461	31,1%			
Other current assets	61.902	612				612	1,0%	75.964	612				612	0,8%			
Current financial assets	1.007							798									
Tax receivables	3.583							3.583									
Cash and cash equivalents	45.475							21.902									
Current assets	180.476	630	89	15.920		16.639	9,2%	150.747	631	240	10.202		11.073	7,3%			
ASSETS	1.404.277	630	89	461.566		462.285	32,9%	1.363.106	631	240	447.007		447.877	32,9%			
Net equity and liabilities																	
Total Net equity																	
Share capital	234.412							234.412									
Own shares	(55.628)							(55.628)									
Reserves	688.890							675.119									
Net equity of the Group	867.674							853.903									
Net equity of Others	0							0									
Total Net equity	867.674							853.903									
Non-current liabilities																	
Provisions for risks and charges	2.516							2.412									
Severance indemnity	4.776							4.770									
Medium- and long-term bank loans	186.173							195.999									
Other non-current liabilities	27.391							26.905									
Non-current financial liabilities	417							563									
Deferred tax payables	12.904							12.984									
Non-current liabilities	234.178							243.632									
Current liabilities																	
Payables due to banks and financing institutions	157.733							165.747									
Trade payables	72.443	23	186	318		527	0,7%	66.774	34	72	310		416	0,6%			
Tax payables	7.188							5.174									
Other current liabilities	63.533							26.263									
Current financial liabilities	1.154							1.065									
Current liabilities from derivative financial instruments	375							548									
Current liabilities	302.425	23	186	318		527	0,2%	265.570	34	72	310		416	0,2%			
Liabilities	536.603	23	186	318		527	0,1%	509.203	34	72	310		416	0,1%			
Net equity and liabilities	1.404.277	23	186	318		527	0,0%	1.363.106	34	72	310		416	0,0%			

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)	1 st quarter	Of which related parties						1 st quarter	Of which related parties					
	2021	A	B	C	D	Total	%	2020	A	B	C	D	Total	%
Revenues	38.456	21	368	35.664		36.053	93,8%	44.662	14	19	1.088		1.121	2,5%
Total operating costs	22.679	10	770	1.428	2.153	1.505	6,6%	29.107		164	50		214	0,7%
Purchase costs for raw material (gas)														
Purchase costs for other raw materials	1.312							862						
Costs for services	9.584	10	770	1.428	1.682	1.034	10,8%	9.596	164	50			214	2,2%
Costs for personnel	4.351				471	471	10,8%	5.382						
Other management costs	8.239							13.288						
Other income	467							21						
Amortization and depreciation	8.781							8.330						
Operating result	6.996	11	(402)	37.092	(2.153)	34.548	493,8%	7.224	14	(145)	1.038		907	12,6%
Financial income	12				3.489	3.489	27989,9%	169						
Financial charges	569							584						
Evaluation of subsidiary companies with the net equity method	8.842			8.842		8.842	100,0%	8.242						
Earnings before tax	15.281	11	(402)	45.934	1.336	46.879	306,8%	15.051	14	145	1.038		907	6,0%
Taxes for the period	1.663							2.055						
Net result for the period	13.619	11	(402)	45.934	1.336	46.879	344,2%	12.995	14	145	1.038		907	7,0%
Group's Net Result	13.619							12.995						
Third parties Net Result														
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														
Income tax relating to components of comprehensive income	152							(68)						
2. Components that can not be reclassified to the income statement														
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax														
Total comprehensive income	13.770							12.927						
Group's overall net result	13.770							12.927						
Third parties' overall net result														
Base income per share	0,063							0,058						
Diluted net income per share	0,063							0,058						

