

INTERIM FINANCIAL STATEMENTS AS OF 30th JUNE

2021

Ascopiave Group

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Annexes:

In-Company Control:

- Declaration by the Manager - Certification of the Interim Financial Statements in accordance with art. 81-ter of Consob regulation no. 11971;
- Independent Auditors' Report limited to the auditing of the consolidated interim financial statements as of 30th June 2021.

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	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	Indipendet 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
I-31053 Pieve di Soligo - TV Italy
Tel: +39 0438 980098
Fax: +39 0438 964778
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)	First half			
	2021	% of revenues	2020	% of revenues
Revenues	66,085	100.0%	86,518	100.0%
Gross operative margin	31,585	47.8%	29,605	34.2%
Operating result	13,872	21.0%	12,883	14.9%
Result for the period	28,805	40.6%	21,185	24.5%

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

Balance sheet figures

(Thousands of Euro)	30.06.2021	31.12.2020
Net working capital	(2,147)	29,287
Fixed assets and other non current assets	1,212,286	1,210,134
Non-current liabilities (excluding loans)	(45,888)	(47,071)
Net invested capital	1,164,250	1,192,350
Net financial position	(317,777)	(338,447)
Total Net equity	(846,474)	(853,903)
Total financing sources	(1,164,250)	(1,192,350)

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

Cash flow data

(Thousands of Euro)	First half	
	2021	2020
Net income of the Group	27,195	21,358
Cash flows generated (used) by operating activities	57,726	25,152
Cash flows generated/(used) by investments	(1,823)	(56,243)
Cash flows generated (used) by financial activities	(58,734)	(23,444)
Variations in cash	(2,830)	(54,535)
Cash and cash equivalents at the beginning of the period	21,902	67,031
Cash and cash equivalents at the end of the period	19,072	12,495

REPORT ON OPERATIONS

Foreword

The Ascopiave Group closed the first half of 2021 with a net consolidated profit of Euro 26.9 million (Euro 21.2 million as of 30th June 2020), with an increase of Euro 5.7 million as compared to the same period in the previous year.

The consolidated net assets as of 30th June 2021 amounted to Euro 846.5 million (Euro 853.9 million as of 31st December 2020), and the net capital invested to Euro 1,164.3 million (Euro 1,192.9 million as of 31st December 2020). At the end of the first half of 2021, the Group accomplished investments for Euro 22.6 million (Euro 15.6 million in the first half of 2020), mainly for the installation of electronic metres, and the development, maintenance and modernisation of the networks and plant of gas distribution for Euro 21.6 million (Euro 14.1 million in the first half 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 918.5 million cubic metres, with an increase of 14.3% compared to the first half of 2020. The distribution network as of 30th June 2021 has an extension of 12,946 km, up 73 km as compared to the same period in the previous year.

Operating results and cash flows

In the first half of 2021, the consolidated revenues are equal to Euro 66.1 million, compared to Euro 86.5 million in the first half of 2020.

The Operating Result of the Group amounted to Euro 13.9 million, up 1.0 million compared to the first half of 2020.

The Net Result, equalling Euro 26.9 million, marks an increase of Euro 5.7 million as compared to the same period in the previous year.

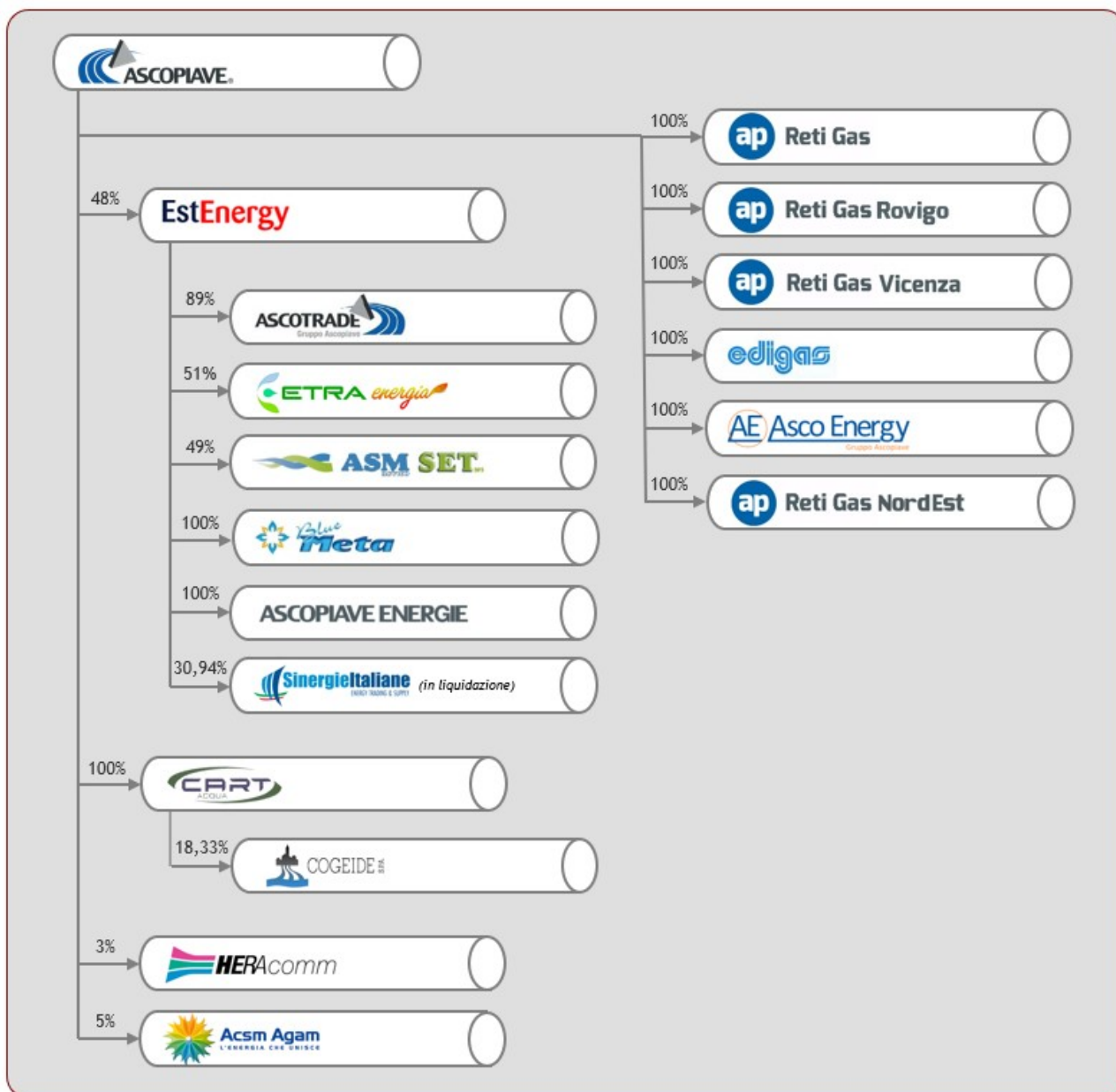
The Net Financial Position of the Group as of 30th June 2021 is equal to Euro 317.8 million, down Euro 20.7 million as compared to Euro 338.4 million as at 31st December 2020.

The decrease in financial indebtedness is determined by the cash flow of the period (given by the sum of the net result and amortisation, depreciation and write-downs), which generated resources for Euro 44.6 million, the management of current assets, which generated financial resources for Euro 12.9 million, the investment activity which caused the expenditure of Euro 22.6 million and the management of equity (dividends and treasury shares) which absorbed resources for Euro 13.7 million.

The ratio Net financial position to Net equity as of 30th June 2021 is 0.38 (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 30th June 2021.



Gas distribution

With the establishment of the partnership between Ascopiave S.p.A. and the Hera Group, completed on 19th December 2019, the distribution of natural gas is the Group's core business in terms of contribution to the formation of corporate income.

This activity is performed under a concession or direct assignment and, as such, is subject to strict regulation by the public authorities, with regards to both minimum management standards and quality, and tariffs.

As it is known, Legislative Decree no. 164/00 introduced the compulsory assignment of the gas distribution service through a call for tenders, assuming that a competition mechanism involving the selection of the provider would result in lower costs for the end customer, an efficient development of the facilities and an improvement in the quality of the service supplied.

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

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

From 2011, the regulatory framework of the Territorial Areas was updated yet again through the issuance of a number of ministerial decrees.

In particular:

1. the Decree dated 19th January 2011 issued by the Ministry for Economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified;
2. with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
3. the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
4. with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulations concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service were approved (the so-called Decree for Criteria).

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

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

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

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

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

Finally, in mid-2015, the Decree of the Ministry of Economic Development no. 106, dated 20th May 2015, amended the previous Ministerial Decree 226/2011, reformulating Article 5, concerning the criteria to calculate the value of the

plants. The new Decree has basically “transferred” the content of the Guidelines (mentioned above) into its text. Concisely, this measure has made Article 5 compatible with the Guidelines, which would have been a specification/clarification.

The regulatory framework

Resolution dated 29th December 2020 596/2020/R/gas - Update of tariffs for gas distribution and metering services, for the year 2021. The provision approves the mandatory tariffs for natural gas distribution, metering and sales services, stated in Article 42, RTDG, the tariff options for other gases, stated in Article 70, RTDG, and the bimonthly equalisation payments on account relating to the natural gas distribution service, stated in Article 47, RTDG, for the year 2021. Furthermore, the provision approves the maximum amount of the recognition of higher charges deriving from the presence of concession fees, stated in Article 60, RTDG, for distribution companies that have submitted an application and provided suitable documentation.

Resolution dated 29th December 595/2020/R/com. Update, from 1st January 2021, of the tariff components intended to cover general charges and additional components of the electricity and gas sectors. Provisions to the Cassa per i servizi energetici e ambientali. The provision updates, commencing 1st January 2021, the tariff components to cover general system charges and additional tariff components relating to the electricity and gas sectors, as well as the electricity bonus and the gas bonus.

Resolution dated 14th January 2021 3/2021/R/gas - Provisions regarding deviation fees. The provision intervenes on the implementation methods of the rules on deviation penalties due to anomalous withdrawals attributed at the distribution redelivery points.

Resolution dated 9th February 2021 41/2021/R/gas - Update of the variable CRVi fee to cover the costs for containing gas consumption. This provision approves the final reference tariffs for gas distribution and metering services for the year 2020, in accordance with article 3, paragraph 2, RTDG, considering the requests for data rectification submitted within 15th February 2021.

Resolution dated 23rd February 2021 63/2021/R/com - Implementation methods of the automatic payment to consumers entitled to the electricity, gas and water social bonuses due to financial struggle. The resolution aims to strengthen support measures in favour of vulnerable consumers.

Resolution dated 16th March 2021 107/2021/R/gas - Redetermination of reference tariffs for gas distribution and metering services, for the years 2013-2019. The provision restates the reference tariffs for gas distribution and metering services for the years 2013-2019, on the basis of the requests for data rectification submitted within 15th February 2021.

Resolution dated 23rd March 2021 117/2021/R/gas - Determination of the final reference tariffs for gas distribution and metering services, for the year 2020. The provision approves the definitive reference tariffs for gas distribution and metering services for the year 2020, in accordance with the provisions of article 3, paragraph 2, RTDG, considering the requests for data rectification submitted within 15th February 2021.

Resolution dated 29th March 2021 122/2021/R/gas - Determination of the temporary reference tariffs for gas distribution and metering services, for the year 2021. The provision approves the provisional reference tariffs for gas distribution and metering services for the year 2021, in accordance with the provisions of article 3, paragraph 2, RTDG, considering the requests for data rectification submitted within 15th February 2020. The provision also introduces extensions for the transitory tariff regulations on isolated LNG networks fuelled by tank trucks, stated in Article 14, letter a), Resolution 570/2019/R/gas.

Resolution dated 6th April 2021 141/2021/R/gas - Launch of a procedure for compliance with the ruling of the Council of State no. 341/2021 on tariffs for natural gas distribution and metering services. With the resolution, a

procedure was launched in order to ensure compliance with the ruling of the Council of State no. 341/2021, in relation to the determination of the annual reduction rate of unit costs recognised to cover the operating costs of the distribution service.

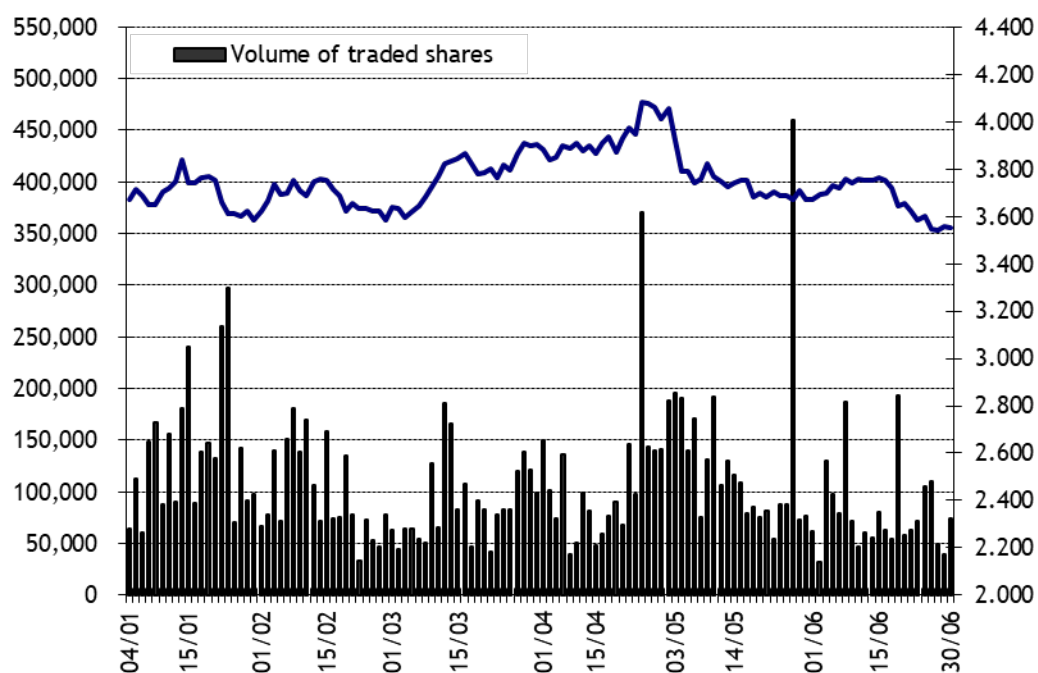
Resolution dated 4th May 2021 176/2021/E/gas - Approval of the programme of telephone checks and inspections at gas distribution companies regarding emergency response for the year 2021. The provision launches the campaign of telephone checks and inspections aimed at verifying compliance with the regulations on gas emergency response, for the year 2021.

Resolution dated 1st June 2021 232/2021/R/gas - Advance payment on account of bonuses relating to the safety recoveries of the natural gas distribution service for the year 2018. The provision introduces, for the year 2018, an advance payment on the total net amount of the bonus for the year 2018.

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

As of 30th June 2021 the Ascopiave share registered a quotation of Euro 3.550 per share, down 3.3 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 30th June 2021 was Euro 826.18 million¹ (Euro 857.19 million as of 30th December 2020).



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 30th June 2021 was Euro 18.3 billion. Official data from Borsa Italiana (www.borsaitaliana.it).

During the first half of 2021, the quotation of the shares shows a decrease (-3.3%). In the same period, the FTSE Italia All Share and FTSE Italia Star indexes increased by 13.3% and 24.3% respectively. The sectorial index FTSE Italia Utenze decreased by 4.2%.

