
ALTO GARDA SERVIZI S.p.A.

Registered Office: Via Ardaro, 27 38066 Riva del Garda, Province of Trento, Italy
Trento Company Register No. Tax Code and VAT No. 01581060223
Share capital Euro 23,234,016.00, fully paid-up
Closing date 31 December 2100
Management and coordination of the Municipality of Riva del Garda

Financial Statements at 31.12.2018

22nd FY

Corporate bodies

Board of Directors

Chair	Andrea Mora
Director	Manuela La Via
Director	Lara Marcabruni
Director	Marco Merler
Director	Fabrizio Veneri

Board of Statutory Auditors / Internal Control Committee

Chair	Michela Zambotti
Standing Auditor	Rodolfo Marcolini
Standing Auditor	Francesco Dalla Sega

Independent Auditors

BDO Italia S.p.A.

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Report on Operations

Shareholders,

We hereby submit for your approval the financial statements for the year ended 31 December 2018 and the accompanying reports that the Board of Directors have prepared to illustrate the results achieved. This report has been prepared in accordance with the Italian Civil Code and the accounting standards adopted for the preparation of the financial statements were the International Financial Reporting Standards ("IFRS"). The figures presented in these financial statements are rounded to the nearest Euro.

ECONOMIC CONTEXT

During 2018, some signs of a slowdown in the world economy emerged. World trade has been reduced, mainly due to the uncertainty generated by US protectionist policies, the possible escalation of trade tensions, and geopolitical risks in the Middle East. The global repercussions of trade conflicts and changes in credit conditions in emerging markets have affected both global GDP growth and the expansion of international trade. In addition, expectations of a slowdown in the economic cycle have been incorporated by international financial markets and, in particular, in the last part of 2018, significant losses were recorded for equity indices, including the US one.

In Europe, the rate of expansion was slower than expected, especially at the end of the year, partly due to the increase in global uncertainties. Despite the less sustained economic dynamics, the labour market situation continued to improve and employment levels continued to rise. The development of gross domestic product remains quite different among the Member States. In Italy, compared to the growth recorded during the previous year, the economy slowed down especially in the second half of 2018 and there was a weakening of both exports and industrial production. The rate of growth is lower than in the main European partners. The weak performance of Italian gross domestic product is attributable to external factors, which affected exports, but also to internal factors. After the national elections, first a phase of institutional uncertainty began and then, after the formation of the government, economic policy guidelines followed, which caused concern on the financial markets and generated tensions between the European institutions and the Italian government as to their compatibility with the EU criteria of economic and financial convergence. These elements led to a temporary deterioration in investor confidence, an increase in the spread of public debt securities with respect to German ones and a particular focus on public finance parameters. The trend in private consumption expenditure was slightly down, as was the case in many other European Union countries, while the investment cycle fell, also due to the decline in business expenditure on capital goods.

The market prices of CO2 emission securities have recorded a strong growth compared to 2017, reaching an average value of 15.9 Euro/tonne, up almost 173%. The upward trend was more pronounced in the second and third quarters, characterized by a trend change of about +200% and +220%. In the first and

fourth quarters, the increase over the same period of the previous year was approximately +90% and +175% respectively. In the first half of 2018, the main factors that drove the price increase were EU policy initiatives: in February, the final approval by the European Council of the reform of phase 4 of the Emissions Trading System (ETS), the main measure of which is the entry into force of the Market Stability Reserve (MSR) on 1 January 2019, and in May, the communication by the European Commission of the reduction in the number of sectors covered by carbon leakage.

With reference to the price scenario as at 31 December 2018, the 2018 average listing of the time weighted average (TWA) of the single national price (the "PUN" in Italy), came in at 61.3 Euro/MWh, an increase of 13.6% compared to the same period of the previous year (53.9 Euro/MWh). This price increase is part of an increase in thermoelectric generation costs (gas, carbon and CO₂) compared to 2017. Analysing the monthly trend of the PUN during 2018, it can be observed that the level is higher than that of 2017, except for the month of January. At the beginning of the year, increased imports from neighbouring countries and mild temperatures caused prices on the day-ahead market to fall (-32.2% compared to the same month in 2017). In February and March, however, an anomalous wave of cold throughout Europe led to a sharp drop in temperatures, which were below the norm, providing support to both gas and PUN prices. With the arrival of the summer season, the increasing demand and the reduction of nuclear availability beyond the Alps, due to the high temperatures that determined the restriction of capacity due to critical issues related to cooling systems, have supported prices. The most significant difference was recorded in September (+57% compared with the same month of 2017), when the PUN repeatedly rose to values close to 90.0 Euro/MWh due to restrictions on interzone transits and imports from France, as well as the aforementioned increase in production costs. In the last quarter of the year, prices were gradually brought into line with those of the same period in 2017, as a result of the increase in generation from renewable sources (particularly hydroelectric), the return of tensions in the gas market and temperatures above the seasonal norm. During 2018, the F1, F2 and F3 hour groups, as well as the peak and off-peak bands, recorded almost similar increases, around 13.3%, compared to the previous year.

In 2018, demand for natural gas totalled 72.1 billion cubic meters, or 2.6 billion cubic meters less (-3.4%) than in 2017. This decrease is due mainly to the decline of the thermoelectric sector, which reported a decrease in volumes of about 2 billion cubic meters (-8.1%) compared with the previous year, caused mainly by an increase in hydroelectric production and a resumption of net imports. The civil sector reported a decrease in volumes of 0.3 billion cubic meters (-1%), mainly due to the weather trend. Specifically, the first quarter was characterized by lower average temperatures than in 2017 (+0.9 billion cubic meters), unlike the fourth quarter, when temperatures were on average higher than in the previous year (-1.1 billion cubic meters). In terms of volumes, the industrial sector was slightly lower than in 2017, with an increase of 0.1 billion cubic metres (-0.7%).

COMPANY ACTIVITIES

First of all, it should be noted that starting with the 2016 financial statements, the financial statements of Alto Garda Servizi S.p.A. have been prepared in accordance with the EU IFRS accounting standards in force at the date of approval of the financial statements, with a transition date of 1 January 2015.

As far as the Company's results are concerned, we confirm that they are positive, in line with the previous year.

Alto Garda Servizi S.p.A. (hereinafter also "AGS" or "AGS S.p.A.") operates in the territory of Alto Garda and performs the following activities:

- electricity and gas distribution;
- sale of heat to customers connected to the district heating network in the Municipality of Riva del Garda;
- electricity production;
- management of the integrated water cycle in the Municipality of Riva del Garda;
- management of public lighting;
- invoicing service of water bills for the Municipality of Arco;
- management of the water cycle in the Municipalities of Arco and Nago– Torbole.

It should be noted that the AGS structure was involved throughout the year in the management of the woodchip cogeneration plant of the subsidiary Ledro Energia S.r.l.

REGULATORY FRAMEWORK OF REFERENCE

As already mentioned, AGS operates in the markets of electricity and gas distribution and water cycle management. This part of the report briefly analyses the regulatory interventions introduced in these sectors, so as to provide a more complete overview of events in the year and better understand the context in which the Company operates.

The electricity and gas distribution sectors are, in fact, heavily regulated and interventions (resolutions) of the Regulatory Authority for Energy Networks and Environment (ARERA) can affect both the revenue and cost structure of the Company, as well as influence the organizational structure, requiring organizational adjustments that involve no explicit costs but still affect profitability.

Water sector

In this sector, the measures taken, both at national level and at the provincial level, have reaffirmed and strengthened the principle of the management of the water service for Optimal Territorial Areas (ATO). In our country, an agreement has not yet been reached between the Autonomous Province of Trento and the Council of the Local Autonomies for the definition of the ATO, based on which the Municipalities are required to organize the water cycle.

The two rulings issued by the Constitutional Court on 10 March 2016 and by the Regional Administrative Court of Lombardy on 11 October 2016, which grant the Autonomous Province of Trento primary legislative authority with regard to its own tariff regulation for the integrated water service, should be noted.

It should be noted that with regard to Alto Garda and Ledro, a company, Alto Garda Impianti S.r.l., has been set up by all the municipalities, to which the same municipalities are considering whether to confer the management service of the water service.

Natural gas sector

During 2018, the application of the distribution and metering tariffs continued in accordance with the principles introduced for the fourth regulatory period (2014-2019), partly amended by resolution 583/2015 of 2 December 2016, which modified the rate of return on invested capital from 6.1% to 6.6%.

It is recalled that in 2012, with Resolution no. 73, the Provincial Council, in agreement with the Council of the Local Autonomies and after consultation with the companies operating in the gas distribution sector, defined a single Territorial Area for the performance of the natural gas distribution public service, represented by the entire provincial territory with the eventual addition of the Municipality of Bagolino (BS). This area will be the subject of tender.

At the end of 2012, with Provincial Law no. 25 of 27 December 2012 (article 34, paragraph 2), the Province of Trento established that the Provincial Agency for Water Resources and Energy (APRIE) will conduct the function of contracting station responsible for the preparatory phase of the tender while the Provincial Agency for procurement and contract (APAC) will be the entity that will follow the conduct and awarding of the tender and the establishment of contractual deeds.

The Autonomous Province of Trento has taken steps to quantify the amount of the one-time fee to cover the costs deriving from the conduct of the tender for the awarding of the gas distribution service in the single provincial ambit. In 2015, AGS already paid the amount required by the Autonomous Province of Trento as an advance and will be repaid, including interest, by the new concessionaire upon award of the service. With the 2017 budget law, the Autonomous Province of Trento, by virtue of the recognised legislative powers in this sector, extended the date of publication of the call for tenders for the award of the gas distribution service to 31 December 2019.

Electricity sector

In 2018, the regulations governing the electric power distribution sector did not change significantly with respect to the Provincial Plan, the main points of which can be summarized as follows:

- the minimum territorial basin for the electricity distribution service is the single provincial ambit;
- the current managers, including AGS, will continue the distribution in the areas served until 31 December 2030;

- in order to rationalize the distribution service, it will be possible to transfer portions of SET Distribuzione S.p.A. networks to those who require it. The inverse situation is also possible;
- also with a view to rationalizing the distribution system and with the objective of single provincial ambit, grouping or aggregation of service managers is possible.

The distribution plan also requires electricity distributors operating in the Province as at 25 December 1999 to submit an application to the Province, through the Provincial Agency for Water Resources and Energy (APRIE), for the issue of the concession for electricity distribution activities.

The concession will be issued free of charge until 31 December 2030 after the positive outcome of the technical investigation carried out by APRIE. The issue of the concession is subject to the commitment by the distributor to comply with certain quality standards of service. The Autonomous Province of Trento will have the right to carry out checks on compliance with commitments that the concessionaire undertakes by signing the agreement.

The Company is preparing the documentation required for the concession request. The first analysis of the requirements does not reveal any impeding aspects. AGS is very attentive to this aspect and is committed to continuous improvement with the aim of overcoming the standards necessary for the maintenance of the concession.