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 quarter	Of which related parties					First quarter	Of which related parties				
	2021	A	B	C	D	Total	2020	A	B	C	D	Total
Total comprehensive income	13.770						13.063					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Fair value of derivatives, changes in the period	(152)						(68)					0
Amortization	8.781					0	8.330					0
Svaluation of assets	52					0	0					0
Variations in severance indemnity	7					0	116					0
Current assets / liabilities on financial instruments	(20)					0	11					0
Net variation of other funds	104					0	103					0
Evaluation of subsidiaries with the net equity method	(8.842)			(8.842)		(8.842)	(8.242)					0
Interests paid	(623)					0	(526)					0
Interest expense for the period	470					0	542					0
Taxes for the period	1.663					0	2.055					0
Total adjustments	1.887	0	0	(8.842)	0	(8.842)	2.324	0	0	0	0	0
Variations in assets and liabilities	0											0
Inventories	(123)					0	(4.131)					0
Accounts payable	(19.888)					0	(7.673)					0
Other current assets	14.062	(3)	12	18.722	0	18.731	(9.195)	(5)	(9)	682	0	668
Trade payables	5.855	0	(4)	(60)	0	(64)	8.451	3	(4)	(23)	0	(24)
Other current liabilities	40.740	0		333	0	333	32.237					0
Other non-current assets	718	646		785		1.431	(111)	(646)				(646)
Other non-current liabilities	486					0	673					0
Total variations in assets and liabilities	41.850	643	8	19.780	0	20.431	20.251	(648)	(13)	659	0	(2)
Cash flows generated (used) by operating activities	53.734	643	8	10.938	0	20.431	35.638	(648)	(13)	659	0	(2)
Cash flows generated (used) by investments	0						0					0
Investments in intangible assets	(10.697)					0	(7.237)					0
Realisable value of intangible assets	52					0	0					0
Investments in tangible assets	(235)					0	(362)					0
Disposal/(acquisitions) in investments and avances	(0)					0	(26.730)					0
Cash flows generated/(used) by investments	(10.880)	0	0	0	0	0	(34.329)	0	0	0	0	0
Cash flows generated (used) by financial activities	0						(9.839)					0
Net changes in short-term bank borrowings	(19.840)					0	(9.839)					0
Net variation in current financial assets and liabilities	(1.200)			(6.528)		(6.528)	(9.995)	0	0	0	(627)	(627)
Purchase of own shares	(0)					0	(6.498)					0
Ignitions loans and mortgages	28.000					0	48.700					0
Redemptions loans and mortgages	(26.000)					0	(42.000)					0
Cash flows generated (used) by financial activities	(19.039)	0	0	(6.528)	0	(6.528)	(19.633)	0	0	0	(627)	(627)
Variations in cash	23.572					0	(18.324)					0
Cash and cash equivalents at the beginning of the period	21.902					0	67.031					0
Cash and cash equivalents at the end of the period	45.475					0	48.707					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)	31.03.2021	Of which related parties						31.12.2020	Of which related parties						
		A	B	C	D	Total	%		A	B	C	D	Total	%	
A Cash and cash equivalents on hand	17							14							
B Bank and post office deposits	45.457							21.889							
C Securities held for trading	0														
D Liquid assets (A) + (B) + (C)	45.475							31.903							
E Current financial assets	1.007							798							
F Payables due to banks	(117.705)							(125.723)							
G Current portion of medium-long-term loans	(40.027)							(40.024)							
H Current financial liabilities	(1.529)							(1.065)							
I Current financial indebtedness (F) + (G) + (H)	(159.262)							(166.812)							
J Net current financial indebtedness (I) - (E) - (D)	(112.781)							(144.110)							
K Medium- and long-term bank loans	(186.173)							(195.999)							
L Non current financial assets	3.160							2.226							
M Non-current financial liabilities	(417)							(563)							
N Non-current financial indebtedness (K) + (L) + (M)	(183.430)							(194.336)							
O Net financial indebtedness (J) + (N)	(296.210)							(338.446)							

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

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

Group A - Parent companies:

- Asco Holding S.p.A.

Group B - Associates:

- Asco TLC S.p.A.

Group C - Affiliates and Jointly controlled companies:

- EstEnergy S.p.A. (Group), affiliate
- Cogeide S.p.A.

Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events subsequent to the end of the first quarter of 2021

Purchase of Acsm Agam S.p.A. shares

On 27th April 2021, Ascopiave S.p.A. announced the increase in its stake in Acsm Agam S.p.A., a multi-utility company based in the region of Lombardy and active in gas, electricity, water and environmental services, which amounts to 5.0000047% of the share capital with voting rights. This investment is aligned with the strategic goals of the company, since the activities and services managed by Acsm Agam S.p.A are consistent with the development lines pursued by the Ascopiave Group.