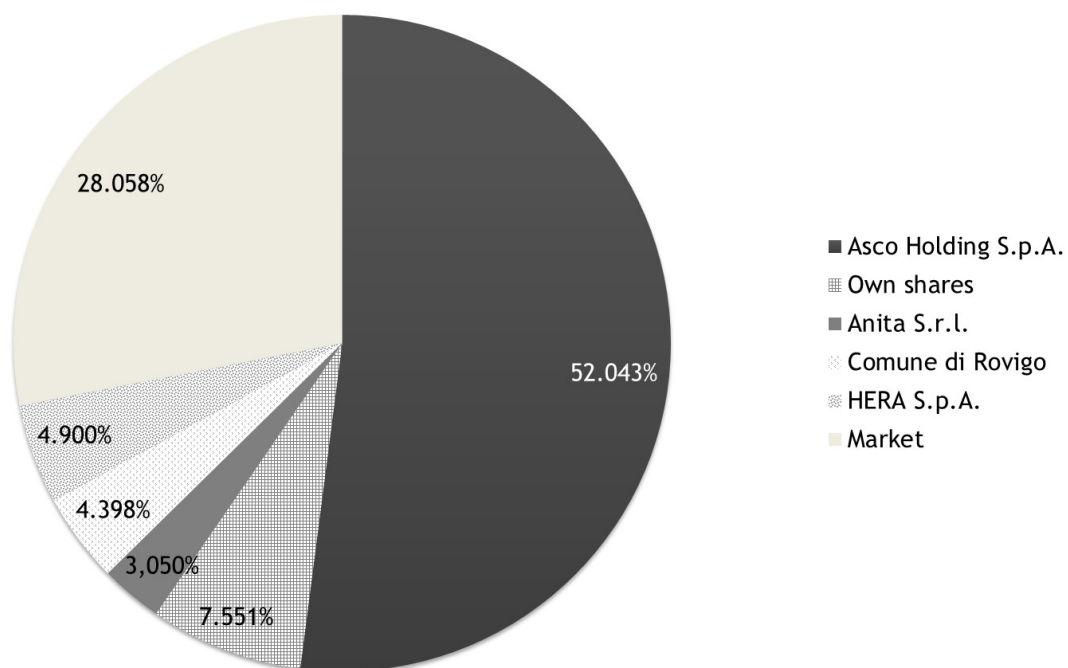
In the following table, we report the main shares and stock-exchange data as of 30th June 2021:

Share and stock-exchange data	30 th June 2021	30 th June 2020
Earning per share (Euro)	0.12	0.10
Net equity per share (Euro)	3.91	3.78
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.550	3.750
Max. annual price (Euro)	4.080	4.610
Min. annual price (Euro)	3.540	2.720
Stock-exchange capitalization (Millions of Euro)	826.18	877.90
No. Of shares in circulation	216,709,997	222,317,223
No. Of shares in share capital	234,411,575	234,411,575
No. Of own share in portfolio	17,701,578	12,094,352

Control of the Company

As of 30th June 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 half of 2021, Ascopiave S.p.A. continued its development process of the corporate governance planned during past years, strengthening its risk management system, introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

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

Appointed Manager

The Appointed Manager, helped by the Head of Internal Audit 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 the drafting of financial information. To this end, the Company has adopted new tools of continuous auditing, enabling the automation of the control procedures.

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

Ascopiave S.p.A. and all its subsidiaries have adopted an Organisation, management and control model; they have also embraced the Code of Ethics of the Parent company Ascopiave. The Company, assisted by the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted. Ascopiave S.p.A. approved the "Ascopiave Group Whistleblowing Procedure", adopted by all Group subsidiaries, an integral part of the 231 Model (annex 3 of 231 Model). Complaints are handled by an "Alert Committee". The Company has also continued promoting, disseminating and raising awareness of the Code of Ethics as concerns all its stakeholders, especially with business and institutional parties. The 231 Model and the Code of Ethics are available in the corporate governance section at www.gruppoascopiave.it.

Transactions with related and affiliate parties

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

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

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

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

During the first half of 2021, the transactions with affiliates 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, except AP RETI GAS Nord Est S.r.l., joined a new national tax consolidation agreement with the parent company Ascopiave S.p.A..

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

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	183	612	25	0	0	39	0	0	53	0
Total parent company	183	612	25	0	0	39	0	0	53	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	29	0	0	0	0	359	0	0	36	0
Bim Piave Nuove Energie S.r.l.	64	0	19	0	0	25	0	0	103	0
Total affiliated companies	93	0	19	0	0	384	0	0	140	0
<i>Subsidiary companies</i>										
Estenergy S.p.A.	909	0	0	0	0	86	0	0	8,454	0
Ascotrade S.p.A.	7,249	0	42	0	0	293	0	0	24,848	0
Blue Meta S.p.A.	1,833	0	55	0	0	169	0	0	6,809	0
Etra Energia S.p.A.	111	0	75	0	0	5	0	0	355	0
Ascopiave Energie S.p.A.	1,528	0	87	0	0	169	0	0	4,737	0
ASM Set S.r.l.	427	0	79	0	0	156	0	0	2,220	3
Cogeide S.p.A.	113	0	0	0	0	0	0	0	208	0
Total subsidiary companies	12,169	0	339	0	0	878	0	0	47,631	0
Total	12,445	612	383	0	0	1,301	0	0	47,824	0

Significant events during the first half of 20202021

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 Mr Nicola Ceconato, 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 dividends approved and distributed in 2021 (relating to 2020) were in line with the indications of the Plan.

The plan develops a scenario that leverages 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.

The parties have agreed to 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.

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.

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 attributed 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 1, lett. a), 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 were communicated to Ascopiave's shareholders on 1st June 2021 within the deadlines and with the methods set out in the law.

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 residual part of the undistributed profit, 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.

Final results of the exercise of the right of withdrawal

On 16th June 2021, with reference to the resolution passed by the Extraordinary Shareholders' Meeting of Ascopiave S.p.A. ("Ascopiave" or the "Company") held on 29th April 2021 (the "Meeting") which approved an amendment to art. 4 (Corporate purpose) of the Articles of Association expanding the scope of the activities that constitute Ascopiave's corporate purpose (the "Resolution"), the period for exercising the right of withdrawal applicable, pursuant to art. 2437, par. 1, lett. (a) of the Italian Civil Code, to Ascopiave ordinary shareholders who did not participate (for reasons of absence, abstention or dissent) in the approval of the Resolution, expired.

On 16th June 2021, the Company communicated that, eight days after the deadline for exercising the right of withdrawal, no statement for exercising the right of withdrawal had been received and, therefore, that the Company did not initiate the liquidation procedure stated in art. 2437-*quater* of the Italian Civil Code.

Finally, please remember that the effectiveness of the Resolution was subject to the condition that the number of shares subject to the Right of Withdrawal that had to be purchased by the Company subsequent to the liquidation procedure was 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) (the "Maximum Disbursement Condition"). As no statement for exercising the right of withdrawal was received, the Maximum Disbursement Condition was fulfilled and the Resolution took effect. As a result of the validity of the Resolution, the new text of art. 4 (Corporate purpose) of the Articles of Association took effect.

Information on Covid 19

The 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 half 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 its activities 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 the first half of 2021, 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 subsequent to the end of the first half of 2021

In July 2021, AP Reti Gas S.p.A., Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l. agreed to extend to 15th September 2021 the deadline for defining the details of the partnership aimed at joint participation in the tenders for the assignment of the natural gas distribution service in the Territorial Areas of Milano 2 and Milano 3,

the shareholders' agreements and the Articles of Association of the companies to be established under the partnership.

Other significant events

Distribution of natural gas

The Ascopiave Group manages concessions for the gas distribution service in 268 Municipalities in Veneto, Friuli, Lombardia, Emilia Romagna, Piedmont and Liguria through the companies AP Reti gas S.p.A., AP Reti gas Vicenza S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and AP Reti Gas Nord Est S.r.l..

Natural gas distribution activity

Companies consolidated on a line-by-line basis

The following table summarises the data of the Group's gas distribution activity as of 30th June 2021 and provides a comparison with the first half of 2020:

	First half	
	2021	2020
Volumes of gas distributed (cm/mln)	918	803
Length of distribution network (km)	12,946	12,873
Total active meters (no.)	48	25
Total new network laid / replaced	776,397	776,300
Total smart meters G4 / G6 (no.)	567,427	473,024
Average time of arrival on site (minutes)	37.9	37.4

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

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

	First half	
	2021	2020
Compliance with the time set for execution of the services subject to specific commercial standards	99.33%	98.75%

In the first half of 2021, the company's emergency intervention service, active 365 days a year, 24/7, which can be contacted by means of the dedicated free-phone number, performed 3943 interventions, and the arrival time was on average 37.9 minutes, largely less than the 60 minutes envisaged by the Authority.

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

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

During the period, the efficiency of the organisational structure was further enhanced, in order to optimise the use of resources and the synergy between the distribution companies of the group, pursuing improvements in all administrative, technical, process control and human resource management activities, and trying to optimise the use of resources, insourcing activities and increasing the possibility of making investments.

Energy efficiency and saving obligations

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

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

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

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

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

- perform direct interventions to improve the Energy efficiency of technology installed or related methods of use;
- purchase the White Certificates directly from third parties, by means of bilateral contracting or through negotiation in an appropriate market set up at the Gestore del mercato elettrico (GME).

Decree dated 28th December 2012 defined objectives of annual primary energy savings for the period 2013-2016 for the relevant distributors and set a minimum quantity of certificates to be delivered at the natural end of the regulatory year equal to 50% of their annual obligation for the years 2013-2014 (that must be offset in the next two years in order to avoid penalties) and equal to 60% for the years 2015 and 2016, always with the possibility of offsetting in the next two years in order to avoid penalties.

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

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

Decree dated 11th January 2017, published in the Official Gazette no. 78 dated 3rd April 2017, defined the new guidelines for presenting energy efficiency projects modifying the old mechanism by eliminating the "tau" coefficient, eliminating the standardised forms and extending the useful life of projects.

The Decree dated 10th May 2018 reviewed the tariff contribution for the subjects to which the obligation applies, introducing a ceiling of Euro 250 per TEE as a maximum reimbursement. Furthermore, given the scarcity of certificates with respect to demand, "unsecured" certificates were introduced, that is, certificates issued by the GSE at the request of the distributors to which the obligation applies, which have at least 30% of the certificates of the current objective in the portfolio. Unsecured certificates could cost up to a maximum of 15 Euros/TEE and could possibly be redeemed the following year by the distributor.

By resolution dated 14th July 2020, ARERA revised the calculation of the tariff contribution by adding, among other things, the additional contribution that takes into account the market price of the target year and the scarcity of certificates on the market.

During the year in question, Ministerial Decree dated 21st May 2021 was issued, establishing the national objectives for the period 2021-2024, with targets which are substantially lower than in the previous four-year period, and reducing the 2020 target which, for gas distributors, decreased from 3.17 to 1.57 million white certificates. The decree also reduced the threshold for accessing virtual certificates and introduced an auction system for the purchase of certificates, whose operation will be illustrated by a specific decree within 31st December 2021.

The companies of the Group Ap Reti Gas S.p.A., Ap reti Gas Vicenza S.p.A. and Edigas Distribuzione S.p.A. (subsequent to the merger of Unigas Distribuzione S.r.l. on 1st July and consequent transfer to Edigas), are subject to the obligations set out in Decrees dated 21st May 2021 and 11th January 2017, and are required to meet the energy saving requirements established annually by the GSE. As regards the new distribution company of the group, AP Reti Gas Nord Est S.r.l., in January 2020 a formal communication was sent to ARERA and the competent bodies for the assignment of the relevant obligations.

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

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

For further information on energy efficiency and saving relating to the companies of the Group, please see paragraph “Energy efficiency and saving”.

The certificates were delivered in November 2020, although the deadline was originally scheduled for 31st May 2020 (relating to the 2019 target), whereas the deadline for the 2020 target scheduled for 31st May 2021 was postponed to 16th July 2021.

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.

In 2020, due to the Covid-19 health emergency, the usual deadline set on 31st May for the delivery of the certificates, for the year 2020, was postponed to November 2020, 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 Group companies originally amounted to 145,846 energy efficiency certificates. With the publication of Ministerial Decree dated 21st May 2021, the 2020 target was considerably reduced and the deadline for delivery was postponed to 16th July 2021. According to in-house estimates made in accordance with the provisions of the decree, the total amount of the applicable objective is 58,412 certificates. This change consequently resulted in the adjustment of the creditor and debtor stocks recorded at the end of the previous year in relation to energy efficiency certificates.

Due to the changes described, all the Group companies have fulfilled the minimum 2020 target and completed the deliveries of the certificates envisaged by the 2019 target.

Furthermore, the aforementioned decree announced the objectives applicable to the Companies for the 2021-2024 period, which are also substantially lower than in the previous four-year period.

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

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

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

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

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

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

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

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

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

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in “canonical” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned partner Municipalities, Ascopiave has signed a convention, which implied hiring a renowned independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29th August 2011.

The expert has written a report (made available on 15th November 2011) on the “Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.” which was approved on 2nd December 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

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

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

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

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.
- Euro 5,079 thousand in 2016;
- Euro 5,190 thousand in 2017;
- Euro 5,258 thousand in 2018;
- Euro 5,482 thousand in 2019;
- 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 - area were provided with an update as of 31st December 2015, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

The contracting authorities in the territorial areas of Treviso 2 - Nord and Venezia 2 - Entroterra and Veneto Orientale sent ARERA the assessments of the reimbursements of some municipalities for the purposes of the verifications

provided for by the legislation. The Authority has made some observations (then forwarded by the same contracting authorities) against which AP Reti Gas filed its counterclaims.

Litigations

LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATION

As of 30th June 2021 no litigations are pending.

ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSION

As of 30th June 2021, the following litigations 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 and March 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 30th June 2021, the following litigations 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.

With Sentence no. 4009, dated 24th May 2021, the Council of State rejected the appeal, thereby confirming the first instance ruling, deciding not to raise the aforementioned issue of constitutional legitimacy.

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 30th June 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. and Ascopiave)

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.

With an appeal for additional grounds, filed within the applicable terms (24th May 2021), ARERA Resolution no. 117/2021/R/gas published on 23rd March 2021, containing the “*Determination of the final reference tariffs for gas distribution and metering services, for the year 2020*”, was also appealed. The Company in fact considered that the provision, as a measure resulting from the tariff regulation stated in resolution no. 570/2019, may also be detrimental to AP Reti.

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.

With Sentence no. 722, dated 1st June 2021, the Regional Administrative Court of Veneto rejected the appeal. With regard to compensation, the Sentence specifies that “... *any matters relating to compensation for pre-contractual liability and for the alleged improper use by Contarina of the design content of Asco Energy’s proposal are excluded from this judgment*”. These aspects, therefore, can be raised elsewhere.

The company is considering whether to file an appeal.

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, which was held and the ruling of the Regional Administrative Court is pending.

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 30th June 2021, the following litigations 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.

With Sentence dated 13th May 2021, the Court of Appeal partially accepted the appeals of the adverse parties, relating to the *quantum* of the ruling, reduced from Euro 208 thousand to approximately Euro 120 thousand, as established by the expert witness at first instance, on the assumption that the additional sums are attributable to improvements.