It should be noted that article 1, paragraph 92, of Law no. 124 of 4 August 2017, established the exclusion of electricity distribution companies that serve less than 25,000 withdrawal points from their obligations regarding functional unbundling, effectively excluding our company, which has about 16,000 POD, but defining that the arrangements for recognising costs for electricity distribution and metering activities should be based on parametric logics, which also take account of the density of users served, in accordance with the general principles of efficiency and cost-effectiveness and with the aim of ensuring simplification and reduction of the related administrative burden. On 1 March 2018, ARERA published a consultation document *"Guidelines for the definition of exogenous variables in relation to the parametric recognition of costs for smaller electricity distribution companies"* in which it provided for the new regime to apply from 2018 and provided that the phasing-in mechanisms be applied until 2023. Said guidelines will allow the Company to assess the impact of the new tariff in future years and to make the necessary adjustments to maintain a balanced margin in the electricity distribution service.

District heating sector

The distribution of heat through the district heating network is carried out in the Riva del Garda area and concerns 280 customers, mainly condominiums or hotels. The heat is supplied by Alto Garda Power S.r.l., a company 20% owned by AGS and 80% by Cartiere del Garda.

At present, there is no specific regulation and it should be noted that the tariffs are not determined by the public body and do not see the activity as a public service activity.

OPERATING PERFORMANCE

The following is an overall analysis of the performance of operating costs and revenues, referring to the explanatory notes for further details.

Revenues

The production value indicated in the financial statements amounted to Euro 11.76 million, up 3.61% compared to the previous year. The following tables show the changes that occurred within the various sectors and will be examined further in the following paragraphs.

values in Euro millions	2018	2017	difference %
electricity	3,84	3,71	3,50%
methane gas	2,42	2,33	3,86%
water/sewage	1,71	1,67	2,40%
heat	3,27	3,06	6,86%
Other revenues	0,52	0,58	-10,34%
Total	11,76	11,35	3,61%

	2018 qty. distributed	2017 qty. distributed	difference %
GWh electricity	83,8	83,8	0,03%
mcm methane gas	41,8	42,9	-2,46%
mcm drinking water	1,91	1,86	2,69%
Mwh heat	43.214	45.318	-4,64%

Electricity sector

In 2018, the energy that transited in the network is in line with the previous year. The turnover from distribution did not change significantly compared to the previous year as the restriction to revenues is not based on the quantity of raw material distributed but on the investments made by the Company and on the number of users served.

Gas sector

In 2018, the demand for gas decreased 2.46% compared to the previous year. Similarly to as specified for the electricity sector, the gas sector also has a constraint to revenues based on the number of meters installed and the amount of investments made.

Water sector

In 2018, the quantities of water were in line with the previous year, while revenues benefited from the increase in sewerage tariffs.

District heating sector

In 2018, there was a decrease in the quantities distributed (-4.64%) compared with 2017, mainly due to the weather trend. At the same time, there was an increase in turnover (+6.86%) due to the increase in the cost of natural gas, since district heating tariffs are linked to the trend in the price of natural gas.

Other revenues

Other revenues decreased compared to the previous year and mainly refer to public lighting services, both ordinary and extraordinary maintenance activities and services related to optical fibre.

Costs

As far as production costs are concerned, their overall trend shows an increase of Euro 416 thousand, mainly due to the increase in the cost of purchasing heat, part of which has been passed on to the end customer.

It should be noted that the increase in gas turnover of Euro 100 thousand and the decrease in the constraint on gas revenues of Euro 62 thousand led to an increase in operating costs for the reversal of these items to the Equalisation Fund.

Personnel costs decreased compared to 2017, while amortisation and depreciation costs were in line with the previous year.

INVESTMENTS

Investments made in 2018 amounted to Euro 1.027 million compared to Euro 0.936 million in the previous year. Investments are detailed in the following table and described by sector.

values in Euro thousands	2018	2017	delta %
electricity service	592	424	39,62
gas service	86	146	(41,10)
water service	5	8	(37,50)
district heating	155	136	13,97
Others	189	222	(14,86)
Total	1.027	936	9,72

Electricity sector

Distribution is in the Municipalities of Riva del Garda, Nago-Torbole and, partially, in the Municipalities of Tenno and Arco (town of San Giorgio).

Investments made in the electricity sector in 2018 amounted to Euro 592 thousand compared to Euro 424 thousand in 2017.

In 2018, the Company continued activities to improve the electricity infrastructure through a series of work on medium and low voltage networks and stations.

Electricity network		2018	2017
Medium-voltage networks	km	93	92
Low-voltage networks (*)	km	290	288
Total meters	no.	15.913	15.845

* contributions connection of users

Methane gas sector

Distribution is performed in the Municipalities of Riva del Garda, Arco, Dro and Tenno. Investments in the natural gas area totalled Euro 86 thousand.

Gas network		2018	2017
Medium-pressure networks	km	33	33
Low-pressure networks *	km	180,5	179,7
Total meters	no.	16.471	16.458

* including connections of users

Aqueduct cycle sector

The service is carried out in the Municipalities of Riva del Garda, Arco and Nago-Torbole and also includes the management of the consortium aqueduct, which starts from the collection work Sass del Diaol in the Municipality of Dro and reaches the Cretaccio reservoir in the Municipality of Arco. In Riva del Garda, it concerns both the aqueduct and the management of the sewage system.

Water network		2018	2017
Network extension	km	103	103
Total meters	no.	10.612	10.548

District heating sector

In 2018, resources were invested for Euro 155 thousand mainly regarding new connections and arrangement of road sections.

District heating network		2018	2017
Network extension	km	27	26
Total customers	no.	280	276

Fiber Optics

In 2018, resources were invested for Euro 70 thousand mainly regarding new connections.

Optical fibre network		2018	2017
Network extension	km	52	51
Total customers	no.	114	103

Public lighting

The company provides ordinary and extraordinary maintenance services for public lighting in the municipalities of Riva del Garda and Nago Torbole.

Public lighting network		2018	2017
Poles	no.	6.187	6.131
Light points	no.	7.144	7.078

Joint investments

Joint investments, amounting to Euro 119 thousand, mainly include investments in cartography and remote control systems to increasingly automate interventions and controls on distribution networks.

HUMAN RESOURCES

At 31 December 2018, AGS SpA had 48 employees.

The breakdown of personnel by category is as follows:

	C.C.N.L. applied	AGS 31.12.2017	incoming 2018	outgoing 2018	AGS 31.12.2018
Managers	Managers	1	-	-	1
White collars	C.C.N.L.E.	28	1	-	29
Blue collars	C.C.N.L.E.	19	-	1	18
Totals		48	1	1	48
of which:					
- part-time		5	-	-	5

Labour costs in 2018 amounted to Euro 2.991 million, down compared to Euro 3.162 million in 2017. As in previous years, regulatory obligations and the Company's constant commitment to ensuring high standards in the performance of its work activities have led to safety training and continuous/recurrent training representing the most significant initiatives in terms of hours provided. Specifically, 15 courses for a total of 655 hours have been provided for workers.

There were no accidents at work in 2018.

ECONOMIC AND FINANCIAL RESULTS

Alto Garda Servizi SpA closed the year 2018 with a net profit of Euro 3,020,292, down compared to Euro 3,176,388 in the previous year.

Net operating profit decreased from Euro 1,104,432 in 2017 to Euro 895,134 in 2018. Net financial income amounted to Euro 2,411,823, a decrease of Euro 88,460 compared to 2017, the year in which the subsidiary Ledro Energia Srl was written down by Euro 744,505.

The pre-tax result thus amounted to Euro 3,306,957, with a decrease of Euro 297,758 compared to the previous year.

To better understand the results achieved by the Company, it may be useful to analyse the Income Statement through some indexes and margins. It is believed that the most significant are:

Index	Formula	2018	2017
ROE	Net Result / Equity	6.50%	7.57%
ROI	Operating Result / Total Assets	1.26%	1.69%
EBITDA EURO	Earnings Before Interest, Taxes, Depreciation and Amortisation	2,419,015	2,636,920

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Company. In 2018, the index recorded a value of 6.50%, a decrease compared to 2017 (7.57%) due to the increase in shareholders' equity with a result substantially in line with the previous year. ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2018, the index was 1.26%, down from 1.69% of the 2017 result as a result of acquisitions that increased total assets.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) corresponds to the operating result before depreciation, amortisation and write-downs and highlights the amount generated from operations, net of notional cost items. EBITDA 2018 was Euro 217,905 thousand lower than in the previous year, mainly due to the district heating area in relation to the increase in the cost of heat and the cost of CO2 certificates, in addition to the application of IFRS 15, which no longer allows leaving the connection contribution in the income statement but that requires it to be deferred.

Economic situation

(values in Euro thousands)

	2018	%	2017	%
production value	11.760	100,00	11.349	100,00
production cost	(6.349)	(53,99)	(5.551)	(47,20)
added value	5.411	46,01	5.798	52,80
personnel cost	(2.991)	(25,43)	(3.162)	(26,89)
gross operating margin	2.420	20,58	2.636	22,42
amortization, depreciation, write-downs and allocations	(1.524)	(12,96)	(1.532)	(13,03)
net operating margin	896	7,62	1.104	9,39
financial operations	2.411	20,50	2.501	21,26
pre-tax result	3.307	28,12	3.605	30,65
taxes	(287)	(2,44)	(429)	(3,64)
net result	3.020	25,68	3.176	27,01

Balance Sheet

(values in Euro thousands)

	2018	%	2017	%
Fixed assets	60.541	85	57.571	88
Current assets	10.480	15	7.876	12
Invested Capital	71.021	100	65.447	100

	2018	%	2017	%
Shareholders' Equity	49.502	70	44.929	69
Minorities' Capital	21.519	30	20.518	31
Financing Capital	71.021	100	65.447	100

AGS SpA has a solid and balanced financial situation.

Fixed assets account for 85% of total assets and are covered by shareholders' equity for 82%.

In order to better understand the Company's balance sheet structure, an analysis is provided below through the indices and margins considered most significant and all showing a positive trend compared to previous years.

Index	Formula	2018	2017
Debt and equity to asset	$(\text{Shareholders' Equity} + \text{Consolidated Liabilities}) / \text{Long-term Capital}$	122.35%	119.40%
Financial autonomy	$(\text{Current Financial Liabilities} + \text{Consolidated Financial Liabilities}) /$	25.71%	30.06%
Loan rigidity	$\text{Fixed Capital} / \text{Total Assets}$	72.92%	74.74%

AGS operates principally in distribution services (electricity and gas), in the management of the integrated water cycle and in the sale of heat and is characterized by a significant amount of assets and equity. Therefore, to understand whether the Company's structure is balanced, it may be useful to analyse the consistency between the duration of assets and liabilities.

The debt and equity to asset ratio relates the sum of shareholders' equity and consolidated debt capital at year-end with the value of fixed assets at year-end. A value greater than 100% indicates that the Company has covered the fixed asset items with resources that have the same time horizon. AGS has an index of 122.35%.

The financial autonomy ratio relates the financial resources of third parties, both short and long-term (defined as exposure to banks and other financial institutions at year-end), with the shareholders' equity of the Company at year-end. The ratio should not be too high and in any case consistent with the cash flows, so as to avoid a situation of excessive exposure that would put the Company in difficulty to repay the debt capital. The index has a value of 25.71%, in line compared to 30.06% the previous year.