Extraordinary and ordinary Shareholders' Meeting of 29th April 2021

The Shareholders' Meeting of Ascopiave S.p.A. convened on 29th April 2021, chaired by Mr Nicola Ceconato, in extraordinary and ordinary session. In extraordinary session, the Shareholders' Meeting resolved to approve the amendment of art. 4 of the Articles of Association, according to the proposal of the Board of Directors, expanding the scope of the activities that constitute Ascopiave's corporate purpose. Specifically, the amendment mainly aims to expressly include in the corporate purpose some businesses concerning the so-called "Energy transition", which are intended to complement the core businesses currently conducted by the Company, directly or indirectly, also through subsidiaries and/or investees (i.e. gas distribution businesses and gas and electricity sales businesses), consistent with the objectives set out in the Group's strategic plan approved by the Board of Directors on 15th January 2021.

The Shareholders' meeting resolution amending art. 4 (Corporate purpose) of the Articles of Association attributes to the shareholders who did not participate in its adoption (and, therefore, to shareholders which abstained, were absent or voted against) the right of withdrawal pursuant to article 2437, paragraph 1a), of the Italian civil code (the "Right of Withdrawal") as this is a significant change in the corporate purpose. The terms and conditions for exercising the Right of Withdrawal will be communicated to Ascopiave's shareholders within the deadlines and with the methods set out in the law.

Please note that, as resolved by the Shareholders' Meeting, the effectiveness of the resolution amending art. 4 (Corporate purpose) of the Articles of Association is subject to the condition that the number of shares for which the Right of Withdrawal has been exercised 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 2% of the share capital (corresponding to a disbursement under the scope of the Company of less than Euro 16,352,553.22). 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).

The extraordinary Shareholders' Meeting approved the amendment to some other articles of the Articles of Association aimed at aligning their content with the best practice of listed companies as proposed by 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 2020, and resolved to distribute an ordinary dividend of Euro 0.16 per share, for a total of Euro 34.7 million. The remainder, equal to Euro 1,270,130.86 was allocated to the extraordinary reserve.

The dividend was paid with dividend date (coupon identified with no. 17) on 3rd May 2021, record date on 4th May 2021 and payment date on 5th May 2021.

The ordinary Shareholders' Meeting (i) approved with binding vote the first section of the Report on the remuneration policy and on the fees paid prepared pursuant to article 123-ter of Italian Legislative Decree dated 24th February 1998, no. 58 (i.e. the remuneration policy for the year 2021); and (ii) expressed a favourable advisory vote - pursuant to article 123-ter, paragraph 6, 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 2020).

The Ordinary Shareholders' Meeting also resolved to approve a long-term share-based incentive plan for the period 2021-2023, reserved for the executive directors of Ascopiave S.p.A. and certain resources with managerial functions of Ascopiave S.p.A. and its subsidiaries.

The Shareholders' Meeting of Ascopiave S.p.A., in ordinary session, also approved the renewal of the authorisation, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, to purchase and sell own shares, subject to revocation

of the previous authorisation granted by the Shareholders' Meeting on 29th May 2020, which, for the portion relating to the purchase of treasury shares, would have expired on 29th November 2021.

Goals and policies of the Group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership. As for the gas and electricity sale segment, at the end of 2019 the Group launched a business partnership with the Hera Group through joint participation in EstEnergy, the parent company of a Group boasting over one million energy customers, a primary entity in Northern-Eastern Italy. Ascopiave intends to continue the partnership, while relying on the possibility of exercising the sale option on its stakes should it need to finance new investment opportunities in sectors that the Group considers more interesting, as indicated in the 2020-2024 strategic plan approved and presented to the market on 15th January 2021.

Pieve di Soligo, 13th May 2021

The Chairman of the Board of Directors
Nicola Ceconato

DECLARATION

(Translation from the original issued in Italian)

CERTIFICATION OF THE QUARTERLY REPORT as of 31ST March 2021

Pursuant to Article 154-bis paragraph 2, part IV, section III, sub-section II, heading 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

The undersigned, dr. Riccardo Paggiaro, in his position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declares, to the best of his knowledge, pursuant to the provisions of Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting information stated in the Quarterly Report as of 31st march 2021 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 13th May 2021

Ascopiave S.p.A.
dr. Riccardo Paggiaro