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:

- 4 procedures have been filed (hearings already scheduled/under scrutiny);
- 8 procedures are in execution of judgment;
- 2 procedures for which the appeal was rejected;
- 1 procedure with procedural issues (e.g. whose complaint was rejected);

- 10 procedures are being managed (an appeal could be necessary);
- 508 procedures have been completed (in various stages).

Between 20 and 45 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 433 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

As regards litigations with Agenzia delle Entrate, 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, Edigas Esercizio Distribuzione Gas and Asco Energy 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 with sentence dated 21st April 2021, which envisages 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 the notices 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 30th June 2021 the Company owns 17,701,578 own shares for a value of Euro 55,423 thousand, 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 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; the judgement is pending.

With regard to energy efficiency obligations, the Decree dated 21st May 2021 of the Minister of Ecological Transition determined the national energy saving objectives for the years 2021-2024 and reduced the obligations of distributors for the year 2020. The objectives estimated for 2021 for the Group's distribution companies are significantly lower than the annual obligations envisaged in the previous four-year period.

The health emergency caused by the Covid 19 virus, in light of the Ascopiave Group's focus on the distribution business, had a minor effect on profitability in the first half of 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 Est Energy 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 30th June 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 55, 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 six months of 2021, 16 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, (combined with Utilitalia, national reference), believing that immunisation is the only way to go back to normal operations, offered its headquarters as a vaccination hub, since the premises are adequate, for its employees or even other companies in the area. The offer of our company as well as of hundreds of other companies was turned down, as it was no longer necessary thanks to the acceleration of the vaccination campaign, implemented at the national level by the Regions, which created large and organised local hubs, also due to the simultaneous opening to vaccination for all age groups who could simply book through the Local Health Authorities. According to rumours (because employees tend to announce their vaccination to their colleagues working in the same office or area) and not official data (which cannot be requested at present for privacy reasons), on 30th June the majority of employees are vaccinated, at least with the first dose, and are awaiting the second dose.

Finally, with regard to the general organisation, the state of health emergency requiring national provisions persists, and the structure will adapt to the new measures that will be issued.

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 5.5% in the first half of the year (8.30% as of 31st December 2020) of the total gross receivables from third parties for invoices issued; the change compared to the previous year is ascribable to the factoring operation 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 30th June 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).

Research and development

IT systems

During the first half of 2021, the Group continued enhancing the new work management process for all the Group distribution companies, modifying the work budgeting, assignment and reporting processes and the possible creation of new assets, understood as new constructions and extraordinary maintenance of the gas networks. This project involves significant automation to make the entire management of activities more effective and efficient. The objectives were pursued by integrating the main programmes and specifically the RetiNext software that supports user management processes, Infor EAM that supports maintenance processes, WFM Geocall which was also extended to the assignment of works, and the SAP accounting system.

During the period, the project to renovate the production system of operational reporting continued, automating and simplifying its production and usability. The various feeding systems and the production of the main operational reports (investments, hours worked, operational activities performed, installation of reduction units, etc.) were integrated.

Another significant project completed in the period was the refurbishment of the management and archiving of the documents attached to all operational flows related to user activities, with the aim of making their management more effective and efficient.

Furthermore, in order to reduce the manual activities of consolidation, control and uploading of the data necessary to meet regulatory purposes, integrations were developed between the various systems that provide the necessary data and specific automatic export and loading procedures were created in XML format.

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

As regards infrastructure, the migration of corporate PCs from Windows 7 to Windows 10 was completed. The project to switch to DHCP addressing for all company PCs has begun and is still in progress with a completion rate of around 70%, thus facilitating the transfer of users from one location to another. The technological system of Ascopiave's BoD room is being renovated, with the installation of a new videoconferencing system. Four rooms have been equipped with electronic devices (screen + webcam and microphone) to enable videoconferences.

The decommissioning of the old hardware infrastructures of the former Unigas company was completed, with the delivery of the related WEEE to the collection point.

Vision One, also part of the Trend Micro Enterprise Suite, was adopted: this online tool is aimed at increasing the level of IT security of the Group's infrastructures. A project was launched to raise awareness among employees of cyber security and a Penetration Test (PT) and Vulnerability Assessment (VA) were commissioned for corporate applications exposed on the Internet. The Group's websites were adapted to the https standard, and benefitted from the implementation of the corrections suggested subsequent to the Penetration Test commissioned by Ascopiave's Privacy Office.

As regards corporate software, in accordance with the project and budget forecasts, the corporate BPC applications are being migrated to the new version (90% complete), an application is being developed for running compensatory checks related to SoD risks in the SAP environment and the migration to the new QlikSense version of the Deloitte Discover package used by the Internal Audit and Purchasing departments is about to be completed.

The new HDA (Help Desk Advanced) software was enhanced to support all of the Group companies and was integrated with the Teamviewer software to make the remote connection between operator and user easier.

As regards SAP, a project is being implemented for the activation of a new module for managing documents in the purchasing cycle (invoices, purchase requests, orders and goods receipts) required by the purchasing department for the management of delivery notes within SAP. We also completed a project to improve the flow of the purchasing cycle which sends automatic emails to suppliers, order managers and purchasing departments in the event of anomalies in the registration of XML invoices.

The project for upgrading the SAP Business Intelligence suite was also launched and concluded.

Human resources

As of 30th June 2021, the Ascopiave Group had 475 employees, divided between the various companies of the Group as outlined below:

Company	30.06.2021	30.06.2020	Variation
Ascopiave S.p.A.	87	88	(1)
AP Reti Gas S.p.A.	165	156	9
AP Reti Gas Rovigo S.r.l.	17	17	0
Edigas Esercizio Distribuzione Gas S.p.A.	65	65	0
AP Reti Gas Vicenza S.p.A.	40	43	(3)
AP Reti Gas Nord Est S.p.A.	98	98	0
Cart Acqua S.r.l.	3	0	3
Total Group	475	467	8

As compared to 30th June 2020, the workforce of the Ascopiave Group increased by 8 units, due to the change in the workforce of Ap Reti Gas (20 hires and 11 terminations), Ap Reti Gas Vicenza (3 terminations), Ascopiave (2 hires and 3 terminations) and the entry of Cart Acqua S.r.l. into the consolidation area (+3 employees).

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

Description	30.06.2021	30.06.2020	Variation
Managers (average)	14	13	1
Office workers (average)	307	299	8
Manual workers (average)	154	155	(1)
No. of persoal employed	475	467	8

Additional information

Seasonal nature of the activity

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

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

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

List of company offices

Owned offices

Society	Intended use	Province	Municipality	Adress
AP RETI GAS VICENZA S.P.A.	Operational headquarters of AP RETI GAS VICENZA S.P.A.	VI	Schio	37 Via Cementi
ASCOPIAVE S.P.A.	Operational headquarters of AP RETI GAS S.P.A.	PC	Castel San Giovanni	44/A Via Borgonovo
ASCOPIAVE S.P.A.	Operational headquarters of AP RETI GAS S.P.A.	PN	Cordovado	101 Via Teglio
ASCOPIAVE S.P.A.	Representative office of ASCOPIAVE S.P.A.	MI	Milano	8 Via Turati, 5 th floor
ASCOPIAVE S.P.A.	Representative office of ASCOPIAVE S.P.A.	MI	Milano	8 Via Turati, 3 th floor in active lease
ASCOPIAVE S.P.A.	Ascopiave Group headquarter	TV	Pieve di Soligo	1030 Via Verizzo
ASCOPIAVE S.P.A.	Operational headquarters of ASCO TLC S.P.A.	TV	San Vendemiano	Via Friuli
ASCOPIAVE S.P.A.	Operational headquarters of AP RETI GAS S.P.A.	VI	Sandriago	25-27 Via Galileo Galilei
ASCOPIAVE S.P.A.	Operational headquarters of AP RETI GAS S.P.A.	TV	Treviso	34/A Piazza delle Istituzioni
EDIGAS DG S.P.A.	Operational headquarters of EDIGAS DG S.P.A.	BG	Nembro	27 Via Lombardia
EDIGAS DG S.P.A.	Shed owned of EDIGAS DG S.P.A.	BI	Salussola	38 Via Stazione

Rented offices

Society	Intended use	Province	Municipality	Adress
AP RETI GAS NORD EST S.P.A.	Operational headquarters of AP RETI GAS NORD EST S.P.A.	PD	Padova	1 Via Jacopo Corrado
AP RETI GAS NORD EST S.P.A.	Operational headquarters of AP RETI GAS NORD EST S.P.A.	UD	San Giorgio di Nogaro	53 Via Ronchi
AP RETI GAS NORD EST S.P.A.	Operational headquarters of AP RETI GAS NORD EST S.P.A.	UD	Udine	60 Via del Cotonificio
AP RETI GAS S.P.A.	Operational headquarters of AP RETI GAS S.P.A.	TV	Castelfranco V.to	8 Via della Cooperazione
AP RETI GAS S.P.A.	Operational headquarters of AP RETI GAS S.P.A.	VA	Marchirolo	7H Via Cavalier Busetti
ASCOPIAVE S.P.A.	Flat	TV	Moriago della Battaglia	60/5 Piazza Albertini, 6
AP RETI GAS ROVIGO S.R.L.	Operational headquarters of AP RETI GAS ROVIGO S.R.L.	RO	Rovigo	7 Viale della Tecnica
CART-ACQUA S.R.L.	Flat	BG	Orio al Serio	2 Via Colombo
EDIGAS DG S.P.A.	Operational headquarters of EDIGAS DG S.P.A.	MN	Marcaria	28-30 Via Mons. Benedini
EDIGAS DG S.P.A.	Warehouse of EDIGAS DG S.P.A.	BG	Nembro	Via Lombardia Sub. 1
EDIGAS DG S.P.A.	Warehouse of EDIGAS DG S.P.A.	BG	Nembro	Via Lombardia Sub. 2
EDIGAS DG S.P.A.	Operational headquarters of EDIGAS DG S.P.A.	BI	Salussola	38 Via Stazione
EDIGAS DG S.P.A.	Operational headquarters of EDIGAS DG S.P.A.	SV	Villanova di Albenga	238 Via Roma, 1

Comments on the economic and financial results of the first half of 2021

Performance indicators

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

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

General operational performance and indicators

NATURAL GAS DISTRIBUTION	First half		Var.	Var. %
	2021	2020		
Ascopiave Group				
Number of concessions	268	268	0	0.0%
Length of distribution network (km)	12,946	12,873	73	0.6%
Number of PDR	776,396	776,300	96	0.0%
Volumes of gas distributed (cm/mln)	918.5	803.5	115.0	14.3%

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

As far as the activity of gas distribution is concerned, in the first six months of 2021, the volumes distributed through the networks managed by the Group companies totalled 918.5 million cubic metres, up 14.3% as compared to the same period in the previous year.

As of 30th June 2021 the number of redelivery points (PDR) managed by the Group companies was 776,396.

General operational performance - The Group's economic results

(Thousands of Euro)	First half			
	2021	% of revenues	2020	% of revenues
Revenues	66,085	100.0%	86,518	100.0%
Total operating costs	34,501	52.5%	56,913	65.8%
Gross operative margin	31,585	47.8%	29,605	34.2%
Amortization and depreciation	17,679	26.8%	16,722	19.3%
Provision for risks on credits	34	0.1%	0	0.0%
Operating result	13,872	21.0%	12,883	14.9%
Financial income	3,514	5.3%	3,539	4.1%
Financial charges	1,089	1.6%	815	0.9%
Evaluation of subsidiary companies with the net equity method	14,258	21.6%	9,341	10.8%
Earnings before tax	30,555	46.2%	24,948	28.8%
Taxes for the period	(3,699)	(5,6%)	(3,763)	(4,3%)
Net result for the period	26,856	40.6%	21,185	24.5%
Group's Net Result	26,856	40.6%	21,185	24.5%
Third parties Net Result	0	0.0%	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 half of the year, the Group incomes amounted to Euro 66,085 thousand, down 23.6% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	First half	
	2021	2020
Revenues from gas transportation	55,086	55,034
Revenues from the sale of electricity	81	101
Revenues from connections	289	267
Revenues from heat supply	5	(0)
Revenues from distribution services	2,243	1,966
Revenues from services supplied to Group companies	4,283	4,130
Revenues from ARERA contributions	2,499	23,923
Other revenues	1,601	1,098
Revenues	66,085	86,518

The **tariff revenues from gas distribution** (from Euro 54,375 thousand to Euro 54,218 thousand), decreased by Euro 158 thousand as compared to the same period in the previous year. The differential between tariff revenues and the item "revenues from gas transportation" shown in the table (Euro 868 thousand as of 30th June 2021 and Euro 659 thousand as of 30th June 2020) is explained by the revenues recognised because of the chargeback of concession fees related to 46bis. These revenues contribute to the formation of the other items of cost and revenue described below.

The **revenues from energy efficiency certificates** (from Euro 23,923 thousand to Euro 2,499 thousand), decreased by Euro 21,424 thousand as compared to the same period in the previous year. The change is mainly explained by the lower targets expected for the year 2021 and related to the provisions introduced by the ministerial decree dated 21st May 2021 described in the "energy efficiency" paragraph herein.

The **operating result** in the first six months of 2021 amounted to Euro 13,872 thousand, recording an increase of Euro 989 thousand (+7.7%) as compared to the same period in the previous year.

The improvement is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 158 thousand;
- higher margin on energy efficiency certificates for Euro 965 thousand;
- positive change in other items of cost and revenues, equal to Euro 181 thousand.

The positive change in other items of cost and revenues, equal to Euro 181 thousand, is due to:

- higher other revenues for Euro 939 thousand;
- higher material and service costs and other charges equalling Euro 219 thousand;
- lower staff costs for Euro 452 thousand, mainly due to higher capitalisations;
- an increase in amortisation and depreciation of fixed assets and provisions for Euro 991 thousand.

The **net consolidated profit** in the first six months of 2021, equal to Euro 26,856 thousand, records an increase of Euro 5,671 thousand (+26.8%) as compared to the same period in the previous year.

This change is due to the following factors:

- increase in the operating result, as previously stated, for Euro 989 thousand;
- decrease in financial revenues for Euro 25 thousand;
- increase in financial charges for Euro 274 thousand;
- decrease in taxes for Euro 64 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 and the stake in Cogeide S.p.A., equal to 19%) for Euro 4,917 thousand.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method and the income received from the investee companies ACSM-AGAM and Hera Comm, decreases from 31.1% in the first half of 2020 to 28.9%.

General operational performance - Financial situation

The table below shows the composition of the net financial position as requested in Consob communication no. DEM/6064293 dated 28th July 2006. The table and information provided have been adjusted in order to reflect the novelties reported in the ESMA document no. 32-382-1138 dated 4th March 2021.

(Thousands of Euro)	30.06.2021	31.12.2020
A Cash and cash equivalents on hand	19,072	21,902
B Bank and post office deposits	0	0
C Other current financial assets	932	798
-of which related parties	0	0
D Liquid assets (A) + (B) + (C)	20,005	22,701
E Current financial assets (including debt instruments, but excluding the current portion of non-current financial debt)	(121,423)	(126,788)
-of which related parties	0	0
-of which current account debt instruments	0	0
F Current portion of medium-long-term loans	(43,383)	(40,024)
-of which related parties	0	0
G Current financial indebtedness (E) + (F)	(164,805)	(166,812)
H Net current financial indebtedness (D) + (G)	(144,801)	(144,111)
I Non-current financial liabilities (excluding the current portion and debt instruments)	(176,214)	(196,562)
J Debt instruments	0	0
K Trade payables and other non-current payables	0	0
L Non-current financial indebtedness (I) + (J) + (K)	(176,214)	(196,562)
M Net financial indebtedness (H) + (L)	(321,014)	(340,672)

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 340,672 thousand as of 31st December 2020 to Euro 321,014 thousand as of 30th June 2021, reporting a decrease of Euro 19,658 thousand.