The loan rigidity ratio relates long-term capital and total assets at year-end. The index allows understanding whether the structure of the Company is consistent with the type of business in which it operates, or whether it has anomalies. AGS S.p.A. is in line with the previous year, from 74.74% in 2017 to 72.92% in 2018.

INFORMATION BY BUSINESS SECTOR

In accordance with the provisions of IFRS 8, the table below provides information by business segment, which is based on the analytical accounting structure used in the SAP management system and the cost drivers used to compile the unbundling financial statements.

Alto Garda Servizi operates in the following sectors of activity:

- Energy (hydroelectric production, energy distribution)
- Gas (gas distribution)
- Water/Sewerage (distribution and sale of water/sewerage)
- District heating (distribution and sale of heat)
- Other services (fiber optics, public lighting, services to subsidiaries, and other minor services)

These operating segments are presented in accordance with IFRS 8, which requires segment reporting to be based on the elements that management uses to make its strategic operating decisions.

For the purposes of a correct reading of the economic results relating to the individual activities, it should be noted that the revenues and costs relating to common activities are entirely allocated to the businesses, on the basis of the actual use of the services provided or on the basis of technical-economic drivers.

The following segment information does not contain secondary segment information by geographical area given the geographical uniqueness in which the company operates.

The following tables show net invested capital by business segment compared to the values at 31 December 2018 and the income statement (up to operating income) by business segment compared to the figures for 2017.

Income Statement by business segment Year 2017

	Energy	Gas	Water/Sewerage	District heating	Other Services	Total
Total revenues and income	3.706.770	2.330.749	1.666.961	3.096.050	548.425	11.348.955
Total operating costs	3.029.794	1.464.044	1.643.079	2.302.436	272.682	8.712.036
Gross Operating Margin (EBITDA)	676.976	866.705	23.882	793.614	275.743	2.636.919
Amortization, depreciation, allocations and write-downs	647.836	21.843	27.129	614.813	220.867	1.532.488
Operating result (EBIT)	29.140	844.862	-3.247	178.801	54.876	1.104.431

Income Statement by business segment Year 2018

	Energy	Gas	Water/Sewerage	District heating	Other Services	Total
Total revenues and income	3.898.911	2.417.585	1.794.193	3.262.596	386.751	11.760.036
Total operating costs	3.225.311	1.595.620	1.756.235	2.606.985	156.870	9.341.021
Gross Operating Margin (EBITDA)	673.600	821.965	37.958	655.611	229.881	2.419.015
Amortization, depreciation, allocations and write-downs	652.478	21.843	33.828	611.819	203.913	1.523.881
Operating result (EBIT)	21.122	800.122	4.130	43.792	25.968	895.134

Reclassified balance sheet by business segment at 31 December 2017

	Energy	Gas	Water/Sewerage	District heating	Other Services	Not allocable	Total
Long-term capital	10.973.909	3.762.245	119.790	12.799.629	233.439	21.054.493	48.943.505
Net working capital	114.463	44.380	102.500	28.999	39.703	0	330.044
Other non-current assets and liabilities						8.627.049	8.627.049
Net invested capital (NIC)	11.088.372	3.806.625	222.290	12.828.628	273.142	29.681.542	57.900.598
Shareholders' equity							44.928.401
Net Financial Position							12.972.197
Equity and net financial debt (EBIT)							57.900.598

Reclassified balance sheet by business segment at 31 December 2018

	Energy	Gas	Water/Sewerage	District heating	Other Services	Not allocable	Total
Long-term capital	10.888.845	7.808.008	134.885	12.342.184	278.229	20.342.906	51.795.057
Net working capital	-15.263	-85.653	56.530	35.689	-12.563	-2.045.011	-2.066.271
Other non-current assets and liabilities						8.745.538	8.745.538
Net invested capital (NIC)	10.873.582	7.722.355	191.415	12.377.873	265.666	27.043.433	58.474.324
Shareholders' equity							49.501.971
Net Financial Position							8.972.353
Equity and net financial debt (EBIT)							58.474.324

OTHER INFORMATION**Research and development activities**

The Company does not carry out research and development activities.

Secondary offices

There are no secondary offices of the company.

Dividends

The positive results achieved in 2018, combined with a solid financial structure, make it possible to propose the distribution of a dividend of Euro 1.80 per share for this year as well.

Audit of the financial statements

The financial statements of AGS S.p.A. are audited by BDO Italia S.p.A., a company that was appointed by the Shareholders' Meeting in March 2017 to audit the accounts pursuant to articles 13 and 16, paragraph 1, Legislative Decree 27 January 2010, no. 39 for the period 2016-2024.

Publication of the Financial Statements

These financial statements will be published by the Directors in accordance with the law. The company is not required to prepare the Consolidated Financial Statements, as it has not exceeded the parameters set out in article 27 of Legislative Decree 127/91 as amended by Legislative Decree 139/15.

Treasury shares

As envisaged by article 2428 of the Civil Code, it is specified that at 31 December 2018, the company does not own treasury shares. At 31 December 2018, subsidiaries and associated companies did not hold shares of AGS SpA and did not purchase or sell such shares in 2018. In 2018, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

Significant events during the year

In May, AGS S.p.A. sold to the Municipality of Arco the treasury shares it held, consisting of 27,058 shares, at a value of Euro 128.50 per share, and received in exchange, with cash payment, the network and other municipal methane gas infrastructures in the territory of the Municipality. There are 54.789 km of pipelines, in addition to the 17.206 km of pipelines already owned by AGS in the municipal territory.

As a result of this operation, the AGS methane gas network will therefore be composed of a total of more than 216 km of pipelines.

It should be noted that if the value of the Arco Gas Network is less than Euro 2,000,000.00, the Municipality has an irrevocable option for the relegation of the Arco Gas Network, which may be exercised by the deadline for the publication of the tender notice, currently 31/12/2019, and in any case no later than 31/12/2021.

Outlook

The economic and financial forecasts for the year 2019 approved by the Board of Directors last December are confirmed, which forecast a positive result that is substantially in line with 2018.

Management and coordination activities

The Company is subject to management and coordination by the Municipality of Riva del Garda.

As required by article 2497-bis of the Civil Code, the table below shows the key figures of the last approved financial statements.

Privacy regulations

Following the entry into force of the European Union Regulation on the Protection of Personal Data (GDPR), a revision of the relevant internal procedure for the Processing of Personal Data has been necessary. The Data Protection Officer (DPO) has been appointed to coordinate, at Company level, the procedures for managing the processing of personal data, the full implementation and the day-to-day administration of the new regulatory framework.

MUNICIPALITY OF RIVA DEL GARDA
- BALANCE SHEET -

SUMMARY			
ASSETS		LIABILITIES	
ITEMS	31.12.2017	ITEMS	31.12.2017
A - RECEIVABLES FROM SHAREHOLDERS		A - SHAREHOLDERS' EQUITY	155.022.535
B - FIXED ASSETS		B - TRANSFERS	42.714.784
I - Intangible assets	2.385.891		
II - Tangible assets	131.276.005		
III - Financial assets	40.173.505		
C - CURRENT ASSETS		C - PAYABLES	8.873.809
I - Inventory	-		
II - Receivables	29.912.930	D - ACCRUALS AND DEFERRALS	828
III - Financial assets	-		
IV - Cash and cash equivalents	2.862.034		
D - ACCRUALS AND DEFERRALS	1.591		
TOTAL ASSETS	206.611.956	TOTAL LIABILITIES	206.611.956

- RECLASSIFIED INCOME STATEMENT -

SUMMARY	
DESCRIPTION	31.12.2017
A - OPERATING INCOME	25.694.285
B - OPERATING COSTS	(25.362.385)
DIFFERENCE	331.900
C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES	477.710
D - FINANCIAL INCOME AND EXPENSES	1.005
E - EXTRAORDINARY INCOME AND EXPENSES	2.196.353
ECONOMIC RESULT FOR THE YEAR	3.006.968

TRANSACTIONS WITH RELATED PARTIES

Relations with parent companies

The Municipality of Riva del Garda holds the majority shareholding of the company. Service contracts are in place with the Municipality which provide for the entrustment to Alto Garda Servizi SpA of the exclusive management of electricity and gas distribution services, of the water cycle and public lighting. There is also a lease contract for the property where the Company has its registered office. All relations with the parent body have been stipulated at current market values.

The company is committed to compliance with the containment measures established by the Memorandum of Understanding signed on 20 September 2012 by the President of the Autonomous Province of Trento, the Councillor for Local Entities and the President of Autonomies and circulated and provided similar measures to its subsidiaries. In order to fulfil the Memorandum of Understanding of 20

September 2012, the company drafted the budget and the half-year report on operations as provided by article 2, paragraph 1 of the document annexed to the letter of the Municipality of Riva del Garda on 12 December 2012.

Law 124/2017

During the 2018 financial year, the Company did not receive any grants, contributions, paid assignments or any economic advantage as per Law 124/2017 article 1, paragraph 25.

Relations with subsidiaries and associated companies

AGS S.p.A. exercises management and coordination activities over the subsidiary Ledro Energia S.r.l., with which it has a service contract in place for technical and administrative services, as well as an interest-bearing loan. These relations are settled at arm's length.

The Company opted for the consolidated tax return for direct taxes.

The associated company Alto Garda Power S.r.l., with registered and operational office in Riva del Garda, supplies to AGS S.p.A. the heat necessary for the supply of district heating to customers connected to the Riva del Garda network. AGS S.p.A. has recognized an interest-bearing loan towards Alto Garda Power S.r.l. under receivables from associated companies. All contracts are stipulated at market conditions.

AGS S.p.A. has a take-or-pay contract with Alto Garda Power S.r.l. concerning the purchase of electricity and heat that defines minimum quantities and price calculation mechanisms for future periods.

The following table shows the main data of the associated company Alto Garda Power S.r.l.

	At 31 December	
(Euro thousands)	2018	2017
Fixed assets	25.980	28.169
Receivables	35.769	32.830
Payables	33.919	28.802
Equity	27.830	32.198

RISK MANAGEMENT

Risk Management: credit management objectives and policies:

The Company is subject to risks and uncertainties related to the external environment, i.e. the context in which it operates. It is not subject to exchange rate risks as it does not operate in foreign currency.

The main risks identified are:

Liquidity risk

Liquidity risk is defined as the possibility that available financial resources may be insufficient to meet commitments. The Company has adequate cash credit lines to meet liquidity needs and has structured medium/long-term credit lines, both in the form of loans and bonds, unsecured and appropriate to the investments made.

The following table analyses financial liabilities (including trade and other payables), which are expected to be repaid within one year, in the period between one and five years and more than five years.

At 31 December 2018			
	Maturity		
	Within 1 year	Between 1 and 5 years	Over 5 years
Trade payables	2.618.893	0	0
Payables to banks and other lenders	4.743.187	2.235.158	5.750.713
Other payables	2.701.595	932.560	1.087.440
TOTAL	10.063.675	3.167.718	6.838.153

Interest rate risk

Interest rate risk is closely monitored by the company, which has structured the debt with a time horizon in keeping with its own cash flows. The company is subject to the risk of fluctuations that may occur in the evolution of interest rates. Interest rates, income and expense, including those on intercompany loans, are variable and therefore tied to market performance.

Credit risk

The company's customers are mainly wholesalers of electricity and methane gas and, for the part related to district heating/water, retail customers. The historicity of the relationships, the solidity of the major customers induce the Directors to consider remote the credit risk if not in its physiological form.

Regulatory risk

A source of risk is the ongoing change in the legislative and regulatory context of reference that has an impact on the functioning of the market, tariff plans, levels of service quality required and the technical and operational requirements. In this regard, the Company makes use of its structure for the analysis of regulations and relations with the ARERA.

Concession tender risk

The Company cannot avoid taking this risk as it is intrinsic to its activity. With regard to the tender for management of the gas distribution service, reference is made to as indicated in the report for a description of the company's activities.

Occupational health and safety

The Company, which has always been attentive to the protection of the safety and health of its employees (and in general of all those involved in the activities of the company) has as its objective not only the respect of the regulations in force on the subject, but a set of actions aimed at improving working conditions. For this reason, it is constantly committed to spreading a culture of safety based on the development of risk perception, the promotion of responsible behaviour by all employees and the sharing of responsibilities among all those involved in the activities of the Company. The risk assessment documents are updated in relation to the development of the operating structures and conditions as well as the evolution of the regulations.

Internal risk management tools

With a view to monitoring and managing risk, the company has also independently adopted a number of instruments, listed below:

- Transparency Manager (RPT): The Company has appointed the Transparency Manager as the party that elaborates the three-year Transparency Program and keeps it updated along with the adaptation of the website, reporting regularly to the Board of Directors.
- It is noted that pursuant to article 20 of Legislative Decree 8 April 2013, no. 39, concerning provisions on the non-conferability and incompatibility of offices, the Company undertook the statements of non-existence of the causes of non-conferability by the directors in charge of appointment of the Municipality of Riva del Garda.
- In compliance with the applicable provisions in force on advertising, transparency and dissemination of information by companies controlled by public authorities, the specific section “Transparent Company” of the corporate website contains the statements made pursuant to Legislative Decree no. 39/2013 together with other data provided by Legislative Decree no. 33/2013.
- Corruption Prevention: the Corruption Prevention Manager drafts the three-year Prevention of Corruption Plan, to be updated annually, containing the mapping of risk areas and the elaboration of corruption prevention measures. The RPC also ensures the conduct of the related training activities and reports regularly to the Board of Directors.
- Model 231: the Company adopted the organization, management and control model in compliance with the requirements of Legislative Decree 231/2001 and during the year, set the activities necessary for the updating thereof.
- Code of Ethics: AGS adopted a Code of Ethics that defines and contains the set of rules of conduct in relations with external interlocutors and collaborators. The rules contained therein are aimed at creating an efficient and effective system for the programming, execution and control of activities.

- Certification UNI ISO 9001: in all sectors of activities, the Company is certified ISO 9001. The 2018 annual audit ended with the renewal of the certification.
- Management Control: the company has implemented and adopted adequate reporting for the planning, control and measurement of performance.

BALANCE SHEET

Assets	Notes	31.12.2018	31.12.2017
Non-current assets			
Tangible assets	7.1	34,360,041	31,438,054
Intangible assets	7.2	186,999	183,834
Equity investments	7.3	17,248,017	17,321,617
Non-current financial receivables	7.4	6,632,064	7,077,653
Deferred tax assets	7.5	2,113,474	1,549,396
Total non-current assets		60,540,595	57,570,554
Current assets			
Inventories	7.6	484,521	446,856
Trade receivables	7.7	4,626,123	5,253,369
Receivables from parent company, associated companies, subsidiaries	7.8	337,075	429,833
Current tax receivables	7.9	3,358	127,065
Other current assets	7.10	1,275,354	1,076,719
Cash and cash equivalents	7.11	3,753,708	542,173
Total current assets		10,480,138	7,876,015
Total Assets		71,020,733	65,446,569

Liabilities and Shareholders' Equity	Notes	31.12.2018	31.12.2017
<i>Shareholders' Equity</i>			
Share Capital	8.1	23,234,016	23,234,016
Reserves	8.1	23,247,663	18,517,997
Net result of the year	8.1	3,020,292	3,176,388
Total Shareholders' Equity		49,501,971	44,928,401
<i>Non-current liabilities</i>			
Non-current financial payables	8.2	7,985,874	11,966,135
Employee benefits	8.3	1,142,492	1,510,856
Provisions for risks and charges	8.4	0	0
Total non-current liabilities		9,128,366	13,476,991
<i>Current liabilities</i>			
Current financial payables	8.5	4,743,187	1,548,235
Trade payables	8.6	1,037,602	997,425
Payables to parent company, associated companies, subsidiaries	8.7	1,581,291	1,239,156
Tax payables	8.8	306,721	257,341
Other current payables	8.9	4,721,595	2,999,020
Total current liabilities		12,390,396	7,041,177
Total Liabilities		21,518,762	20,518,168
Total Liabilities and Shareholders' Equity		71,020,733	65,446,569

INCOME STATEMENT

Figures in Euro	Notes	31.12.2018	31.12.2017
Revenues from sales and services	9.1	10,375,138	10,155,403
Other revenues and income	9.2	1,384,897	1,193,551
Total operating revenues and income		11,760,035	11,348,954
Cost of raw materials, consumables and goods	9.3	2,526,144	2,109,839
Costs for services	9.4	2,656,216	2,558,932
Leasehold improvements	9.5	562,105	552,382
Employee costs	9.6	2,991,393	3,161,713
Amortization/Depreciation of fixed assets	9.7	1,523,881	1,521,988
Provisions and write-downs	9.8	0	10,500
Other operating expenses	9.9	1,103,631	831,401
Capitalized costs for internal works	9.10	(498,469)	(502,232)
Total operating costs		10,864,901	10,244,522
GROSS OPERATING RESULT		895,134	1,104,432
Income from equity investments	10	1,081,047	1,218,747
Write-down of investments	11	0	744,505
Financial expenses	12	235,571	258,394
Financial income	13	139,947	129,550
Income and expenses from investments equity method	14	1,426,400	2,154,885
RESULT BEFORE TAXES		3,306,957	3,604,715
Current and Deferred Tax	15	286,665	428,327

NET RESULT OF THE YEAR		3,020,292	3,176,388
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Comprehensive Income Statement		31.12.2018	31.12.2017
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Result of the Income Statement		3,020,292	3,176,338
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Amounts that will not be subsequently reclassified to profit/(loss) for the year		343,220	-42,722
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Amounts that will be subsequently reclassified to profit/(loss) for the year		0	0
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RESULT FOR THE PERIOD		3,363,512	3,133,666
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Net financial debt

Net financial debt (pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006 and ESMA/2013/319)

The following table provides the breakdown of net financial debt.

STATEMENT OF CASH FLOWS

Figures in Euro	FOR THE YEAR ENDED 31	
	DECEMBER	
	2018	2017
Pre-tax result	3.306.957	3.604.715
Adjustments for:		
Amortization, depreciation, write-downs and provisions	1.523.881	2.276.993
Result of investments valued with the equity method and other companies	-1.426.400	-2.154.885
Financial (Income)/Expenses	95.624	128.844
Employee benefits	3.360	-17.257
(Gains)/Losses from disposal of assets		0
Fair value valuations		0
Dividends collected	-1.081.047	-1.218.747
Cash flow from operating activities before changes in net working capital	2.422.375	2.619.663
Increase/(Decrease) in employee benefits	-368.364	-100.589
(Increase)/Decrease in inventories	-37.665	103.098
(Increase)/Decrease in trade receivables	720.004	-763.533
(Increase)/Decrease in other assets/liabilities and assets/liabilities for deferred	-123.499	-717.445
Increase/(Decrease) in trade payables	282.312	-644.896
Dividends received from other companies	1.081.047	1.218.747
Dividends received from associated companies	2.300.000	800.000
Interest income and other financial income received	139.947	129.551
Interest expense and other financial charges paid	-235.571	-258.394
Use of provisions for risks and charges	0	-46.417
Taxes paid	-119.371	-145.652
Cash flows from operating activities (a)	3.638.840	-425.530
Investments in intangible assets	-79.560	-28.560
Investments in tangible assets	-947.440	-907.440
Divestments of tangible assets		0
Net investments in equity investments	-800.000	-1.100.000
(Increase)/Decrease in other investment activities	500.000	-900.000
Cash flow from investment/divestment activities (b)	-1.327.000	-2.936.000
Financial payables (new issues of long-term loans)	2.000.000	2.000.000
Financial payables (repayments and other net changes)	-2.762.926	-543.770
Purchase of treasury shares	0	0
Dividends paid	-759.754	-629.500
Cash flow from financing activities (c)	-1.522.680	826.730
<i>Increase/(Decrease) in cash and cash equivalents (a+b+c)</i>		
Cash and cash equivalents at the beginning of the year	542.173	457.310
Cash and cash equivalents at the end of the year	3.753.708	542.173

Pursuant to IAS 7 "Cash Flow Statement", the following are the changes in financial assets and liabilities:

RENDICONTO FINANZIARIO

Dati in Euro

**PER L'ESERCIZIO CHIUSO AL 31
DICEMBRE**

	2018	2017
Risultato prima delle imposte	3.306.957	3.604.715
Rettifiche per:		
Ammortamenti, svalutazioni e accantonamenti	1.523.881	2.276.993
Risultato delle partecipazioni valutate con il metodo del patrimonio netto e altre	-1.426.400	-2.154.885
(Proventi)/Oneri finanziari	95.624	128.844
Benefici ai dipendenti	3.360	-17.257
(Plusvalenze)/Minusvalenze derivanti dalla cessione di attività		0
Valutazioni al fair value		0
Dividendi incassati	-1.081.047	-1.218.747
Cash flow da attività operativa prima delle variazioni del capitale circolante netto	2.422.375	2.619.663
Incremento/(Decremento) benefici a dipendenti	-368.364	-100.589
(Incremento)/Decremento di rimanenze	-37.665	103.098
(Incremento)/Decremento di crediti commerciali	720.004	-763.533
(Incremento)/Decremento di altre attività/passività e attività/passività per imposte	-123.499	-717.445
Incremento/(Decremento) di debiti commerciali	282.312	-644.896
Incasso dividendi da altre imprese	1.081.047	1.218.747
Incasso dividendi da imprese collegate	2.300.000	800.000
Interessi attivi e altri proventi finanziari incassati	139.947	129.551
Interessi passivi e altri oneri finanziari pagati	-235.571	-258.394
Utilizzo dei fondi rischi e oneri	0	-46.417
Imposte pagate	-119.371	-145.652
Cash flows da attività operativa (a)	3.638.840	-425.530
Investimenti in attività immateriali	-79.560	-28.560
Investimenti in attività materiali	-947.440	-907.440
Disinvestimenti in attività materiali		0
Investimenti netti in partecipazioni	-800.000	-1.100.000
(Incremento)/Decremento di altre attività d'investimento	500.000	-900.000
Cash flow da attività di investimento/disinvestimento (b)	-1.327.000	-2.936.000
Debiti finanziari (nuove emissioni di finanziamenti a lungo termine)	2.000.000	2.000.000
Debiti finanziari (rimborsi e altre variazioni nette)	-2.762.926	-543.770
Acquisto di azioni proprie	0	0
Dividendi pagati	-759.754	-629.500
Cash flow da attività di finanziamento (c)	-1.522.680	826.730
<i>Incremento/(Decremento) disponibilità liquide e mezzi equivalenti (a+b+c)</i>		
Disponibilità liquide e mezzi equivalenti all'inizio dell'esercizio	542.173	457.310
Disponibilità liquide e mezzi equivalenti alla fine dell'esercizio	3.753.708	542.173