The net financial position monitored by the Group, which also includes non-current financial receivables, showed an improvement of Euro 20,670 thousand, from Euro 338,447 thousand in the previous year to Euro 317,777 thousand in the period in question.

The following table shows the reconciliation between the ESMA Net financial position and the financial position monitored by the Group:

(Thousands of Euro)	30.06.2021	31.12.2020
Net financial position	(321,014)	(340,672)
Non current financial assets	3,237	2,226
ESMA Net financial position	(317,777)	(338,447)

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

(Thousands of Euro)	First half	
	2021	2020
Group's net income	26,856	21,185
Amortizations	17,713	16,722
(a) Auto-financing	44,569	37,908
(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:	12,382	(12,788)
(c) Variation in financial position generated by operating activities = (a)+ (b)	56,951	25,119
(d) Variation in financial position generated by investments	(22,556)	(74,797)
(e) Other variation in financial position	(13,725)	(35,742)
Net variation in financial position = (c) + (d) + (e)	20,670	(85,420)

The cash flow generated by operations (c), equal to Euro 56,951 thousand, was due to self-financing for Euro 44,569 thousand and other positive financial variations amounting to Euro 12,382 thousand, related to the management of the net circulating capital for Euro +26,640 thousand and the measurement of companies consolidated through the equity method for Euro -14,258 thousand.

The management of the net circulating capital generated financial resources amounting to Euro 26,640 thousand, was influenced by the change in the net operating capital which generated financial resources for Euro 40,333 thousand, the negative variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro 2,238 thousand and the positive variation in VAT position for Euro 1,838 thousand.

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

(Thousands of Euro)	First half	
	2021	2020
Inventories	5,522	(14,474)
Trade receivables and payables	9,971	47,004
Operating receivables and payables	24,840	(28,632)
Gains on shareholdings	(3,489)	(2,700)
Write-downs of fixed assets and capital losses	598	0
Loss / (Gains on disposal of fixed assets)	(1,325)	0
Severance pay and other funds	(1,330)	883
Current taxes	3,699	3,763
Taxes paid	(11,845)	9,302
Change in net working capital	26,640	3,459

Investment activities generated a cash requirement of Euro 22,556 thousand, for net investments in tangible and intangible assets, mainly for works and developments of natural gas distribution facilities.

Additional variations in the Net financial position concern dividends for Euro 13,930 thousand, determined by the balance between dividends distributed (Euro -34,663 thousand) and dividends received from affiliates (Euro +20,733 thousand).

The following table shows in detail the other changes in the financial position in the first six months of 2021.

(Thousands of Euro)	First half	
	2021	2020
Purchase of own shares	204	(6,854)
Dividends distributed to Ascopiave S.p.A. shareholders'	(34,663)	(47,442)
Dividends collected from investee companies	20,733	18,554
Other changes in financial position	(13,725)	(35,742)

General operational performance - Investments

During the first half of the year, the Group made investments in tangible and intangible assets for Euro 22,576 thousand, an increase as compared to the same period in the previous year of Euro 7,002 thousand.

The investments in infrastructures for the distribution of natural gas, amounting to Euro 21,627 thousand, were connected to the construction and maintenance of natural gas network and distribution systems for Euro 9,397 thousand, the creation of connections for Euro 6,350 thousand and the installation of metres for Euro 5,880 thousand. The other investments amounted to Euro 950 thousand and mainly concerned the purchase of software licences used by the Group's distribution companies for the management of remote metering for about Euro 440 thousand.

INVESTMENTS (thousands of Euro)	First half	
	2021	2020
Connecting a gas users	6,350	4,446
Expansions, reclamations and network upgrades	9,063	4,939
Flowmeters	5,880	4,023
Maintenance	334	718
Raw material (gas) investments	21,627	14,125
Land and buildings	125	40
Industrial and commercial equipment	138	25
Forniture	15	8
Vehicles	175	208
Hardware e Software	440	1,168
Other investments	58	0
Investments	950	1,450
Total Investments	22,576	15,575

Ascopiave Group

Schedules of the interim financial report

as of 30th June 2021

Consolidated assets and liabilities statement

(Thousands of Euro)		30.06.2021	31.12.2020
ASSETS			
Non-current assets			
Goodwill	(1)	49,272	49,272
Other intangible assets	(2)	582,313	577,413
Tangible assets	(3)	34,552	33,443
Shareholdings in Controlled and Affiliated companies	(4)	433,818	436,805
Shareholdings in other companies	(4)	78,925	78,925
Other non-current assets	(5)	3,471	4,154
Non current financial assets	(6)	3,237	2,226
Advance tax receivables	(7)	29,935	30,122
Non-current assets		1,215,523	1,212,359
Current assets			
Inventories	(8)	9,390	14,912
Trade receivables	(9)	23,215	33,587
Other current assets	(10)	37,791	75,964
Current financial assets	(11)	911	798
Tax receivables	(12)	1,868	3,583
Cash and cash equivalents	(13)	19,072	21,902
Current assets from derivative financial instruments	(14)	21	0
Current assets		92,269	150,747
ASSETS		1,307,792	1,363,106
NET EQUITY AND LIABILITIES			
Total Net equity			
Share capital		234,412	234,412
Own shares		(55,423)	(55,628)
Reserves and result of the period		667,485	675,119
Net equity of the Group		846,474	853,903
Net equity of Others		0	0
Total Net equity	(15)	846,474	853,903
Non-current liabilities			
Provisions for risks and charges	(16)	751	2,412
Severance indemnity	(17)	4,724	4,770
Medium- and long-term bank loans	(18)	174,301	195,999
Other non-current liabilities	(19)	27,626	26,905
Non-current financial liabilities	(20)	1,913	563
Deferred tax payables	(21)	12,788	12,984
Non-current liabilities		222,102	243,632
Current liabilities			
Payables due to banks and financing institutions	(22)	163,083	165,747
Trade payables	(23)	42,498	66,774
Tax payables	(24)	1,159	5,174
Other current liabilities	(25)	30,754	26,263
Current financial liabilities	(26)	1,445	1,065
Current liabilities from derivative financial instruments	(27)	278	548
Current liabilities		239,217	265,570
Liabilities		461,318	509,203
Net equity and liabilities		1,307,792	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.

Comprehensive consolidated income statement

(Thousands of Euro)	First half	
	2021	2020
Revenues	(28) 66,085	86,518
Total operating costs	34,535	56,913
Purchase costs for other raw materials	(29) 1,113	1,047
Costs for services	(30) 19,529	18,376
Costs for personnel	(31) 9,148	9,600
Other management costs	(32) 5,256	27,917
Other income	(33) 511	27
Amortization and depreciation	(34) 17,679	16,722
Operating result	13,872	12,883
Financial income	(35) 3,514	3,539
Financial charges	(35) 1,089	815
Evaluation of subsidiary companies with the net equity method	(35) 14,258	9,341
Earnings before tax	30,555	24,948
Taxes for the period	(36) (3,699)	(3,763)
Result for the period	26,856	21,185
Group's Net Result	26,856	21,185
Third parties 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	297	(152)
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax	42	324
Total comprehensive income	27,195	21,358
Group's overall net result	27,195	21,358
Third parties' overall net result	(0)	(0)
Base income per share	0.124	0.095
Diluted net income per share	0.124	0.095

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.

Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Profits 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							26,856	26,856	0	26,856
Other operations					297			297	0	297
Severance indemnity IAS 19 discounting of the period				42				42	0	42
Total result of overall income statement				42	297	0	26,856	27,195	0	27,195
Allocation of 2020 result						58,701	(58,701)	0		0
Dividends distributed to Ascopiave S.p.A. shareholders						(34,663)		(34,663)		(34,663)
Long term incentive plans			204		(201)	35		39		39
Balance as of 30th June 2021	234,412	46,882	(55,424)	485	433,398	160,834	26,856	846,474	0	846,474

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Profits 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)	(535)	(10,470)	136,762	493,216	873,492	0	873,492
Result for the period							21,185	21,185		21,185
Other operations					(152)			(152)		(152)
Severance indemnity IAS 19 discounting of the period				324				324		324
Total result of overall income statement				324	(152)	0	21,185	21,358	0	21,358
Allocation of 2019 result					493,216		(493,216)	0		0
Dividends distributed to Ascopiave S.p.A. shareholders					(47,442)			(47,442)		(47,442)
Purchase of own shares			(6,887)	21				(6,866)		(6,866)
Balance as of 30th June 2020	234,412	46,882	(33,661)	(190)	435,153	136,762	21,185	840,543	0	840,543

Consolidated statement of cash flows

(Thousands of Euro)	First half	
	2021	2020
Net income of the Group	27,195	21,358
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Change in HA reserves for derivatives MTM	(15)	152
Variations in severance indemnity reserves	(15)	(324)
Amortization	(34)	16,722
Loss / (Gains on disposal of fixed assets)	(32)	0
Bad debts	(32)	0
Variations in severance indemnity	(17)	54
Current assets / liabilities on financial instruments and forward purchasee and sales	(14;27)	31
Net variation of other funds	(16)	829
Evaluation of subsidiaries with the net equity method	(35)	(9,341)
Income from shareholdings	(35)	(2,700)
Other changes in the income statement that do not generate cash flows	(28)	0
Interests paid		(700)
Taxes paid		(9,302)
Interest expense for the period	(35)	744
Taxes for the period	(36)	3,763
Total adjustments	(10,591)	(73)
Variations in assets and liabilities		
Inventories	(8)	(14,474)
Accounts payable	(9)	22,034
Other current assets	(10)	(26,062)
Trade payables	(23)	24,970
Other current liabilities	(25)	(3,660)
Other non-current assets	(5)	(149)
Other non-current liabilities	(19)	1,208
Total variations in assets and liabilities	41,122	3,867
Cash flows generated (used) by operating activities	57,726	25,152
Cash flows generated (used) by investments		
Investments in intangible assets	(2)	(15,151)
Realisable value of intangible assets	(2)	26
Investments in tangible assets	(3)	(424)
Realisable value of tangible assets	(3)	4
Investment flows for business aggregations	(4)	(59,240)
Other changes in net equity	(15)	(12)
Dividends collected from investee companies	(4)	18,554
Cash flows generated/(used) by investments	(1,823)	(56,243)
Cash flows generated (used) by financial activities		
Changes in non-current financial liabilities	(20)	(154)
Net changes in short-term bank borrowings	(22)	(7,948)
Net variation in current financial assets and liabilities	(11;26)	(10,746)
Purchase / Sale of own shares	(15)	(6,854)
Ignitions loans and mortgages	(18)	116,700
Redemptions loans and mortgages	(18)	(67,000)
Dividends distributed to Ascopiave S.p.A. shareholders'	(15)	(47,442)
Cash flows generated (used) by financial activities	(58,734)	(23,444)
Variations in cash	(2,830)	(54,535)
Cash and cash equivalents at the beginning of the period	21,902	67,031
Cash and cash equivalents at the end of the period	19,072	12,495

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.

* Please note that, at the end of FY 2020, the structure of the Group's cash flow statement was modified in order to improve its presentation. The comparative cash flow statement was consequently reclassified and aligned with the figures of 30th June 2021.

EXPLANATORY NOTES

Company information

Ascopiave S.p.A. (hereinafter “Ascopiave”, the “Company” or the “Parent Company” and, jointly with its subsidiaries, the “Group” or the “Ascopiave Group”) is a legal entity under Italian law.

As of 30th June 2021, the share capital of the Company, amounting to Euro 234,411,575 was for the most part held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 30th June 2021 of the Ascopiave Group was authorised by resolution of the Board of Directors on 5th August 2021.

PricewaterhouseCoopers S.p.A., appointed as independent auditors of the Parent Company and the main companies of the Ascopiave Group, have performed a limited audit of this consolidated interim financial report.

The activities of the Ascopiave Group

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

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 268 municipalities (268 municipalities as of 31st December 2020), has a distribution network extending for over 12,940 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 Consolidated financial statements of the Ascopiave Group are prepared in accordance with the IFRSs, understood as all the “International Financial Reporting Standards”, all the “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously known as “Standing Interpretations Committee” (SIC) that, at the closing date of the consolidated financial statements, were approved by the European Union according to the procedure laid down in Regulation (EC) no. 1606/2002 by the European Parliament and the European Council of 19th July 2002.

The Interim Financial Report of the Ascopiave Group as at 30th June 2021 is prepared in compliance with art. 154 ter par. 2 of Legislative Decree no. 58/98 - T.U.F. (Consolidated Finance Law) - and subsequent amendments and additions.

The consolidated abridged interim financial statements as of 30th June 2021 of the Ascopiave Group were prepared in accordance with IAS 34 - “Interim Financial Reporting”, concerning intermediate financial information (the “Consolidated abridged half-yearly financial statements”). The accounting principle IAS 34 envisages a minimum level of information significantly lower compared to general IFRS dispositions, in case complete financial statements drafted according to IFRSs were previously made available to the public. As such, these statements, which are prepared in an abridged form, and include minimum information pursuant to IAS 34, are to be read in conjunction with the Consolidated Financial Statements of the Group for the fiscal year ended 31st December 2019. The accounting standards used to draw up this interim report, prepared in accordance with IAS 34 - “Intermediate financial statements”, are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2020.

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

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

The values used for consolidation were gathered from the income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data were adjusted and reclassified, where necessary, to ensure compliance with the international accounting standards and with the classification criteria applied throughout the Group. This Interim Report as of 30th June 2021 was approved by the Board of Directors of the Company on 5th August 2021.

Basis for measurement

Use of estimates

The preparation of the interim report for the first half of 2021 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, other overall profits/losses as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the Management’s best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph “Use of Estimates” in the Consolidated Financial Statements as of 31st December 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 carried out only while drawing-up the annual financial statements, when all the necessary information is available, except for cases in which there are impairment indicators that require an immediate evaluation of potential impairment.