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Net result of the year	Total shareholders' equity
BALANCE AT 01 January 2017	23.234.016	1.079.106	2.937.747	-3.151.300	15.421.702	2.903.090	42.424.361
Transactions with shareholders:							
Dividend distribution					0	-629.625	-629.625
Total transactions with shareholders	0	0	0	0	0	-629.625	-629.625
Allocation of the result for the year to the reserve	0	145.155	0	0	2.128.310	-2.273.465	0
Comprehensive result of the year:							
Net result	0	0	0	0	0	3.176.388	3.176.388
Actuarial gains/(losses) for employee benefits, net of tax effect	0	0	0	0	-42.723	0	-42.723
Total comprehensive result of the year	0	0	0	0	-42.723	3.176.388	3.133.665
BALANCE AT 31 December 2017	23.234.016	1.224.261	2.937.747	-3.151.300	17.507.289	3.176.388	44.928.401
Transactions with shareholders:							
Dividend distribution					0	-759.574	-759.574
Share capital subscription			325.653	3.151.300			3.476.953
Total transactions with shareholders	0	0	325.653	3.151.300	0	-759.574	2.717.379
Allocation of the result for the year to the reserve	0	158.820	0	0	2.257.994	-2.416.814	0
Comprehensive result of the year:							
Net result	0	0	0	0	0	3.020.292	3.020.292
Application of IFRS 15					-1.507.321		-1.507.321
Actuarial gains/(losses) for employee benefits, net of tax effect	0	0	0	0	343.220	0	343.220
Total comprehensive result of the year	0	0	0	0	-1.164.101	3.020.292	1.856.191
BALANCE AT 31 DECEMBER 2018	23.234.016	1.383.081	3.263.400	0	18.601.182	3.020.292	49.501.971

1. GENERAL INFORMATION

Alto Garda Servizi S.p.A. is a company incorporated and domiciled in Italy and organised according to the legal system of the Italian Republic, with registered office in Riva del Garda, Via Ardaro 27.

At 31 December 2018, the share capital of the company was held by:

SHAREHOLDER NO. OF SHARES DUE %		
PUBLIC AUTHORITIES		
MUNICIPALITY OF RIVA DEL GARDA	253,017	56.628%
MUNICIPALITY OF NAGO-TORBOLE	6,806	1.523%
MUNICIPALITY OF ARCO	27,258	6.101%
MUNICIPALITY OF DRO	120	0.027%
MUNICIPALITY OF LEDRO	120	0.027%
MUNICIPALITY OF TENNO	100	0.022%
MUNICIPALITY OF DRENA	20	0.004%
PRIVATE INDIVIDUALS		
DOLOMITI ENERGIA HOLDING S.P.A.	89,362	20.000%
ISTITUTO ATESINO DI SVILUPPO S.P.A.	53,508	11.976%
F.LLI BONORA S.N.C.	6,683	1.496%
CASSA RURALE ALTO GARDA	4,616	1.033%
CASSA CENTRALE CASSE RURALI	3,616	0.809%
EL.MA S.R.L.	1,582	0.354%
TOTAL	446,808	100.00%

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

The main accounting criteria and standards applied in the preparation and preparation of the Company's financial statements are shown below. These accounting standards have been applied on a consistent basis for all the years presented in this document.

2.1 Preparation basis

European Regulation no. 1606/2002 of 19 July 2002 introduced the obligation, as from 2005, to apply the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Union for the preparation of financial statements of companies with equity and/or debt securities listed on one of the regulated markets of the European Community. As a

result of the listing on the Vienna Stock Exchange on 12 December 2016 of a Euro 5 million mini-bond, the Company was required to prepare its financial statements in accordance with IFRS.

The financial statements have been prepared in accordance with the EU IFRS in force at the date of application of the same without reservations on compliance.

The financial statements have been prepared on a going concern basis and on the basis of the conventional historical cost method, with the exception of a number of accounting items that are recognised at fair value at the date of the financial statements in accordance with the provisions of international accounting standards.

These financial statements have been drawn up on the basis of the best knowledge of the IFRS and taking into account the best doctrine on the subject; any future orientations and interpretative updates will be reflected in subsequent years, in accordance with the procedures established from time to time by the reference accounting standards.

These draft financial statements were approved by the Company's Board of Directors on 21 March 2019.

2.2 Form and content of the financial statements

With regard to the form and content of the financial statements, the Company has made the following choices:

- the statement of financial position presents current and non-current assets separately and similarly represents current and non-current liabilities;
- the statement of comprehensive income for the year includes not only the result for the year, but also the changes in shareholders' equity relating to items of an economic nature which, in accordance with international accounting standards, are recorded among the components of shareholders' equity;
- the cash flow statement for the year is presented using the indirect method.

The formats used are those that best represent the economic, equity and financial situation of the Company.

These financial statements have been drawn up in Euro.

The annual financial statements are legally audited by the independent auditors BDO Italia S.p.A.

2.3 Accounting standards and valuation criteria

Intangible assets

Concessions and other intangible assets consist of non-monetary elements, which can be identified as such and are not physically significant, controllable and capable of generating future economic benefits.

Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortisation and any impairment losses.

Amortisation of intangible assets begins when the asset is available for use and is systematically allocated in relation to its residual useful life, i.e. on the basis of its estimated useful life.

IFRIC 12 “Service Concession Arrangements” states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognized as intangible assets if the operator has the right to receive a payment from the customer for the service provided, or as a financial asset if the operator has the right to receive payment from the public sector entity.

In particular, IFRIC 12 applies to service concession arrangements from public to private if the concessionaire:

- controls or regulates which services the concessionaire is to provide with the infrastructure, to whom it is to provide them and at what price;
- controls, through ownership or otherwise, any significant residual interest in the infrastructure at the end of the term of the agreement.

In order to assess the applicability of these provisions for the Company, the management carried out a careful analysis of the concession for the distribution of electricity and methane gas. On the basis of these analyses, the application conditions provided for by the interpretation in question do not appear to be met, as the concessionaire has full control of the infrastructure.

Tangible assets

Tangible assets are valued at purchase and/or production cost, net of accumulated depreciation and any impairment losses. The cost includes the costs directly incurred to make their use possible, while the costs incurred for ordinary and cyclical maintenance and repairs are directly charged to the income statement when incurred.

Instrumental buildings are valued at fair value initially determined and, subsequently, periodically verified on the basis of appraisals prepared by independent experts. Depreciation is charged on a straight-line basis at rates that allow the assets to be depreciated until their useful life is exhausted. During the 2017 financial year, the rates of the district heating network were changed, according to a specific technical report, from 30 to 40 years, and of the electricity network, which went from 25 to 35 years, in line with what was defined by the sector authority.

DESCRIPTION		DESCRIPTION	
INDUSTRIAL BUILDINGS AND LAND	2.50%	REMOTE CONTROL	4.0%
GENERAL PLANTS	6.67%		
TRANSFORMATION STATIONS	3.50%	TECHNICAL/OPERATIONAL EQUIPMENT	8.33%
SUB-STATIONS	3.50%	TRUCKS	14.29%
TRANSFORMERS	3.50%	VEHICLES	14.29%
ELECTRICITY DISTRIBUTION LINES	2.86%	MECCANOGRAPH CENTRE	14.29%
DATA TRANSMISSION NETWORKS	10.00%	FURNITURE	8.33%
1ST REDUCTION STATIONS METHANE GAS	5.00%	OFFICE MACHINES AND EQUIPMENT	14.29%
METHANE GAS CONDUCTOR	4.00%		
TANKS	2.00%	START-UP/EXPANSION COSTS	5 YEARS
LIFTING SYSTEMS	6.67%	SOFTWARE	3 YEARS
CONDUCTOR AQUEDUCT/SEWERAGE	2.50%	STUDIES AND RESEARCH	3 YEARS
DISTRICT HEATING NETWORK	2.50%	CONCESSIONS, LICENSES CED	5 YEARS
METERING INSTRUMENTS	5.00%		
METERING INSTRUMENTS DISTRICT HEATING	6.67%	THIRD-PARTY ASSETS— HQ OFFICES	RESIDUAL YEARS LEASE

Equity investments

Investments in subsidiaries and other companies are valued at purchase cost, reduced if necessary for impairment losses, while investments in associated companies are valued using the equity method. Dividends from equity investments are recognised in the income statement when the shareholders' right to receive payment is established.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets are financial instruments, mainly relating to trade receivables, which are non-derivative and not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified as current assets in the balance sheet, except for those with a contractual maturity of more than 12 months with respect to the reporting date, which are classified as non-current assets.

Trade receivables and other current and non-current assets are recorded at amortised cost taking into account the time factor. Impairment losses on receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivable on the basis of the contractual terms. The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows. The value of receivables is shown in the financial statements net of the related provision for doubtful accounts.

Inventories

Inventories of raw and ancillary materials, consumables and goods are valued at the lower of their weighted average cost and market value at the reporting date.

The weighted average cost is determined by reference period for each inventory code. The weighted average cost includes direct material and labour costs and indirect costs (variable and fixed). Inventories are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the Income Statement.

Cash and cash equivalents

These include bank current accounts and other short-term, highly liquid financial investments that can be readily converted into cash.

Treasury shares

Repurchases of treasury shares, as they represent the contributed capital, are deducted from the capital. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or derecognition of equity instruments. The amount paid or received is recognised directly in equity. The amount of treasury shares held is shown separately in the notes, in accordance with IAS 1 presentation of the financial statements.

Financial liabilities trade payables and other payables

Financial liabilities, trade payables and other payables are initially recognised in the income statement at fair value, net of directly attributable incidental costs, and subsequently measured at amortised cost, applying the effective interest rate method. If there is an estimable change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified as current liabilities, unless the company has an unconditional right to defer their payment for at least 12 months after the reference date. Financial liabilities are derecognised when they are settled and when the Company has transferred all the risks and charges relating to them. The valuation at nominal value approximates the fair value.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges of a specific nature, whose existence is certain or probable, but whose amount and/or date of occurrence cannot be determined. Provisions are recognised only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is probable that such outflow will be required to settle the obligation. This amount represents the best estimate of the cost of settling the obligation. The rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability. The increase in the value of the provision due to a change in the cost of money over time is recorded as a financial expense. The risks for which the occurrence of a liability is only possible are highlighted in the specific information section on contingent liabilities and no provision is allocated for them.