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 30th June 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%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3,000,000	100.00%	100%	0%
Asco Energy S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100%	0%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	100.00%	100%	0%
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	100.00%	100%	0%
CART Acqua S.r.l.	Orio al Serio (BG)	50,000	100.00%	100%	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.	65,369	56,136	830,101	285,017	IFRS
100% consolidated companies					
AP Reti Gas Nord Est S.r.l.	13,368	3,109	132,846	(6,240)	IFRS
AP Reti Gas S.p.A.	31,998	6,839	305,591	(5,735)	IFRS
Cart Acqua S.r.l.	177	(47)	3,781	(134)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	9,578	1,892	62,328	15,212	Ita Gaap
AP Reti Gas Vicenza S.p.A.	7,553	(325)	17,143	21,018	Ita Gaap
AP Reti Gas Rovigo S.r.l.	2,371	632	19,475	4,810	Ita Gaap
Asco Energy S.p.A.	4,925	(6)	743	0	Ita Gaap

Information on consolidated subsidiaries with minority interest

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 ITEM

Non-current assets

1. Goodwill

Goodwill, equal to Euro 49,272 thousand as of 30th June 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)	30.06.2021	31.12.2020
Distribution of natural gas	49,272	49,272
Total goodwill	49,272	49,272

As of 30th June 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 directors 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)	30.06.2021			31.12.2020		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	6,929	(5,882)	1,047	6,915	(5,813)	1,103
Concessions, licences, trademarks and similar rights	15,860	(12,078)	3,782	15,860	(11,537)	4,324
Other intangible assets	9,685	(4,530)	5,155	9,685	(4,420)	5,265
Tangible assets under IFRIC 12 concession	1,047,606	(506,819)	540,787	1,035,350	(491,578)	543,771
Tangible assets in progress under IFRIC 12 concession	29,097	0	29,097	20,783	0	20,783
Intangible assets in progress	2,445	0	2,445	2,167	0	2,167
Other intangible assets	1,111,622	(529,309)	582,313	1,090,760	(513,348)	577,413

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

	31.12.2020					30.06.2021
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	1,103	14		69		1,047
Concessions, licences, trademarks and similar rights	4,324	0		542		3,782
Other intangible assets	5,265	0		110		5,155
Tangible assets under IFRIC 12 concession	543,771	13,400	1,144	15,806	(566)	540,787
Tangible assets in progress under IFRIC 12 concession	20,783	8,334	20	0		29,097
Intangible assets in progress and advances payments	2,167	278		0		2,445
Other intangible assets	577,413	22,026	1,164	16,527	(566)	582,313
	31.12.2019					30.06.2020
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	900	(0)	2	50		847
Concessions, licences, trademarks and similar rights	4,798	4		539		4,263
Other intangible assets	5,486	(0)		111		5,375
Tangible assets under IFRIC 12 concession	541,495	7,086		14,734		533,823
Tangible assets in progress under IFRIC 12 concession	13,649	6,827	29	0	(6)	20,452
Intangible assets in progress and advances payments	868	1,257		0		2,125
Other intangible assets	567,194	15,151	31	15,434	(6)	566,885

The investments made during the first six months of the financial year amount to Euro 22,026 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 half 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 licenses. During the first six months of the year, the item did not register significant investments and the variation is explained by amortisation. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortised with a useful life of 12 years in compliance with the period provided for by the decree.

Other intangible fixed assets

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

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of metering and reduction groups. At the end of the first six months of the year, the overall negative net change amounts to Euro 2,984 thousand, mainly explained by depreciation for the period and partly offset by the investments made. Investments, including the reclassifications of assets under construction, totalled Euro 13,400 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 8,334 thousand.

Intangible assets under construction

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

3. Tangible assets

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

(Thousands of Euro)	30.06.2021				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	(16,580)	(265)	26,699	43,545	(15,983)	(265)	27,297
Plant and machinery	4,042	(1,837)	(1,059)	1,145	4,042	(1,798)	(1,059)	1,184
Industrial and commercial equipment	4,626	(3,855)		770	4,488	(3,798)		689
Other tangible assets	20,991	(18,340)		2,651	20,692	(17,954)		2,738
Tangible assets in progress and advance payments	707	0	(55)	653	650	0	(55)	595
Rights of use	3,567	(934)		2,633	1,668	(728)		940
Other tangible assets	77,477	(41,547)	(1,379)	34,552	75,085	(40,262)	(1,379)	33,443

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

(Thousands of Euro)	31.12.2020					30.06.2021
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	27,297	0		597		26,699
Plant and machinery	1,184	0		39		1,145
Industrial and commercial equipment	689	138		57		770
Other tangible assets	2,738	198	39	252	(7)	2,651
Tangible assets in progress and advance payments	595	58		0		653
Rights of use	940	1,899	75	207	(75)	2,633
Other tangible assets	33,443	2,293	114	1,152	(81)	34,552

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

The investments made during the first half of the year amount to Euro 2,293 thousand and mainly relate to the measurement of the rights of use signed in the period.

Land and buildings

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

Plants and machinery

During the first half of the year, the item “Plants and machinery” did not register investments and the variation is explained by depreciation.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 138 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for metering activity.

Other assets

The investments made during the first half of the year are equal to Euro 198 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 124 thousand) and company vehicles (Euro 74 thousand).

Tangible assets under construction and advance payment

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses not completed at the reporting date. During the first half of the year, the item changed by Euro 58 thousand and is explained by the investments made for the construction of a photovoltaic system at the Pieve di Soligo headquarters.

Rights of use

The item includes the rights of use related to the first application of IFRS 16. The effect of the application of the standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings and rental of vehicles and trucks. During the first six months of the year, the change recorded is Euro 1,899 thousand and is mainly explained by the execution of a 5-year operating lease for a cutting-edge leak detection technology which resulted in an increase in the rights of use equal to Euro 1,485 thousand. The residual increase is mainly explained by new agreements, or extensions of existing agreements, for the rental of company vehicles.

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			30.06.2021
	Net value	Decrease	Measurement with the equity method	Net value
(Thousands of Euro)				
Shareholdings in associated companies	436,805	(17,244)	14,258	433,818
Shareholdings in other companies	78,925			78,925
Shareholdings	515,729	(17,244)	14,258	512,743

During the period, the item “Equity investments” recorded an overall decrease of Euro 2,986 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)	30.06.2021	31.12.2020
Shareholdings in Estenergy S.p.A.	425,833	428,998
Shareholdings in Cogeide S.p.A.	7,985	7,806
Shareholdings in associated companies	433,818	436,805
Shareholdings in Hera Comm S.p.A.	54,000	54,000
Shareholdings in ACSM - AGAM S.p.A.	24,923	24,923
Shareholdings in Banca Prealpi SanBiagio Credito Cooperativo	1	1
Shareholdings in Banca Alto Vicentino	1	1
Shareholdings in other companies	78,925	78,925
Shareholdings	512,743	515,729

Equity investments in subsidiary and affiliate companies

At the end of the first half of the year, investments in affiliate companies were recorded for a total of Euro 433,818 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 half of 2021, the equity investment in EstEnergy, equal to Euro 425,833 thousand, decreased by Euro 3,165 thousand, explained by the distribution of dividends for Euro 17,244 thousand and the valuation using the equity method of the consolidated results accrued during the period for Euro 14,079 thousand. The Company, whose share capital is owned by Ascopiave S.p.A. (48%) and Hera S.p.A. (52%) sells natural gas and electricity.

During the first half of 2021, the investment in Cogeide, to the tune of Euro 7,985 thousand, recorded an increase of Euro 179 thousand explained by the valuation with the equity method of the results accrued during the period.

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 inclusive of consolidation entries and expressed in millions of Euro)	First half 2021 pro-quota	First half 2021 pro-quota	First half 2020 pro-quota	First half 2020 pro-quota
Non-current assets	328.1	683.6	361.3	752.7
Current assets	158.9	331.1	113.3	236.0
Net equity of the Group	344.4	717.5	337.8	703.7
Net equity of Others	1.8	3.8	1.5	3.1
Non-current liabilities	27.5	57.3	54.0	112.5
Current liabilities	113.3	236.1	81.3	169.4
Revenues	212.8	443.4	191.0	397.9
Costs	189.4	394.5	171.3	357.0
Gross operative margin	23.5	48.9	19.7	41.0
Amortization and depreciation	7.5	15.6	6.8	14.2
Operating result	16.0	33.3	12.9	26.8
Group's Net Result	12.1	25.1	(11.5)	(24.1)
Third parties Net Result	0.8	1.7	1.3	2.8
NFP	(68.3)	(142.3)	(42.3)	(88.2)

Other investments

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

The item includes equity investments already recorded at fair value, unchanged in the period in question, consisting of 3% of the share capital of Hera Comm for Euro 54,000 thousand, acquired subsequent to the commercial partnership signed with the Hera Group, finalised on 19th December 2019, of 5% 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 period, 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)	30.06.2021	31.12.2020
Security deposits	1,388	1,353
Other receivables	2,083	2,802
Other non-current assets	3,471	4,154

Non-current assets recorded an overall decrease compared to the previous year equal to Euro 683 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 half of the year refer to guarantee deposits for Euro 1,388 thousand and other receivables for Euro 2,083 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)	30.06.2021	31.12.2020
Other receivables of a financial nature over 12 months	3,237	2,226
Non-current financial assets	3,237	2,226

Non-current financial assets increased from Euro 2,226 thousand in 2020, to Euro 3,237 thousand in the period in question, with an increase of Euro 1,011 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 assets

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

(Thousands of Euro)	30.06.2021	31.12.2020
Advance tax receivables	29,935	30,122
Advance tax receivables	29,935	30,122

Advance taxes decrease from Euro 30,122 thousand in 2020, to Euro 29,935 thousand in the period in question, marking a decrease of Euro 187 thousand. In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 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)	30.06.2021			31.12.2020		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	7,255	(39)	7,216	9,254	(39)	9,215
Energy efficiency certificates	2,174		2,174	5,697		5,697
Inventories	9,429	(39)	9,390	14,951	(39)	14,912

At the end of the first six months the year, inventories are equal to Euro 9,390 thousand, marking a decrease of Euro 5,522 thousand as compared to 31st December 2020. This is mainly explained by the decrease in the energy efficiency certificates purchased by the Group's ESCO and not sold at the reporting date. The stock of energy efficiency certificates decreased by Euro 3,523 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. At the end of the period in question the item decreased by Euro 1,999 thousand, from Euro 9,215 thousand as of 31st December 2020, to Euro 7,216 thousand in the reference period.

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

9. Trade receivables

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

(Thousands of Euro)	30.06.2021	31.12.2020
Receivables from customers	13,122	8,463
Receivables for invoices to be issued	10,819	25,816
Bad debt provisions	(726)	(692)
Trade receivables	23,215	33,587

Trade receivables decreased from Euro 33,587 thousand in 2020, to Euro 23,215 thousand in the period in question, marking a decrease of Euro 10,372 thousand, mainly explained by the distribution of natural gas consumption during the year, with greater concentration in winter. Trade receivables consist mainly in receivables from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located. The downward seasonal trend of trade receivables in the summer was partially offset by the transfers of trade receivables by the Group distribution companies, at the end of 2020, to factoring companies without recourse for a total amount of Euro 13,383 thousand. Net of the effects of factoring, the decrease in trade receivables is Euro 23,755 thousand.

Receivables from customers are expressed net of the billing down payments.

The provision for doubtful accounts, equal to Euro 726 thousand, represents the risks to which the Group's distribution companies are exposed and, at the end of the first half of the year, did not require additional amounts.

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

(Thousands of Euro)	30.06.2021	31.12.2020
Bad debt provisions	692	506
Provisions	34	189
Use	(0)	(3)
Final bad debt provision	726	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)	30.06.2021	31.12.2020
Gross trade receivable invoices issued	13,122	8,463
- allowance for doubtful accounts	(726)	(692)
Net trade receivables for invoices issued	12,396	7,771
Aging of trade receivables for invoices issued		
- to expire	11,133	6,410
- expired within 6 months	1,183	1,243
- overdue by 6 to 12 months	14	23
- expired more than 12 months	792	787

10. Other current assets

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

(Thousands of Euro)	30.06.2021	31.12.2020
Tax consolidation receivables	804	694
Annual pre-paid expenses	1,643	323
Advance payments to suppliers	4,987	3,196
Annual accrued income	19	19
Receivables due from CSEA	27,060	68,169
VAT Receivables	601	1,124
UTF and Provincial/Regional Additional Tax receivables	40	40
Other receivables	2,637	2,399
Other current assets	37,791	75,964

Other current assets decreased from Euro 75,964 thousand to Euro 37,791 thousand, down Euro 38,173 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 health emergency caused by the SarsCov2 virus. The above resulted in the recognition at the end of FY 2020 of the receivables deriving from the certificates cancelled up to 30th November 2020, which were partially collected in January 2021, resulting in a decrease in the item of Euro 20,326 thousand. Please also note that, subsequent to the issue of Ministerial Decree dated 21st May 2021, the energy efficiency and saving objectives for the four-year period 2021-2024 were determined. The in-house estimates made in accordance with the provisions of the decree showed a significant reduction in the quantities of certificates assigned to the companies of the Group to which the obligation applies. The same decree

also redefined the 2020 objectives by reducing the original overall amount, for all the companies of the Group, from 145,846 certificates to 58,412 certificates. In order to adjust the value of the receivables recorded to the new quantities that will be or were delivered, such receivables were reduced by Euro 21,859 thousand.

At the end of the period, the receivables from Cassa Servizi Energetici e Ambientali (CSEA), equal to Euro 27,060 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 30th June 2021 but not delivered yet on the same date. The unit contribution used for the economic quantification of the fulfilment is equal to the final contribution set for the objectives related to closed regulatory periods, while it is equal to the fair value of the forecast contribution for the contributions being accrued and, as of 30th June 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)	30.06.2021	31.12.2020
Other current financial assets	911	798
Current financial assets	911	798

Current financial assets mark an increase of Euro 113 thousand, from Euro 798 thousand at 31st December 2020 to Euro 911 thousand in the period in question. The increase is mainly explained by the registration of the receivable amounting to Euro 112 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 139 thousand and the short-term portion of the receivables from the municipality of Costabissara for Euro 167 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)	30.06.2021	31.12.2020
Receivables related to IRAP	585	583
Receivables related to IRES	1,205	2,922
Other tax receivables	78	78
Tax receivables	1,868	3,583

Tax receivables decreased by Euro 1,715 thousand, from Euro 3,583 thousand at 31st December 2020 to Euro 1,868 thousand in the period in question.

The item includes the residual credit, minus the taxes for the first half of 2021, 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)	30.06.2021	31.12.2020
Bank and post office deposits	19,050	21,889
Cash and cash equivalents on hand	22	14
Cash and cash equivalents	19,072	21,902

Cash and cash equivalents decreased from Euro 21,902 thousand in the previous year, to Euro 19,072 thousand in the period in question recording a decrease of Euro 2,830 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the changes in cash flows in the first half of the year, please refer to the statement of cash flows.

Net financial position

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

(Thousands of Euro)	30.06.2021	31.12.2020
Cash and cash equivalents	19,072	21,902
Current financial assets	932	798
Current financial liabilities	(1,722)	(1,065)
Payables due to banks and financing institutions	(163,083)	(165,747)
Net short-term financial position	(144,801)	(144,111)
Non-current financial assets	3,237	2,226
Medium- and long-term bank loans	(174,301)	(195,999)
Non-current financial liabilities	(1,913)	(563)
Net medium and long-term financial position	(172,976)	(194,336)
Net financial position	(317,777)	(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 half of 2021" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

14. Current assets from derivative financial instruments

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

(Thousands of Euro)	30.06.2021	31.12.2020
Current assets from derivative financial instruments	21	0
Current assets from derivative financial instruments	21	0

Current assets from derivative financial instruments relate to interest rate hedging contracts executed by the parent company Ascopiave in 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.

Assets from derivatives are represented by the fair value of the following derivatives existing as 30th June 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	Mediobanca	Interest Rate Swap	Euribor 3M	02-Dec-20	02-Dec-20	02-Dec-25	Vanilla: Fixed - Float	30,000,000 €	21
Total								30,000,000 €	21

The financial instruments measured at fair value belong to the 1st evaluation hierarchical level.

Consolidated Shareholders' Equity

15. Shareholders' equity

Ascopiave S.p.A.'s share capital as of 30th June 2021 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	30.06.2021	31.12.2020
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(55,423)	(55,628)
Reserves and profits carried forward	593,747	569,536
Group's Net Result	26,856	58,701
Net equity of the Group	846,474	853,903
Net equity of Others	0	0
Total Net equity	846,474	853,903

Consolidated shareholders' equity at 30th June 2021 amounted to Euro 846,474 thousand a decrease of Euro 7,429 thousand compared to 2020. Changes in the consolidated shareholders' equity during the first half of the year, excluding the result achieved, are mainly explained by the distribution of dividends for Euro 34,663 thousand, the changes in hedge accounting reserves linked to derivative instruments for Euro 297 thousand and other changes connected to the discounting of severance indemnity for Euro 42 thousand and payments based on treasury shares relating to long-term incentive plans for Euro 39 thousand.

At the end of the first half the company held treasury shares for a total value of Euro 55,423 thousand.

As of 30th June 2021 Ascopiave S.p.A. held 17,701,578 shares, equal to 7.551% of the share capital, for the value indicated above.

The hedge accounting reserve recorded at the end of the period represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations linked to the loans taken out. Such reserve, as at, as of 30th June 2021, shows a negative balance of Euro 199 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

16. Provisions for risks and charges

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

(Thousands of Euro)	30.06.2021	31.12.2020
Provisions for pension for gas sector employees	489	1,853
Other reserves for risks and charges	262	559
Reserves for risks and charges	751	2,412

Reserves for risks and charges, from Euro 2,412 thousand in the previous year, to Euro 751 thousand in the period in question, decreased by Euro 1,661 thousand. The change is mainly explained by the use of the “retirement and similar obligations” fund subsequent to the disbursement of long-term incentives accrued in the 2018-2020 three-year period. The final balance of the total amount, calculated upon the approval of the 2020 financial statements, resulted in the use of the fund for Euro 1,523 thousand. This decrease was partially offset by the recognition of the amounts accrued in the reference period in relation to the long-term incentive plan for the 2021-2023 three-year period which resulted in a provision equal to Euro 214 thousand.

The decrease in provisions for other risks and charges, equal to Euro 297 thousand is mainly explained by the adjustment to the provision allocated by the subsidiary AP Reti Gas Nord Est S.r.l. at the end of 2020 due to the charges that the company could incur because of the energy efficiency objectives set for 2020. 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 objective. On 31st December 2020, the company has consequently recorded the net charge that it could accrue in relation to the purchase of the necessary certificates and their transfer to the Authority or to the transferor company of the business unit. The redefinition of the energy efficiency and saving objectives for the 2020 financial year and the 2021-2024 four-year period, which took place subsequent to the issue of Ministerial Decree dated 21st May 2021, consequently determined a new measurement of the possible objectives applicable to the subsidiary AP Reti Gas Nord Est S.r.l.. The adjustment of the provision recorded to the lower quantities of the objective led to the release of the provision previously established for Euro 335 thousand. This decrease was partially offset by the provision made, for Euro 38 thousand, in relation to the charges that the company could incur due to the share of the 2021 target accrued during the period.

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

(Thousands of Euro)	
Reserves for risks and charges as of 1 st January 2021	2,412
Provisions for risks and charges	252
Use of provisions for risks and charges	(1,914)
Provisions for risks and charges 30th of June 2021	751

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

(Thousands of Euro)	30.06.2021	31.12.2020
Provisions for cost of energy efficiency certificates	262	559
Provisions for pension for gas sector employees	489	1,853
Reserves for risks and charges	751	2,412

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

17. Severance indemnity

Severance indemnity decreases from Euro 4,770 thousand as of 1st January 2021 to Euro 4,724 thousand as of 30th June 2021, recording a decrease of Euro 46 thousand.

The following table shows how the item changed in each period considered:

(Thousands of Euro)	
Severance indemnity as of 1 st January 2021	4,770
Retirement allowance	(819)
Payments for current services and work	823
Actuarial loss/(profits) of the period (*)	(50)
Severance indemnity as of 30th of June 2021	4,724

* including the interest cost booked in the income statement

18. Medium- and long-term loans

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

(Thousands of Euro)	30.06.2021	31.12.2020
Loans from Cassa Centrale Banca	6,639	7,041
Loans from European Investment Bank	9,625	12,000
Loans from INTESA SAN PAOLO S.P.A.	75,000	80,000
Loans from BPER	6,703	
Loans from BNL	38,000	42,250
Loans from CREDIT AGRICOLE FRIULADRIA	15,000	18,000
Loans from UBI BANCA S.P.A.		10,041
Loans from MEDIOBANCA	23,333	26,667
Medium- and long-term bank loans	174,301	195,999
Current portion of medium- and long-term bank loans	43,383	40,024
Medium- and long-term bank loans	217,683	236,023

Medium and long term loans, mainly represented as of 30th June 2021 by the payables of the Parent Company to Intesa Sanpaolo for Euro 85,000 thousand, BNL for Euro 46,500 thousand, Mediobanca for Euro 30,000 thousand, di Crédit Agricole Friuladria for Euro 21,000 thousand, BPER for Euro 13,370 thousand, the European Investment Bank for Euro 14,375 thousand and Cassa Centrale Banca for Euro 7,439 thousand, decrease from Euro 236,023 thousand to Euro 217,683 thousand, with a decrease of Euro 18,340 thousand, explained by the payment of the instalments in the first half 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 30th June 2021 of Euro 35,000 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 end of 2020 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 30th June 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 end of 2020 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 30th June 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 end of 2020 were fulfilled;
- the loan with BNL, disbursed in 2017 for an amount equal to Euro 30,000 thousand, has a residual debt as of 30th June 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 end of 2020 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 30th June 2021, with the entry of Euro 6,667 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 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 30th June 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 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 30th June 2021 of Euro 13,370 thousand, with the recognition of Euro 6,667 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 30th June 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 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 30th June 2021 of Euro 7,439 thousand, with the recognition of Euro 799 thousand in due to banks and short-term loans.

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

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

(Thousands of Euro)	30.06.2021
Year 2021	21,685
Year 2022	43,408
Year 2023	90,095
Year 2024	33,253
After 31 st December 2024	29,242
Medium- and long-term bank loans	217,683

19. Other non-current liabilities

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

(Thousands of Euro)	30.06.2021	31.12.2020
Security deposits	1,126	823
Multi-annual passive prepayments	26,500	26,082
Other non-current liabilities	27,626	26,905

Other non-current liabilities increased from Euro 26,905 thousand in the previous year, to Euro 27,626 thousand in the first six months of 2021, marking an increase of Euro 721 thousand.

The item increased by Euro 418 thousand due to the performance of long-term deferred income, recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

Security deposits recorded at the end of the first half of the year increased by Euro 303 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.

20. Non-current financial liabilities

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

(Thousands of Euro)	30.06.2021	31.12.2020
Debts for rights of use beyond 12 months	1,913	563
Non-current financial liabilities	1,913	563

Other non-current liabilities increased from Euro 563 thousand in the previous year, to Euro 1,913 thousand in the period in question, with an increase of Euro 1,350 thousand. The increase is mainly explained by the execution of a new operating lease agreement relating to a gas leak detection vehicle amounting to Euro 1,500 thousand net of the payment of the operating lease instalments for rentals of company offices and vehicles.

21. Deferred tax payables

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

(Thousands of Euro)	30.06.2021	31.12.2020
Deferred tax payables	12,788	12,984
Deferred tax payables	12,788	12,984

Payables for deferred taxation decrease from Euro 12,984 thousand in the previous year, to Euro 12,788 thousand in the period in question, marking a decrease of Euro 196 thousand.

Deferred tax payables mainly include the tax effects deriving from the dynamics of amortisation of gas distribution networks. In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 2021 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

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

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

(Thousands of Euro)	30.06.2021	31.12.2020
Payables due to banks	119,700	125,723
Current portion of medium-long-term loans	43,383	40,024
Payables due to banks and financing institutions	163,083	165,747

Payables to banks decrease from Euro 165,747 thousand in the previous year, to Euro 163,083 thousand in the period in question, with a decrease of Euro 2,664 thousand, and include debtor accounting balance to credit institutions and the short-term quota of loan.

The chart below shows the breakdown of the Group's credit lines used and available and the related rates applied as at 30th June 2021.

Bank	Type of line of credit	Credit line at 30.06.2021	Rate at 30.06.2021	Use of credit line at 30.06.2021
Unicredit	Cash loan	14,000	n.a.	9,200
Unicredit	Cash loan	5,000	n.a.	-
Unicredit	Cash loan	1,030	n.a.	-
Banca Alto Vicentino	Cash loan	1,527	n.a.	1,527
Intesa SanPaolo	Short-term mortgage	50	n.a.	-
Intesa SanPaolo	Cash loan	2,457	n.a.	2,457
Unicredit	Cash loan	3,000	n.a.	85
Banca Nazionale del Lavoro	Cash loan	75	n.a.	75
Unicredit	Cash loan	1,020	n.a.	-
Banca di Credito Cooperativo delle Prealpi	Long-term mortgage	3,719	1.83%	3,719
European Investment Bank	Long-term mortgage	5,625	0.27%	5,625
European Investment Bank	Long-term mortgage	8,750	0.51%	8,750
Banca Nazionale del Lavoro	Short-term mortgage	10,000	0.20%	10,000
Banca Nazionale del Lavoro	Short-term mortgage	14,000	0.00%	14,000
Banca Nazionale del Lavoro	Long-term mortgage	22,500	1.92%	22,500
Banca Nazionale del Lavoro	Long-term mortgage	24,000	0.56%	24,000
Banca Nazionale del Lavoro	Cash loan	1,000	n.a.	50
Banca Popolare dell'Emilia Romagna	Short-term mortgage	10,000	0.22%	10,000
Banca Popolare dell'Emilia Romagna	Long-term mortgage	13,370	0.55%	13,370
Banca Sella	Short-term mortgage	5,000	0.20%	5,000
Banco BPM	Short-term mortgage	20,000	0.25%	20,000
Banco BPM	Cash loan	5,000	n.a.	1,287
Cassa Centrale Banca	Long-term mortgage	3,719	1.83%	3,719
Cassa Depositi e Prestiti	Cash loan	9,943	n.a.	9,943
Credit Agricole Corporate	Long-term mortgage	10,500	0.54%	10,500
Credit Agricole Friuladria	Long-term mortgage	10,500	0.54%	10,500
Credit Agricole Friuladria	Short-term mortgage	5,000	n.a.	-
Credito Emiliano	Short-term mortgage	30,000	0.02%	30,000
Intesa SanPaolo	Short-term mortgage	55,000	n.a.	-
Intesa SanPaolo	Long-term mortgage	35,000	0.39%	35,000
Intesa SanPaolo	Long-term mortgage	50,000	0.39%	50,000
Mediobanca	Long-term mortgage	30,000	0.31%	30,000
Unicredit	Short-term mortgage	30,700	0.10%	30,700
Unicredit	Cash loan	29,210	n.a.	4,524
Unicredit	Cash loan	3,000	n.a.	109
Banca Popolare dell'Emilia Romagna	Cash loan	107	n.a.	107
Credit Agricole Friuladria	Derivatives line	102	n.a.	102
Banca Nazionale del Lavoro	Derivatives line	500	n.a.	151
Intesa SanPaolo	Derivatives line	1,330	n.a.	-
Banco BPM	Derivatives line	1,500	n.a.	265
Total		477,234		367,265

Note: the total uses do not correspond to the total payables to banks as the use of the line for the issue of sureties does not result in bank payables.

23. Trade payables

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

(Thousands of Euro)	30.06.2021	31.12.2020
Payables to suppliers	4,719	4,733
Payables to suppliers for invoices not yet received	37,779	62,041
Trade payables	42,498	66,774

Trade payables decrease from Euro 66,774 thousand in the previous year, to Euro 42,498 thousand in the period in question, marking a decrease of Euro 24,276 thousand mainly due to the energy efficiency targets.

The decrease in payables recorded for the purchase of energy efficiency certificates is mainly explained by the effects of Ministerial Decree dated 21st May 2021, described in the paragraph “other current assets” of this interim financial report. The decree also caused the reduction in the quantities of certificates envisaged by the objectives, which resulted in the need to adjust the value of the payables recorded for the purchase of the certificates with a consequent decrease in such payables of Euro 22,733 thousand. The item 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 30th June 2021 and amounting to Euro 260 (Euro 260 on 31st December 2020).

24. Payables to tax authorities

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

(Thousands of Euro)	30.06.2021	31.12.2020
IRAP payables	376	801
IRES payables	783	4,373
Tax payables	1,159	5,174

Tax payables, from Euro 5,174 thousand in the previous year to Euro 1,159 thousand in the period in question, mark a decrease of Euro 4,015 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..

25. Other current liabilities

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

(Thousands of Euro)	30.06.2021	31.12.2020
Advance payments from customers	745	514
Amounts due to parent companies for tax consolidation	192	20
Amounts due to social security institutions	1,814	1,495
Amounts due to employees	4,672	3,921
VAT payables	1,630	315
Payables to revenue office for withholding tax	1,314	850
Annual passive prepayments	767	743
Annual passive accruals	733	680
Payables due to CSEA	17,237	16,082
Other payables	1,649	1,643
Other current liabilities	30,754	26,263

Other current liabilities increased from Euro 26,263 thousand in 2020, to Euro 30,754 thousand in the first half of the year, marking an increase of Euro 4,491 thousand. The change is mainly explained by higher payables for VAT amounting to Euro 1,315 thousand, higher payables to Cassa per i Servizi Energetici e Ambientali (CSEA) for Euro 1,155 thousand as regards the tariff components related to natural gas transport and higher payables to personnel for Euro 751 thousand due to the payment of the 14th month salary.

The item “Payables to Cassa per i Servizi Energetici e Ambientali” has been isolated with effect from 2021. 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 client

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 30th June 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 balances recorded as of 30th June 2021 refer to previous positions.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as of 30th June 2021 but not yet paid on that date.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30th June 2021 but not paid out on that date as well as social security contributions. The item increased by Euro 751 thousand, from Euro 3,921 thousand in 2020, to Euro 4,672 thousand in the period in question.

VAT payables

Payables to the tax authorities for VAT at the end of the first half of 2021 amount to Euro 1,630 thousand and increase by Euro 1,315 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.

Payables to Cassa Servizi Energetici Ambientali

At the end of the first half of the year, the item recorded a balance of Euro 17,237 thousand, showing an increase as compared to the same period in the previous year of Euro 1,155 thousand.

The item includes payables to Cassa Servizi energetici e ambientali (CSEA) in relation to the tariff components charged to the sales companies operating in the area in which the infrastructures managed by the company are located (Euro 6,144 thousand as of 30th June 2021) as well as the debit balance of the equalisation quota of the Total restriction on revenues (Euro 11,093 thousand as of 30th June 2021).

Other payables

At the end of the first half of 2021, the item showed a balance of Euro 1,649 thousand, recording an increase compared to the previous year of Euro 6 thousand.

26. Current financial liabilities

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

(Thousands of Euro)	30.06.2021	31.12.2020
Financial payables within 12 months	685	685
Payables to leasing companies within 12 months	760	380
Current financial liabilities	1,445	1,065

Current financial liabilities increase from Euro 1,065 thousand in 2020, to Euro 1,445 thousand in the period in question, up Euro 380 thousand.

Financial payables related to the application of the international accounting standard IFRS 16 recorded a change equal to Euro 380 thousand during the first half of the year due to the reclassification of the amounts beyond the year net of the fees paid and a new agreement for a gas leak detection vehicle. They represent financial payables expiring within twelve months for operating lease agreements signed for rentals of company offices and vehicles.

27. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	30.06.2021	31.12.2020
Liabilities on derivatives on interest rates	278	548
Current liabilities from derivative financial instruments	278	548

Current liabilities on derivative financial instruments relate to interest rate hedging contracts executed by the parent company Ascopiave in 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 30th June 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 €	153
2	Credit Agricole	Interest Rate Swap	Euribor 6M	27-Sep-19	01-Oct-19	27-Sep-24	Vanilla: Fixed - Float	21,000,000 €	101
3	Intesa Sanpaolo	Interest Rate Swap	Euribor 6M	30-Nov-20	30-Nov-20	30-Nov-23	Vanilla: Fixed - Float	50,000,000 €	23
Total								95,000,000 €	278

The financial instruments measured at fair value belong to the 1st evaluation hierarchical level.

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

28. Revenues

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

(Thousands of Euro)	First half	
	2021	2020
Revenues from gas transportation	55,086	55,034
Revenues from the sale of electricity	81	101
Revenues from connections	289	267
Revenues from heat supply	5	(0)
Revenues from distribution services	2,243	1,966
Revenues from services supplied to Group companies	4,283	4,130
Revenues from ARERA contributions	2,499	23,923
Other revenues	1,601	1,098
Revenues	66,085	86,518

The revenues of the Ascopiave Group are substantially entirely generated in Italy and at the end of the first half of the year they amounted to Euro 66,085 thousand, down Euro 20,433 thousand compared to the period shown for comparative purposes (Euro 86,518 thousand), mainly explained by the reduction in revenues associated with energy efficiency obligations, which decreased by Euro 21,424 thousand. They were partially offset by the increase in revenues from distribution services and by the increase in other revenues.

The *transportation of natural gas* on the distribution network generated revenues for Euro 55,086 thousand, marking an increase of Euro 52 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 9,254 thousand, an increase as compared to the same period in the previous year of Euro 6,810 thousand. The equalisation amount varies according to the seasonality and the temperature trend as it results from the difference between the revenues charged to the sales companies for the natural gas transport service (contracts due to lower consumption) and the Restriction on Total Revenues recognised in the period in question.

The revenues derived from *services provided by distributors*, being equal to Euro 2,243 thousand, increased compared to the same period in the previous year by Euro 277 thousand.

Revenues for *services provided to Group companies* show an increase of Euro 153 thousand as compared to the same period in the previous and amount to Euro 4,283 thousand as of 30th June 2021.

The *contributions made by the Regulatory Authority for Energy, Networks and the Environment* at the end of the period amount to Euro 2,499 thousand, down Euro 21,424 thousand compared to the same period in the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the distributors to which such obligations apply. The contributions recognised as of 30th June 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 30th June 2021, equal to Euro 250 (source STX), in line with the figure as of 30th June 2020.

The item “*Other revenues*” increased from Euro 1,098 thousand in the first half of 2020, to Euro 1,601 thousand in the period in question, up Euro 503 thousand.

29. 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)	First half	
	2021	2020
Purchase of other raw material	1,113	1,047
Purchase costs for other raw materials	1,113	1,047

At the end of the period, the costs incurred for the purchase of other raw materials are equal to Euro 1,113 thousand, up Euro 66 thousand as compared to the same period in the previous year.

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

30. Costs for services

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

(Thousands of Euro)	First half	
	2021	2020
Costs for counting meters reading	518	557
Mailing and telegraph costs	266	76
Maintenance and repairs	1,838	1,763
Consulting services	2,452	2,039
Commercial services and advertisement	68	28
Sundry suppliers	850	983
Directors' and Statutory Auditors' fees	963	679
Insurances	448	163
Personnel costs	263	221
Other managing expenses	499	556
Costs for use of third-party assets	11,366	11,309
Costs for services	19,529	18,376

The *costs for services* incurred during the first half of the year amount to Euro 19,529 thousand, up Euro 1,153 thousand as compared to the same period in the previous year.

The costs incurred for *metre reading*, amounting to Euro 518 thousand, decreased by Euro 39 thousand compared to the same period in the previous year (Euro 557 thousand as of 30th June 2020).

The costs for postal and telegraph expenses increased from Euro 76 thousand in the period shown for comparative purposes, to Euro 266 thousand in the first half of 2021, marking an increase of Euro 190 thousand.

The *costs for maintenance and repairs* increase from Euro 1,763 thousand during the first half of 2020, to Euro 1,838 thousand in the period in question, up Euro 76 thousand. The item mainly includes costs related to software fees and expenses incurred for routine facility maintenance.

At the end of the period in question, the costs incurred for *consultancy* amounted to Euro 2,452 thousand, with an increase of Euro 412 thousand as compared to the same period in the previous year.

Utility costs decreased by Euro 133 thousand compared to the same period in the previous year, from Euro 983 thousand as of 30th June 2020 to Euro 850 thousand on 30th June 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 an increase of Euro 56 thousand compared to the same period in the previous year.

31. Costs for staff

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

(migliaia di Euro)	Fist half	
	2021	2020
Wages and salaries	10,204	9,874
Social security contributions	3,225	3,258
Severance indemnity	773	666
Other costs	22	18
Total personnel costs	14,224	13,816
Capitalized personnel costs	(5,076)	(4,216)
Personnel costs	9,148	9,600

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

Costs for staff increase from Euro 13,816 thousand in the first half of 2020, to Euro 14,224 thousand in the period in question, up Euro 408 thousand.

Capitalised personnel cost registered an increase of Euro 859 thousand, from Euro 4,216 thousand in the first half of the previous year, to Euro 5,076 thousand in the period in question.

Personnel costs consequently decreased by Euro 452 thousand.

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

(Thousand of Euro)	First half		
	2021	2020	Var.
Executives (average)	14	13	1
Office workers (average)	302	303	(1)
Manual workers (average)	154	158	(5)
No. of persoal employed (average)	469	474	(5)

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.

32. Other operating costs

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

(Thousands of Euro)	Fist half	
	2021	2020
Bad debt provisions	34	0
Other provisions	(297)	600
Membership and ARERA fees	465	413
Capital losses	656	82
Extraordinary losses	20	189
Other taxes	623	534
Other costs	358	517
Costs of contracts	809	605
Energy efficiency certificates	2,588	24,977
Other management costs	5,256	27,917

Other operating costs decrease from Euro 27,917 thousand in the first half of 2020 to Euro 5,256 thousand in the period in question, down Euro 22,661 thousand. This change is mainly due to lower costs incurred for the purchase of Energy efficiency certificates (Euro -22,389 thousand) related to the lower energy efficiency and saving objectives applicable to the Group companies.

The item “other provisions” records a negative balance of Euro 297 thousand, compared to Euro 600 thousand at the end of the first half of the previous year. The balance at the end of the period in question is explained by the reversal of the provision for risks made on 31st December 2020 due to the charges that the subsidiary AP Reti Gas Nord Est S.r.l. could incur in order to achieve the energy saving objectives not directly attributed to the same company and better described in the paragraph “provisions for risks and charges” of this interim financial report.

The costs recognised at the end of the first half 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 as of 30th June 2021 and amounting to Euro 260 (in line with 30th June 2020).

At the end of the first half of the year, provisions equal to Euro 38 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 half of 2021, estimated at 3,098 certificates.

33. Other operating revenues

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

(Thousands of Euro)	First half	
	2021	2020
Other income	511	27
Other income	511	27

At the end of the period considered, the item “other operating income” shows an increase of Euro 484 thousand, from

Euro 27 thousand as of 30th June 2020, to Euro 511 thousand in the period in question. 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 half 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 period and signed on 9th April 2021.

34. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	First half	
	2021	2020
Intangible fixed assets	16,527	15,434
Tangible fixed assets	1,085	1,117
Amortization of rights of use	207	171
Amortization and depreciation	17,679	16,722

Amortisation and depreciation show an increase as compared to the same period in the previous year of Euro 957 thousand, from Euro 16,722 thousand as of 30th June 2020, to Euro 17,679 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 half of 2021.

Financial income and expense

35. Financial income and expense

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

(Thousands of Euro)	First half	
	2021	2020
Interest income on bank and post office accounts	0	1
Other interest income	25	49
Distribution of dividends from controlled companies	3,489	3,489
Financial income	3,514	3,539
Interest expense on banks	91	31
Interest expense on loans	820	683
Other financial expenses	179	100
Financial charges	1,089	815
Evaluation of subsidiary companies with net equity method	14,258	9,341
Evaluation of subsidiary companies with the net equity method	14,258	9,341
Total net financial expenses	16,683	12,065

At the end of the first half of the year, the balance between financial income and expenses showed a gain of Euro 16,683 thousand, an increase as compared to the same period in the previous year of Euro 4,618 thousand.

The increase is mainly explained by the higher result achieved by the affiliates measured using the equity method.

At the end of the first half of the year, financial income decreased by Euro 25 thousand as compared to the same

period in the previous year, while the dividends received from the equity investments held in HERA COMM S.p.A. for Euro 2,700 thousand and in ACSM - AGAM S.p.A. for Euro 789 thousand are unchanged.

At the end of the first half of the year, financial charges amounted to Euro 1,089 thousand, an increase of Euro 274 thousand compared to the same period in the previous year.

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, and Cogeide S.p.A.. At the end of the period in question, the consolidated results of the affiliate Estenergy showed profits amounting to Euro 14,079 thousand mentre, while the consolidated results of the affiliate Cogeide showed profits amounting to Euro 179 thousand. The increase in the result recorded in relation to the Companies consolidated with the equity method is partly explained by the positive change in the hedge accounting reserve of the Estenergy Group which occurred during the period in question.

Taxes

36. Taxes in the reference period

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

(Thousands of Euro)	First half	
	2021	2020
IRES current taxes	(2,819)	(4,553)
IRAP current taxes	(892)	(308)
(Advance)/Deferred taxes	25	1,039
Substitute tax	(15)	0
Taxes previous years	3	58
Taxes for the period	(3,699)	(3,763)

Taxes accrued decreased from Euro 3,763 thousand in the previous year, to Euro 3,699 thousand in the period in question, down Euro 64 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)	First half	
	2021	2020
Earnings before tax	30,555	24,948
Taxes for the period	(3,699)	(3,763)
Percentage of income before taxes	12.1%	15.1%

The tax-rate as of 30th June 2021 is 12.1%, a decrease from 15.1% 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 21.4%, down 2.7% compared to 24.1% in the first half 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 30th June 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 half of the year, no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE INTERIM FINANCIAL REPORT AS OF 30TH JUNE 2021

Commitments and risks

Guarantees given

As of 30th June 2021, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30.06.2021	31.12.2020
On credit lines	5,849	5,849
On execution of works (letter of comfort)	1,776	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	14,686	14,533

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

(Thousands of Euro)	30.06.2021	31.12.2020
On credit lines	23,799	34,799
Patronage on derivative financial instruments	23,400	23,400
On purchase of electricity agreements (letter of comfort)	3,000	3,000
On UTF offices and regions for taxes on gas (letter of comfort)	1,850	1,850
Totale	52,049	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 30th June 2021 to Euro 23,799 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 30th June 2021 of Euro 217,683 thousand and due dates between 1st July 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 30th June 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 30th June 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 paragraphs no. 14 “Current assets on derivative financial instruments” and 27 “Current liabilities on derivative financial instruments”, have a mark to market which is negative for Euro 257 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 half of the year of Euro 78,308 thousand.

The loans above are subjected to covenants, which are fulfilled.

Please refer to Paragraph no. 18 “Medium and Long Term Loans” for additional details.

Sensitivity analysis of the interest rate risk

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

(Thousands of Euro)	First quarter 2021	Second quarter 2021	
Net Financial Position 2021	(317,602)	(306,994)	
Borrowing rates of interest	0.00%	0.00%	
Lending rates of interest	0.30%	0.27%	
Borrowing rate of interest plus 200 basis points	2.00%	2.00%	
Lending rates of interest plus 200 basis points	2.30%	2.27%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.00%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(319,168)	(308,524)	
Net Financial Position recalculated with decrease of 50 basis points	(317,210)	(306,611)	Total
Effect on pre-tax result of the increase of 200 basis points	(1,566)	(1,531)	(3,097)
Effect on pre-tax result of the decrease of 50 basis points	392	383	774

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 3,097 thousand or positive for Euro 774 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.

Public contributions received

As regards the novelties introduced by Law no. 124 dated 4th August 2017 “Annual Competition Law”, in art. 1 par. 125-129, please note that during the first half of 2021 the following contributions were received from public bodies, mainly related to user connections and interventions on the natural gas distribution network.

Grantor Entities			
Beneficiary institution	Name / Company name	Type of operation	Amount (Euro)
AP RETI GAS NORD EST S.p.A.	COMUNE DI VALVASONE ARZENE	gas distribution network	5,280
AP RETI GAS NORD EST S.p.A.	COMUNE DI PADOVA	gas distribution network	12,259
AP RETI GAS NORD EST S.p.A.	A.T.E.R. DELLA PROVINCIA DI PADOVA	interventions on gas derivations	3,490
AP RETI GAS NORD EST S.p.A.	COMUNE DI GRADO	interventions on gas derivations	1,026
AP RETI GAS NORD EST S.p.A.	COMUNE DI GONARS	interventions on gas derivations	82
AP RETI GAS NORD EST S.p.A.	COMUNE DI SAN GIORGIO DELLA RICHINVELDA	gas distribution network	5,128
AP RETI GAS S.p.A.	COMUNE DI FARRA DI SOLIGO	gas distribution network	2,159
AP RETI GAS S.p.A.	COMUNE DI PAESE	gas distribution network	4,599
AP RETI GAS S.p.A.	COMUNE DI VILLORBA	interventions on gas derivations	15,210
AP RETI GAS S.p.A.	COMUNE DI VILLORBA	gas distribution network	14,534
AP RETI GAS S.p.A.	COMUNE DI MOTTA DI LIVENZA	interventions on gas derivations	740
AP RETI GAS S.p.A.	COMUNE DI TARZO	interventions on gas derivations	1,393
AP RETI GAS S.p.A.	COMUNE DI CAVASO DEL TOMBA	interventions on gas derivations	739
AP RETI GAS S.p.A.	COMUNE DI MAROSTICA	interventions on gas derivations	1,626
AP RETI GAS S.p.A.	COMUNE DI MAROSTICA	gas distribution network	6,320
AP RETI GAS S.p.A.	COMUNE DI SAN VENDEMIANO	interventions on gas derivations	8,587
AP RETI GAS S.p.A.	COMUNE DI BRUSIMPIANO	gas distribution network	11,870
AP RETI GAS S.p.A.	COMUNE DI CASTELFRANCO VENETO	gas distribution network	29,195
AP RETI GAS S.p.A.	COMUNE DI MOTTA DI LIVENZA	gas distribution network	82
AP RETI GAS S.p.A.	PROVINCIA DI TREVISO	gas distribution network	14,643
AP RETI GAS S.p.A.	COMUNE DI CORDOVADO	interventions on gas derivations	557

Management of Capital

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

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

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

(Thousands of Euro)	30.06.2021	31.12.2020
Financial position in the short term	144,801	144,658
financial position in the medium-long term	172,976	194,336
Financial gross debt	317,777	338,994
Share capital	234,412	234,412
Own shares	(55,423)	(55,628)
Reserves	640,629	616,418
Undistributed net profit	26,856	58,701
Total Net equity	846,474	853,903
Total capital and gross debt	1,164,250	1,192,897
Debt/Net assets ratio	0.38	0.40

The debt/net equity ratio as of 30th June 2021 is 0.38, a worsening as 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 21,217 thousand during the first half of 2021, and the Shareholders' equity, which decreased by Euro 7,429 thousand, changes due in part to the profit for the period, the distribution of dividends and investments made during the period and in part to the normal flow of the year.