Personnel provisions

Personnel provisions include defined contribution plans and defined benefit plans. With reference to defined contribution plans, costs relating to such plans are recognised in the income statement when incurred. With reference to defined benefit plans, the company's net liabilities are determined separately for each plan by estimating the present value of the future benefits that employees have accrued in the current year and in previous years and deducting the fair value of any assets at the service of the plan. The present value of obligations is based on the use of actuarial techniques that attribute the benefit deriving from the plan to the periods in which the obligation to disburse it arises (projected unit credit method) and is based on actuarial assumptions that are objective and compatible with each other. Plan assets are recognised and measured at fair value. The company has the support of independent experts to calculate employee benefits.

If such calculation results in a contingent asset, the amount to be recognised is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan. The components of the cost of defined benefits are recognised as follows:

- costs relating to the provision of services are recognised in the income statement under personnel costs;
- net financial expenses on a defined benefit liability or asset are recognised in the income statement as financial income/expense, and determined by multiplying the net asset/liability value by the rate used to discount the obligations taking into account contribution and benefit payments made during the period;
- the components used to measure the net liability, which include actuarial gains and losses, the return on assets, excluding interest income recognised in the income statement and any changes in the limit on assets, are immediately recognised in the statement of comprehensive income, among changes in shareholders' equity relating to items of an economic nature. Such components shall not be reclassified to profit or loss at a later period.

Revenue recognition

Revenues from the sale of goods are recognised in the income statement at the time when control of the good is transferred to the customer, i.e. when the customer acquires the full capacity to decide on the use of the goods and to derive substantially all the benefits from it. For Alto Garda Servizi, this moment normally coincides with the delivery or shipment of goods to the customer; those for services are recognized in the accounting period in which the services are rendered.

Revenues are recorded at fair value of the amount received. The Company recognises revenues when their amount can be reliably estimated and it is probable that the related future economic benefits will be recognised. Depending on the type of transaction, revenues are recognized on the basis of the following specific criteria:

- revenues from the sale and distribution of electricity, thermal energy, gas and water are recognised at the time of transfer of ownership (“at a point in time”), which essentially takes place at the time of supply or service, even if not invoiced, and are determined by integrating with appropriate estimates those recorded by reading consumption.

- revenues from connection contributions to customers are recognised as deferred liabilities (“over a period of time”) and released over a period of time that coincides with the depreciation of the assets to which they refer.

Revenues from services are recorded at the time they are provided or in accordance with the terms of the contract.

Cost recognition

Costs are recognised at the time of acquisition of the good or service.

Tax

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date. Deferred tax assets and liabilities are calculated on the basis of all the differences that emerge between the tax value of an asset or liability and its book value. Deferred tax assets, including those relating to previous tax losses, are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax liabilities and assets are determined using the tax rates that are expected to be applicable in the years in which the differences will be realised or settled, on the basis of the tax rates in force or substantially in force at the reporting date. Current taxes and deferred tax liabilities and assets are recorded in the income statement, with the exception of those relating to items directly debited or credited to shareholders’ equity, in which case the related tax effect is also recognised directly in shareholders’ equity.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the application by the directors of accounting standards and methods which, in certain circumstances, are based on valuations and estimates based on historical experience and on assumptions that are from time to time considered reasonable and realistic in relation to the relative circumstances. The application of these estimates and assumptions influences the amounts recognised in the financial statements, as well as the information provided. The final results of the items of the financial statements for which said estimates and assumptions were used may differ from those in the financial statements that show the effects of the occurrence of the event subject of the estimate due to the uncertainty that characterises the assumptions and conditions on which the estimates are based. The following is a brief list of the items that, in relation to the Company, require the

greatest subjectivity on the part of the directors in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Company's financial results.

- a) **Impairment test:** the book value of tangible and intangible assets is reviewed periodically and whenever circumstances or events require more frequent review. If it is considered that the carrying amount of a group of non-current assets is impaired, the group is written down to its recoverable amount which is estimated with reference to its use or future disposal, depending on the Group's latest plans. Management is of the opinion that the estimates of such recoverable amounts are reasonable, although possible changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements.
- b) **Deferred tax assets:** deferred tax assets are accounted for on the basis of expectations of taxable income in future years in order to recover them. The valuation of expected taxable income for the purposes of accounting for deferred tax assets depends on factors that may vary over time and have significant effects on the recoverability of receivables for deferred tax assets.
- c) **Provisions for risks and charges:** for legal risks, provisions are made to cover the risk of a negative outcome. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the directors. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact with respect to the current estimates made by Directors for the preparation of the Company's Financial Statements.
- d) **Provision for doubtful accounts:** for legal risks on failure to collect trade receivables, provisions are made to cover the risk. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the directors. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact with respect to the current estimates made by Directors for the preparation of the Company's Financial Statements.
- e) **Personnel-related provisions:** the book value of personnel provisions is calculated by external and independent experts and is based on actuarial assumptions

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND APPROVED BY THE EU, TO BE ADOPTED COMPULSORILY AS FROM THE FINANCIAL STATEMENTS OF THE YEARS BEGINNING ON 1 JANUARY 2018

The accounting standards adopted are the same as those used as at 31 December 2017, except for the adoption of the following new or revised IFRS and IFRIC, which were applied for the first time by the Company as from 1 January 2017.

IFRS 15 “Revenues from contracts with customers” is a standard that introduces specific rules that are more prescriptive than the previous IAS 18 “Revenues”. According to this new standard, the recognition of revenues from contracts with customers is based on the following steps: (i) identification of the contract with the customer; (ii) identification of obligations to do or performance obligations, represented by contractual promises to transfer goods and/or services to a customer. At the time of the first application, AGS S.p.A. chose to apply the new standard with recalculation of the energy and gas connection contributions invoiced from 2007 to 2017, which were taken directly to the income statement without being deferred and then taken to the income statement in portions equal to the reference asset. This application resulted in a reduction in shareholders’ equity of Euro 1.5 million (Euro 2 million net of the related tax impact of Euro 0.5 million)

IFRS 9: “Financial instruments” that replaced IAS 39, effective for years beginning on or after 1 January 2018, and amended the model for the classification and measurement of financial assets based on the characteristics of the financial instrument and the business model adopted by the company. There are no impacts on the financial statements of AGS S.p.A.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

IFRS 16 - Leases

In January 2016, the IASB published IFRS 16 “Leases”. This new standard will replace the current IAS 17. The main change concerns the accounting for leases by lessees who, under IAS 17, were required to make a distinction between finance leases (accounted for under the finance method) and operating leases (accounted for under the equity method). Under IFRS 16, the accounting treatment of operating leases will be treated in the same way as finance leases. Under the new standard, an asset (the right to use the leased item) and a financial liability are recognised to pay leases. The IASB has provided an optional exemption for certain low-value, short-term lease and rental contracts. This standard will apply from 1 January 2019. Earlier application was permitted by jointly adopting IFRS 15 “Revenues from customer contracts”.

The Company has carried out a preliminary analysis of all leasing agreements and contracts in place as at 31 December 2018 in light of the new accounting rules for leases provided for by IFRS 16. The standard will impact the lease contract of the Via Ardaro office with an increase in financial payables of Euro 195,206.

The Company will apply the standard starting from the mandatory adoption date of 1 January 2019, using the simplified transition approach and will not change the comparative amounts for the year before the first adoption. Assets recognised for the right of use will be measured by the amount of the lease payable upon adoption.

Amendments to IFRS 2 - Classification and measurement of share-based payment transactions

The document, published on 20 June 2016, contains amendments to the international accounting standard IFRS 2. The amendments provide some clarifications in relation to the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement characteristics and the accounting of changes to the terms and conditions of a share-based payment, which alter their classification from cash-settled to equity-settled.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The document, issued on 12 September 2016, primarily relates to entities whose business predominantly comprises insurance activities. The purpose of the amendments is to clarify the concerns deriving from application of the new IFRS 9 to financial assets.

Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued interpretation IFRIC 23 - Uncertainty over income tax treatments that provides indications on how to reflect in the accounting of income taxes the uncertainties about the tax treatment of a given phenomenon. In particular, the interpretation requires an entity to analyse uncertain tax treatments (individually or together, depending on the characteristics), always assuming that the tax authority examines the tax position in question, having full knowledge of all relevant information. If the entity considers it unlikely that the tax authority will accept the tax treatment followed, the entity shall reflect the effect of the uncertainty in the measurement of its current and deferred income taxes. The interpretation will enter into force on 1 January 2019. The Company does not foresee any impacts from the adoption of this interpretation.

Amendment to IFRS 9 - Financial Instruments

The amendments to IFRS 9 Prepayment Features with Negative Compensation, published in October 2017, are designed to allow measurement at amortised cost or at fair value through other comprehensive income (OCI) of financial assets characterized by an early repayment option with the so-called negative compensation.

The IASB has also published an example that illustrates how the provisions of IFRS 9 apply to long-term receivables in an associated company or joint venture.

The amendments will enter into force on 1 January 2019. The Company does not foresee any impacts from the adoption of these amendments.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments, published in October 2017, are intended to clarify that long-term receivables from an associate or joint venture which, in substance, form part of the net investment in the associated company or joint venture, are applied IFRS 9. The IASB has also published an example that illustrates how the provisions of IAS 28 apply to long-term receivables in an associated company or joint venture.

The amendments will enter into force on 1 January 2019 and the Company does not foresee any impacts from the adoption of these amendments.

Amendment to IFRS 3 Business Combinations

The amendments, published in October 2018, point out that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that has been implemented in several phases, including the review at fair value of the equity investment previously held in the assets and liabilities of the joint operation. In doing so, the purchaser re-evaluates the entire equity investment previously held in the joint operation. The Company does not foresee any impacts from the adoption of this interpretation.

5. ACCOUNTING STANDARDS NOT YET APPROVED BY THE EUROPEAN UNIONIFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance contracts which establishes the principles for the recognition, measurement, presentation and communication of insurance contracts issued as well as the guidelines relating to reinsurance contracts held and investment contracts with elements of discretionary participation issued. IFRS 17 will take effect from 1 January 2021 or thereafter, with earlier adoption permitted if IFRS 15 - Revenues from contracts with customers and IFRS 9 - Financial instruments are also adopted. The Company does not foresee any impacts from the adoption of this standard.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions

The amendments reduce current service costs for the period by the contributions paid by employees or by third parties that are not related to the number of years of service, instead of allocating these contributions over the period during which the services are rendered.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The improvements concerned IFRS 11, according to which a party that participates in a joint operation, without having joint control, could obtain joint control of the joint operation in the event that its activity constitutes a business as defined in IFRS 3. The amendments clarify that the investments previously held in this joint operation are not re-measured.

It has also been clarified that the effects of tax on dividends are linked more to past transactions or to events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity recognises the effects of income tax on dividends in the profit/(loss) for the year, in the other components of the comprehensive income statement or in shareholders' equity consistent with the way in which the entity previously recognised such past transactions or events.