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 30th June 2021 and 31st December 2020 are as follows:

(Thousands of Euro)					30.06.2021	
	A	B	C	D	Total	Fair value
Other non-current assets			2,550		2,550	2,550
Non-current financial assets			3,237		3,237	3,237
Trade receivables and Other current assets			54,377		54,377	54,377
Current financial assets			911		911	911
Cash and cash equivalents			19,072		19,072	19,072
Current assets from derivative financial instruments		21			21	21
Medium- and long-term bank loans				174,301	174,301	174,301
Other non-current liabilities				803	803	803
Non-current financial liabilities				1,913	1,913	1,913
Payables due to banks and financing institutions				163,083	163,083	163,083
Trade payables and Other current liabilities				73,252	73,252	73,252
Current financial liabilities				1,445	1,445	1,445
Current liabilities from derivative financial instruments		278			278	278

(Thousands of Euro)					31.12.2020	
	A	B	C	D	Total	Fair value
Other non-current assets			3,191		3,191	3,191
Non current financial assets			2,226		2,226	2,226
Trade receivables and Other current assets			104,519		104,519	104,519
Current financial assets			798		798	798
Cash and cash equivalents			21,902		21,902	21,902
Medium- and long-term bank loans				195,999	195,999	195,999
Other non-current liabilities				823	823	823
Non-current financial liabilities				563	563	563
Payables due to banks and financing institutions				165,747	165,747	165,747
Trade payables and Other current liabilities				91,780	91,780	91,780
Current financial liabilities				1,065	1,065	1,065
Current liabilities from derivative financial instruments		548			548	548

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.

1 st Half 2021 (Thousands of Euro)	Gas distribution	Other	30.06.2021 values from new companies acquisitions	Cancellations and adjustments	Total
Net revenues of third-party customers	62,502	3,406	177		66,085
Intra-group revenues among the segment	2,366	2,689	0	(5,056)	0
Segment revenues	64,868	6,096	177	(5,056)	66,085
Result before taxes	16,698	13,725	132		30,555

1 st Half 2020 (Thousands of Euro)	Gas distribution	Gas sale	Gas trading	Electricity sale	Other	30.06.2020 values from new companies acquisitions	Cancellations and adjustments	Total
Net revenues of third-party customers	65,666	0	0	0	2,907	17,945		86,518
Intra-group revenues among the segments	1,110	0	0	0	2,977	62	(4,149)	0
Segment revenues	66,775	0	0	0	5,884	18,008	(4,149)	86,518
Result before taxes	12,821	0	0	0	8,796	3,331		24,948
Net result from discontinued operations	0	0	0	0	0	0		0

Transactions with related parties

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues			
					Goods	Services	Other	Goods	Services	Other	
<i>Parent company</i>											
Asco Holding S.p.A.	183	612	25	0	0	39	0	0	53	0	
Total parent company	183	612	25	0	0	39	0	0	53	0	
<i>Affiliated companies</i>											
Asco TLC S.p.A.	29	0	0	0	0	359	0	0	36	0	
Bim Piave Nuove Energie S.r.l.	64	0	19	0	0	25	0	0	103	0	
Total affiliated companies	93	0	19	0	0	384	0	0	140	0	
<i>Subsidiary companies</i>											
Estenergy S.p.A.	909	0	0	0	0	86	0	0	8,454	0	
Ascotrade S.p.A.	7,249	0	42	0	0	293	0	0	24,848	0	
Blue Meta S.p.A.	1,833	0	55	0	0	169	0	0	6,809	0	
Etra Energia S.p.A.	111	0	75	0	0	5	0	0	355	0	
Ascopiave Energie S.p.A.	1,528	0	87	0	0	169	0	0	4,737	0	
ASM Set S.r.l.	427	0	79	0	0	156	0	0	2,220	3	
Cogeide S.p.A.	113	0	0	0	0	0	0	0	208	0	
Total subsidiary companies	12,169	0	339	0	0	878	0	0	47,631	0	
Total	12,445	612	383	0	0	1,301	0	0	47,824	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 services concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
 - o 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 Estenergy S.p.A.:
 - o Trade receivables refer to the natural gas transportation service on the distribution network with AP Reti

- Gas Nord Est S.r.l.;
 - Costs for services concern the purchase of gas and electricity incurred by AP Reti Gas Nord Est S.r.l.;
 - Revenues for services are connected to revenues for gas transportation and distribution services recorded by AP Reti Gas Nord Est S.r.l..
- with Blue Meta S.p.A.:
 - Trade receivables refer to the natural gas transportation service on the distribution network with Edigas Distribuzione Gas S.p.A. and to administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
 - Trade payables relate to natural gas and electricity supplies incurred by Edigas Distribuzione Gas S.p.A.;
 - Costs for services concern the purchase of gas and electricity incurred by Edigas Distribuzione Gas S.p.A.;
 - 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.:
 - 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.;
 - 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.:
 - 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 services 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 services 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..
- with Cogeide S.p.A.:
 - Revenues for technical and engineering services for the management of water mains with CART Acqua S.r.l..

Please note that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 30th June 2021 to Euro 23,799 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 implement correctly 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)	30.06.2021	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	582,313							577,413						
Tangible assets	34,552							33,443						
Shareholdings in controlled and affiliated companies	433,818			433,818		433,818	100.0%	436,805		436,805		436,805	100.0%	
Shareholdings in other companies	78,925							78,925						
Other non-current assets	3,471							4,154						
Non current financial assets	3,273							2,226						
Advance tax receivables	29,935							30,122						
Non-current assets	1,215,523			433,818		433,818	35.7%	1,212,359		436,805		436,805	36.0%	
Current assets														
Inventories	9,390							14,912						
Trade receivables	23,215	183	93	12,169		12,445	53.6%	33,587	19	240	10,202	10,460	31.1%	
Other current assets	37,791	612				612	1.6%	75,964	612			612	0.8%	
Current financial assets	911							798						
Tax receivables	1,868							3,583						
Cash and cash equivalents	19,072							21,902						
Current assets from derivative financial instruments	21							0						
Current assets	92,269	795	93	12,169		13,057	14.2%	150,747	631	240	10,202	11,072	7.3%	
ASSETS	1,307,792	795	93	445,988		446,875	34.2%	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	(55,423)							(55,628)						
Reserves and result of the period	667,485							675,119						
Net equity of the Group	846,474							853,903						
Net equity of Others	0							0						
Total Net equity	846,474							853,903						
Non-current liabilities														
Provisions for risks and charges	751							2,412						
Severance indemnity	4,724							4,770						
Medium- and long-term bank loans	174,301							195,999						
Other non-current liabilities	27,626							26,905						
Non-current financial liabilities	1,913							563						
Deferred tax payables	12,788							12,984						
Non-current liabilities	222,102							243,632						
Current liabilities														
Payables due to banks and financing institutions	163,083							165,747						
Trade payables	42,498	25	19	339		383	0.9%	66,774	34	72	310	416	0.6%	
Tax payables	1,159							5,174						
Other current liabilities	30,754							26,263						
Current financial liabilities	1,445							1,065						
Current liabilities from derivative financial instruments	278							548						
Current liabilities	239,217	25	19	339		383	0.2%	265,570	34	72	310	416	0.2%	
Liabilities	461,318	25	19	339		383	0.1%	509,203	34	72	310	416	0.1%	
Net equity and liabilities	1,307,792	25	19	339		383	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 half	Of which related parties						1 st half	Of which related parties					
	2021	A	B	C	D	Total	%	2020	A	B	C	D	Total	%
Revenues	66,085	53	140	47,631		47,824	72.4%	86,518	25	10	43,899		43,934	50.8%
Total operating costs	34,535	39	384	878	1,121	2,422	7.0%	56,913		328	93	679	1,100	1.9%
Purchase costs for other raw materials	1,113							1,047						
Costs for services	19,529	39	384	878	1,121	2,422	12.4%	18,376		328	93	679	1,100	6.0%
Costs for personnel	9,148							9,600						
Other management costs	5,256							27,917						
Other income	511							27						
Amortization and depreciation	17,679							16,722						
Operating result	13,872	14	(244)	46,753	(1,121)	(45,402)	327.3%	12,883	25	(318)	43,806	(679)	42,834	332.5%
Financial income	3,514							3,539			1		1	0.0%
Financial charges	1,089							815			8		8	1.0%
Evaluation of subsidiary companies with the net equity method	14,258			14,258		14,258	100.0%	9,341			9,341		9,341	100.0%
Earnings before tax	30,555	14	(244)	61,011	(1,121)	59,660	195.3%	24,948	25	(318)	53,140	(679)	52,168	209.1%
Taxes for the period	(3,699)							(3,699)						
Net result for the period	26,856	14	(244)	61,011	(1,121)	59,660	222.1%	21,185	25	318	53,140	(679)	52,168	246.2%
Group's Net Result	26,856							21,185						
Third parties 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	297							(152)						
2. Components that can not be reclassified to the income statement														
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax	42							324						
Total comprehensive income	27,195							12,927						
Group's overall net result	27,195							(21,358)						
Third parties' overall net result	0							0						
Base income per share	0.124							0.095						
Diluted net income per share	0.124							0.095						

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)	1 st half	Of which related parties					1 st half	Of which related parties				
	2021	A	B	C	D	Total	2020	A	B	C	D	Total
Net income of the Group	27,195						21,358					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Change in HA reserves for derivatives MTM	(297)						152					0
Variation in severance indemnity reserves	(42)					0	(324)					0
Amortization	17,679					0	16,722					0
Loss / (Gains on disposal of fixed assets)	598					0	0					0
Bad debt provisions	34					0	0					0
Variations in severance indemnity	(4)					0	54					0
Current assets / liabilities on financial instruments ad forward purchase and sales	6					0	31					0
Net variation of other funds	(1,326)					0	829					0
Evaluation of subsidiaries with the net equity method	(14,258)			(14,258)		(14,258)	(9,341)			(9,341)		(9,341)
Income from shareholdings	(3,489)					0	(2,700)					0
Other changes in the income statement that do not generate cash flows	(1,325)					0	0					0
Interests paid	(944)					0	(700)					0
Taxes paid	(11,845)					0	(9,302)					0
Interest expense for the period	924					0	744					0
Taxes for the period	3,699					0	3,763					0
Total adjustments	(10,591)	0	0	(14,258)	0	(14,258)	(73)	0	0	(9,341)	0	(9,341)
Variations in assets and liabilities												
Inventories	5,522					0	(14,474)					0
Accounts payable	10,337	(164)	147	(1,967)		(1,984)	22,034	(3)	12	18,874		18,883
Other current assets	14,832	0				0	(26,062)	646				646
Trade payables	(366)	(9)	(53)	28		(33)	24,970		55	(393)		(448)
Other current liabilities	10,349					0	(3,660)					0
Other non-current assets	(65)					0	(149)					0
Other non-current liabilities	512					0	1,208					0
Total variations in assets and liabilities	41,122	(173)	94	(1,939)	0	(2,017)	3,867	643	(43)	18,481	0	19,081
Cash flows generated (used) by operating activities	57,726	(173)	94	(16,197)	0	(16,275)	25,152	643	(43)	9,140	0	9,740
Cash flows generated (used) by investments												
Investments in intangible assets	(22,026)					0	(15,151)					0
Realisable value of intangible assets	0					0	26					0
Investments in tangible assets	(530)					0	(424)					0
Realisable value of tangible assets	0					0	4					0
Investment flows for business aggregations	0					0	(59,240)					0
Other changes in net equity	0					0	(12)					0
Dividends collected from investee companies	20,733					0	18,554					0
Cash flows generated/(used) by investments	(1,823)	0	0	0	0	0	(56,243)	0	0	0	0	0
Cash flows generated (used) by financial activities												
Changes in non-current financial liabilities	0					0	(154)					0
Net changes in short-term bank borrowings	(28,362)					0	(7,948)					0
Net variation in current financial assets and liabilities	87					0	(10,746)			(10,009)		(10,009)
Purchase / Sale of own shares	204					0	(6,854)					0
Ignitions loans and mortgages	133,000					0	116,700					0
Redemptions loans and mortgages	(129,000)					0	(67)					0
Dividends distributed to Ascopiave S.p.A. shareholders'	(34,663)					0	(47,442)					0
Cash flows generated (used) by financial activities	(58,734)	0	0	0	0	0	23,444	0	0	(10,009)	0	(10,009)
Variations in cash	(2,830)					0	(54,535)					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	19,072					0	12,495					0

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated net debt

(migliaia di Euro)	30.06.2021	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	19,072							21,902							
B Bank and post office deposits	0							0							
C Securities held for trading	932							798							
-of which related parties	0							0							
D Liquid assets (A) + (B) + (C)	20,005							22,701							
E Current financial assets	(121,423)							(126,788)							
-of which related parties	0							0							
-of which current account debt instruments	0							0							
F Current portion of medium-long-term loans	(43,383)							(40,024)							
-of which related parties	0							0							
G Current financial indebtedness (E) + (F)	(164,805)							(166,812)							
H Net current financial indebtedness (D) + (G)	(144,801)							(144,111)							
I Non-current financial liabilities (excluding the current portion and debt instruments)	(176,214)							(196,562)							
J Debt instruments	0							0							
K Trade payables and other non-current payables	0							0							
L Non-current financial indebtedness (I) + (J) + (K)	(176,214)							(196,562)							
M Net financial indebtedness (H) + (L)	(321,014)							(340,672)							

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.
- Bim Piave Nuove Energie S.r.l.

Group C - Affiliates and Jointly controlled companies:

- Estenergy S.p.A. (Group), affiliate

Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

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

In July 2021, AP Reti Gas S.p.A., Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l. agreed to extend to 15th September 2021 the deadline for defining the details of the partnership aimed at joint participation in the tenders for the assignment of the natural gas distribution service in the Territorial Areas of Milano 2 and Milano 3, the shareholders' agreements and the Articles of Association of the companies to be established under the partnership.

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, 5th August 2021

The Chairman of the Board of Directors
Nicola Ceconato

DECLARATION

(Translation from the original in Italian)

Certification of the Half Year Report as of 30th June 2021

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

1) The undersigned dr. Nicola Ceconato in his capacity as Chairman of the Board of Directors, and dr. Riccardo Paggiaro, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 2, 3 and 4, Legislative Decree n. 58, dated 24th February 1998:

- the appropriateness of the Financial Statements with respect to the characteristics of the company
- and
- the effective adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2021 –30th June 2021

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

- (a) correspond to the information in the books and other accounting records;
- (b) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.
- (d) the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Group as well as the related and associated companies, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 5th August 2021

<i>Chairman of the Board of Directors</i>	<i>Officer Responsible for the preparation of Corporate Financial Reports</i>
<i>signature</i>	<i>signature</i>
dr. Nicola Ceconato	dr. Riccardo Paggiaro

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of Ascopiave SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Ascopiave SpA and its subsidiaries (the “Ascopiave Group”) as of 30 June 2021, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cashflow statement and the related explanatory notes. The directors of Ascopiave SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Ascopiave Group as of 30 June 2021 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 5 August 2021

PricewaterhouseCoopers SpA

Unsigned copy

Alessandro Mazzetti
(Partner)

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

PricewaterhouseCoopers SpA

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