FAIR VALUE ESTIMATE

In relation to the elements measured at fair value, the following table shows the information on the method chosen for the determination of the fair value. The applicable methodologies are divided into the following levels, based on the source of the available information, as described below:

- Tier 1: fair value determined with regard to quoted prices (unadjusted) in active markets for identical financial instruments;
- Tier 2: fair value determined using valuation techniques, based on inputs that are observable in active markets;
- Tier 3: fair value determined using valuation techniques, based on market inputs that are not observable.

The table below shows the assets measured at fair value at 31 December 2018.

It was deemed necessary to draw up a new estimate appraisal of the values of the electrical substations and of the instrumental buildings/land, carried out in February 2019, which confirmed the values of the previous appraisal and therefore those in the financial statements.

With reference to the associated company Alto Garda Power S.r.l., the application of the equity method showed an increase in value of Euro 1,426,400. It should be noted that in the course of the 2018 financial year, Euro 2.3 million in dividends were received.

The following elements were used for the evaluation of electrical substations and buildings/land:

- Urban planning data;
- State of the buildings/lands;
- Market value.

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 TANGIBLE ASSETS

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	TOTAL
Balance as of 31 December 2017	4.046.920	25.325.571	1.935.831	129.732	31.438.054
Of which:					
Historical cost	5.311.183	43.117.192	3.722.090	1.182.111	53.332.575
Accumulated depreciation	-1.264.263	-17.791.621	-1.786.259	-1.052.378	-21.894.521
Purchases	37.003	745.628	124.940	48.979	956.550
Transfers	97.917	3.379.036	0	0	3.476.953
Disposals	0	0	-76.624	0	-76.624
Derecognition of accumulated deprecia	0	0	22.670	0	22.670
Write-down of assets	0	0	0	0	0
Depreciation	-82.210	-1.135.920	-200.120	-39.312	-1.457.562
Balance as of 31 December 2018	4.099.630	28.314.315	1.806.697	139.399	34.360.041
Of which:					
Historical cost	5.348.186	43.862.820	3.770.406	1.231.090	54.212.501
Accumulated depreciation	-1.346.473	-18.927.541	-1.963.709	-1.091.690	-23.329.413

With regard to tangible assets, it should be noted that costs for services provided by internal personnel have been capitalised for Euro 150,123. It should be noted that from 2015, the amortisation of the gas networks has been suspended because the net book value is certainly lower than the value that will be recognised to the Company by the incoming operator at the time of the award of the tender, the announcement of which is expected to be published by the end of 2019.

During the 2017 financial year, the rates of the district heating network were changed, according to a specific technical report, from 30 to 40 years, and of the electricity network, which went from 25 to 35 years, in line with what was defined by the sector authority.

The item Land and Buildings includes electrical substations with a historical cost value of Euro 3,873,900 at 31 December 2018, measured at fair value according to an appraisal prepared by an independent expert.

7.2 INTANGIBLE ASSETS

	Industrial patents and intellectual property rights	Concessions	Other intangible assets	TOTAL
Balance as of 31 December 2017	39.406	0	144.428	183.834
Of which:				
Historical cost	1.053.346	540.712	356.819	1.950.877
Accumulated amortization	-1.013.940	-540.712	-212.391	-1.767.043
Increases	69.485	0	0	69.485
Amortization	-52.115	0	-14.205	-66.320
Balance as of 31 December 2018	56.776	0	130.223	186.999
Of which:				
Historical cost	1.122.831	540.712	356.819	2.020.362
Accumulated amortization	-1.066.055	-540.712	-226.596	-1.833.363

The item "Other intangible assets" includes capitalised improvements to the Riva del Garda headquarters in Via Ardaro 27 rented from the Municipality of Riva del Garda.

Note 7.3 EQUITY INVESTMENTS

The breakdown of the item "Equity investments" is shown below:

	At 31 December	
	2018	2017
Investments in subsidiaries	1.255.495	455.495
Investments in associated companies	5.566.000	6.439.600
Investments in other companies	10.426.522	10.426.522
TOTAL EQUITY INVESTMENTS	17.248.017	17.321.617

Pursuant to article 2427, paragraph 5, of the Italian Civil Code, the following table summarises the main information relating to investee companies:

Subsidiaries	HQ	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Ledro Energia S.r.l.	Via Ampola, 28 38067 Ledro	1.255.495	1.320.204	64.709	100	1.255.495
TOTAL						1.255.495

Associated companies	HQ	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Alto Garda Power S.r.l.	Viale Rovereto, 15 38066 Riva del Garda	1.750.000	27.830.000	7.132.000	20	5.566.000
TOTAL						5.566.000

Other companies	HQ	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Dolomiti Energia Hol. S.p.A.	Via Manzoni, 24 38068 Rovereto	411.496.169	526.102.629	46.710.985	1,18	5.381.324
Dolomiti Energia S.p.A.	Via Fersina, 23 38121 Trento	20.200.000	105.611.029	18.570.382	4,54	2.562.000
SET Distribuzione S.p.A.	Via Manzoni, 24 38068 Rovereto	112.241.777	165.952.693	11.625.032	2,14	2.400.358
Primiero Energia S.p.A.	Via Guadagnini, 31 38054 S.Martino	9.938.990	40.812.175	441.268	0,81	81.840
Distretto Tecnologico	P.za Manifattura, 1 38068 Rovereto	232.000	399.197	46.738	0,35	1.000
TOTAL						10.426.522

It should be noted that in 2018, Euro 2.3 million in dividends were received in relation to profits from previous years.

With regard to investments in other companies, the corresponding fractions of shareholders' equity attributable to them are, in all cases, well above their respective carrying amounts.

7.4. NON-CURRENT FINANCIAL RECEIVABLES

"Non-current financial receivables" at 31 December 2018 and 2017 are detailed below.

At 31 December		
	2018	2017
Interest-bearing loan subsidiary Ledro Energia S.r.l.	5.600.000	6.100.000
Interest-bearing loan associate Alto Garda Power S.r.l.	1.031.857	977.446
Other receivables	207	207
Total	6.632.064	7.077.653

The shareholder loan to Alto Garda Power Srl increased in 2018 for Euro 200,000 and was renewed until 31 December 2025. As regards the loan to the subsidiary Ledro Energia Srl, which was partially collected during 2018, it will be gradually repaid once the pellet production plant is fully operational and with the consequent cash flows that the company will generate.

7.5 RECEIVABLES FOR DEFERRED TAX ASSETS

The following table breaks down deferred tax assets by type of temporary difference at 31 December 2018 and 2017.

Receivables for deferred tax assets IRES	2017 deferred tax assets	ADJUSTMENTS	2018 resorptions	2018 increases	Total deferred tax assets		
	Tax	Tax	Tax	Tax	Tax	Rate	Tax
Deductible differences							
Contributions connection electricity users	159.678	404.118	-39.214	37.976	2.343.999	24,00%	562.560
Contributions connection gas users	57.542	95.132	0	3.474	650.618	24,00%	156.148
Allocation provision for write-down of inventories	39.471		0	0	164.462	24,00%	39.471
Statutory amortization exceeding tax	937.601		0	0	3.906.669	24,00%	937.258
Allocation doubtful accounts provision	54.767		0	0	228.194	24,00%	54.767
Other employee benefits	213.521		0	0	889.173	24,00%	213.402
Provision for write-down of tangible assets	33.149		0	0	138.121	24,00%	33.149
Total	1.495.728	499.250	-39.214	41.451	8.321.236		1.996.754

Receivables for deferred tax assets IRAP	2017 deferred tax assets	ADJUSTMENTS	2018 resorptions	2018 increases	Total deferred tax assets		
	Tax	Tax	Tax	Tax	Tax	Rate	Tax
Deductible differences							
Contributions connection electricity users	34.419	59.607	-5.784	4.715	2.343.999	3,54%	82.978
Contributions connection gas users	8.487	14.032	0	431	650.618	3,54%	23.032
Allocation provision for write-down of inventories	5.822		0	0	164.462	3,54%	5.822
Provision for write-down of tangible assets	4.889		0	0	138.121	3,54%	4.889
Total	53.618	73.639	-5.784	5.147	3.297.200		116.721
Total receivables for deferred tax assets	1.549.346	572.890	-44.998	46.597			2.113.474

It should be noted that deferred tax assets relating to the difference between statutory and tax depreciation (energy and gas networks) will be reasonably recovered with the sale of the networks to the new concessionaires, at the time of calls for the reallocation of services scheduled respectively for 2019 (gas service) and 2030 (electricity service). The increase of Euro 564 thousand is due to the recalculation of connection contributions from 2007 to 2017 due to the application of IFRS 15 from 1 January 2018.

7.6 INVENTORIES

The breakdown of the item “Inventories” at 31 December 2018 and 2017 is provided below.

At 31 December		
	2018	2017
Raw and ancillary materials and consumables	484.522	446.856
TOTAL	484.522	446.856

7.7 TRADE RECEIVABLES

The breakdown of “Trade receivables” at 31 December 2018 and 2017 is provided below.

At 31 December		
	2018	2017
Receivables from customers	4.889.423	5.516.669
Provision for doubtful accounts	-263.300	-263.300
TOTAL	4.626.123	5.253.369

Trade receivables, shown net of the related provision for doubtful accounts, mainly includes receivables due from customers and provisions for invoices to be issued for the distribution of energy and gas and the sale of heat and water at their estimated realizable value. Receivables refer entirely to the geographical area of Italy.

The provision for doubtful accounts showed the following changes in 2017 and 2016:

Provision for doubtful accounts		
At 01 January 2017	279.196	
Allocations	0	
Utilisations	-15.896	
At 31 December 2017	263.300	
Allocations	0	
Utilisations	0	
At 31 December 2018	263.300	

7.8 RECEIVABLES FROM PARENT, SUBSIDIARY AND ASSOCIATED COMPANIES

The breakdown of the item “Receivables from parent, subsidiary and associated companies” at 31 December 2018 and 2017 is provided below.

At 31 December		
	2018	2017
Receivables from parent company	171.660	201.869
Receivables from subsidiaries	160.659	221.434
Receivables from associated companies	4.756	6.530
TOTAL	337.075	429.833

They mainly relate to receivables from the Municipality of Riva del Garda for routine and non-routine maintenance of public lighting systems and for the management of the Consortium Aqueduct. Receivables from subsidiaries refer to technical/administrative services provided for Ledro Energia S.r.l., governed by a specific service contract.

7.9. CURRENT TAX RECEIVABLES

The breakdown of the item "Current tax receivables" at 31 December 2018 and 2017 is provided below.

Al 31 dicembre		
	2018	2017
IVA	3.358	0
IRES rimborso anni 2007-2011	0	111.397
IRES	0	15.668
Totale	3.358	127.065

7.10 OTHER CURRENT ASSETS

The breakdown of the item "Other current assets" at 31 December 2018 and 2017 is provided below.

Al 31 dicembre		
	2018	2017
PAT e Comuni - deposito tagli strade e cauzioni varie	93.217	73.514
Cassa conguaglio perequazione ricavi energia	873.517	675.429
PAT - anticipo costi gara gas	43.081	43.081
Cassa conguaglio 6° bimestre 2018	75.466	93.123
INAIL	0	624
Vari e diversi	134.580	151.464
Ratei e risconti attivi	55.493	39.484
Totale	1.275.354	1.076.719

It should be noted that the Regulatory Authority for Energy, Networks and the Environment has not yet definitively approved the tariffs for the electricity sector for the year 2016 and therefore the Equalisation Fund has not yet settled the balance of the electrical equalisation. As a result, the amount due from the Equalisation Fund went from Euro 675 thousand to Euro 873 thousand. The calculation of the gas and energy equalisation of the year 2018 was carried out with the support of expert and independent consulting firms.

7.11 CASH AND CASH EQUIVALENTS

The breakdown of the item “Cash and cash equivalents” at 31 December 2018 and 2017 is provided below.

At 31 December		
	2018	2017
Bank and postal deposits	3.752.817	542.145
Cash-in-hand and cash equivalents	891	28
TOTAL	3.753.708	542.173

This item includes cash on hand and bank deposits actually available.

SHAREHOLDERS' EQUITY

8.1 SHAREHOLDERS' EQUITY

Changes in shareholders' equity reserves are reported in the schemes of these financial statements. At 31 December 2018, the Company's share capital amounted to Euro 23,234,016 and consisted of 446,808 ordinary shares with a nominal value of Euro 52 each. During 2018, Euro 759 thousand, equal to Euro 1.70 per share, was distributed. It should be noted that in May 2018, the Municipality of Arco exchanged its gas network in exchange for AGS treasury shares and therefore at 31 December 2018 treasury shares were zeroed.

It should be noted that as a result of the application of the new accounting standard IFRS 15, shareholders' equity decreased by Euro 1.5 million due to the recalculation and accounting among deferred liabilities of gas and energy connection contributions, from 2007 to 2017, net of the tax effect.

The breakdown of shareholders' equity is shown below:

	At 31 December	
	2018	2017
Share capital	23.234.016	23.234.016
Legal reserve	1.383.081	1.224.261
Share premium reserve	3.263.400	2.937.747
Reserve for portfolio treasury shares	0	-3.151.300
Extraordinary reserve	14.229.408	12.605.135
FTA reserve	1.589.613	1.589.613
Non-distributable reserve	1.539.485	2.413.085
IAS 19 reserve	424.761	81.541
Retained earnings reserve	817.915	817.915
Profit/ (loss) for the year	3.020.292	3.176.388
TOTAL SHAREHOLDERS' EQUITY	49.501.971	44.928.401

The following table provides the analysis of shareholders' equity under the profiles of availability and distributability of reserves.

Description	amount	possibility of use	available portions	Summary of uses made in the three previous years	
				for loss coverage	for other reasons
Share Capital	23.234.016		-	-	-
Capital reserves					
- share premium reserve	3.263.400	A,B	3.263.400	-	-
Profit reserves					
- revaluation reserves	-			-	-
- legal reserve	1.383.081	B	1.383.081	-	-
- reserve for portfolio treasury shares	-			-	-
- statutory reserves	-			-	-
- extraordinary reserve	14.229.407	A,B,C	14.229.407	-	587.650
- non-distributable reserve	1.539.485		-	-	-
- FTA reserve	1.589.614		-	-	-
- IAS 19 reserve	424.761		-	-	-
- retained earnings or losses	817.915	A,B,C	817.915	-	-
Totals	46.481.679		19.693.803	-	587.650
Non-distributable portion			-		
Residual distributable portion			19.693.803		

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

8.2 CURRENT AND NON-CURRENT FINANCIAL PAYABLES

The table below shows current and non-current financial payables at 31 December 2018 and 2017.

	At 31 December		At 31 December	
	2018		2017	
	Current	Non-current	Current	Non-current
Payables to banks	0	7.729.061	1.548.235	6.966.135
Bond	0	5.000.000	0	5.000.000
TOTAL	0	12.729.061	1.548.235	11.966.135

On 15 July 2014, the company issued a bond for Euro 5 million with payment of semi-annual coupons and repayment in a lump sum at 30 June 2023. The loan was fully subscribed and is currently listed on the Vienna Stock Exchange, the price on the date of admission was 100 and at the end of the year, there were no deviations.

8.3 EMPLOYEE BENEFITS

The Company provides employees (including retired employees) with both post-employment and other benefits. These benefits include “employee severance indemnities”, additional monthly payments for reaching age limits or for accrual of the right to retirement pension, loyalty bonuses for reaching certain seniority requirements at the company and discounts on the price of electricity consumed for domestic use.

The calculation of employee benefits is carried out with the support of two independent experts.

Changes in the Employee Severance Indemnity and other employee benefits for the years ended 31 December 2018 and 31 December 2017 are shown below:

At 31 December 2017

	TFR	Loyalty Bonuses	Additional Monthly Instalments	Energy discounts	Total
Liabilities at the start of the period	730.377	76.640	174.316	428.934	1.410.267
Current cost of the service	40.909	5.160	11.067	0	57.136
Interest from discounting	9.569	1.004	2.284	5.619	18.476
Benefits paid	0	0	0	-17.725	-17.725
Actuarial losses/(gains)	2.666	-1.437	-1.911	43.404	42.722
Liabilities at the end of the period	783.521	81.367	185.756	460.232	1.510.876

At 31 December 2018

	TFR	Loyalty Bonuses	Additional Monthly Instalments	Energy discounts	Total
Liabilities at the start of the period	783.521	81.367	185.756	460.232	1.510.876
Current cost of the service	35.637	4.595	3.736	0	43.968
Interest from discounting	9.630	1.195	1.193	4.346	16.364
Benefits paid	-85.496	0	0	0	-85.496
Actuarial losses/(gains)	-22.570	-11.037	-121.824	-187.789	-343.220
Liabilities at the end of the period	720.722	76.120	68.861	276.789	1.142.492

The following is a breakdown of the assumptions used in the actuarial valuations:

Al 31 dicembre		
	2018	2017
Tasso di attualizzazione/sconto	1,57%	1,30%
Tasso d'inflazione	1,50%	1,50%
Tasso aumento retribuzioni complessivo	1,00%	1,00%
Tasso annuo incremento TFR	2,63%	2,63%

Under the terms of IAS 19.145, the sensitivity analysis shows a maximum differential of Euro 25 thousand. The analysis was carried out by changing the turnover rate by +/- 1%, the inflation rate by +/- 0.25% and the discount rate by +/- 0.25%.

8.4 TRADE PAYABLES

The table below shows "Trade payables", which include payables for the supply of goods and provision of

services, at 31 December 2017 and 31 December 2016. Payables refer entirely to the geographical area of Italy. All payables are due within one year.

AL 31 dicembre		
	2018	2017
Fornitori beni e servizi	746.121	683.570
Fatture da ricevere	291.481	313.855
Totale	1.037.602	997.425

8.5 PAYABLES TO PARENT, ASSOCIATED AND SUBSIDIARY COMPANIES

The table below shows “Payables to parent, associated and subsidiary companies” at 31 December 2018 and 31 December 2017. Payables refer entirely to the geographical area of Italy.

Al 31 dicembre		
	2018	2017
Debiti verso controllante	1.214.265	1.208.170
Debiti verso controllate	0	182.198
Debiti verso collegate	367.026	-151.212
TOTALE	1.581.291	1.239.156

These refer mainly to payables to the parent company, the Municipality of Riva del Garda, for “Municipal Concessions” and other commercial items connected with concessions for electricity, gas, drinking water/sewerage and electricity production services, which are defined by specific service contracts. Trade payables consist of the portion of the water cycle tariff that the Company pays to the Municipality of Riva del Garda to cover the costs incurred by the Municipality for the water network. Payables to parent company include the purification component that refers to the billing portion for the water service performed by AGS S.p.A. at 31 December 2018 to end customers and that is then turned over to the Municipality of Riva del Garda.

8.6 TAX PAYABLES

The table below shows “Tax payables” at 31 December 2018 and 31 December 2017.

At 31 December		
	2018	2017
Tax liabilities VAT	0	162.307
Tax liabilities IRAP	3.960	12.504
Tax liabilities IRES	185.511	0
Withholding taxes on employees and collaborators IRPEF	117.250	82.530
Total	306.721	257.341

Payables for IRPEF relate to withholdings to employees for December 2018 paid in January 2019.

8.7 OTHER CURRENT PAYABLES

The table below shows “Other current payables” at 31 December 2018 and 31 December 2017.

At 31 December		
	2018	2017
Payables to pension and social security institutions	226.631	238.902
Payables to employees	277.637	269.310
Other payables	12.177	29.238
Payables to the Equalisation Fund	1.199.550	1.537.001
Advances from customers	0	9.880
Accrued and deferred liabilities	3.005.600	914.689
TOTAL	4.721.595	2.999.020

Payables to social security institutions refer to charges and deductions from employees paid in the following month. Payables to employees include productivity bonuses (Euro 147 thousand) and holidays accrued but not taken (Euro 121 thousand). Deferred liabilities refer to connection contributions from users: the increase in the balance compared to 31 December 2017 is due, as also explained in previous points of these notes, to the recalculation and subsequent restatement among deferred liabilities of connection contributions for the years from 2007 to 2017, which were previously directly recorded among revenues in the income statement. Amounts due to the Equalisation Fund refer to items invoiced in the 6th two-month period of 2018 and paid in January and February 2019.

7. NOTES TO THE INCOME STATEMENT

9.1 REVENUES FROM SALES AND SERVICES

Revenues are entirely generated in Italy and are broken down as follows:

	31.12.2018	31.12.2017
Revenues from electricity transmission	2.894.209	2.867.561
Revenues from electricity production	131.268	131.992
Revenues from gas transmission	2.335.493	2.236.269
Revenues from water service management	1.405.401	1.363.235
Heat revenues	3.187.597	3.038.879
Other revenues	421.170	517.467
Total	10.375.138	10.155.403

Revenues from the transmission of electricity and gas increased due to the higher quantities distributed compared to the previous year. It should be noted that this increase has no effect on the margin as the company is in the revenues constraint regime.

9.2 OTHER REVENUES AND INCOME

A breakdown of the item "Other revenues and income" for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Services provided to subsidiaries	74.586	118.335
Contributions from equalization systems	380.969	266.611
Revenues from management of aqueduct plants	165.682	159.635
Revenues from public lighting services	114.937	159.029
Operating contingent assets	151.412	86.330
Revenues from other services provided to third parties	497.311	403.611
Total	1.384.897	1.193.551

Revenues are entirely generated in Italy.

9.3 COSTS FOR RAW MATERIALS, CONSUMABLES AND GOODS

The breakdown of the item “Costs for raw materials, consumables and goods” for the year ended 31 December 2018 and 2017 is shown below.

	31.12.2018	31.12.2017
Purchase of drinking water	5.626	5.626
Purchase of electricity	249.928	155.950
Purchase of heat	1.597.415	1.293.538
Purchase of warehouse material	541.376	411.117
Purchase of other materials	169.466	140.510
Change in inventories	-37.667	103.098
Total	2.526.144	2.109.839

9.4 COSTS FOR SERVICES

The breakdown of the item “Costs for services” for the year ended 31 December 2018 and 2017 is shown below.

	31.12.2018	31.12.2017
Electricity transport fees	1.008.273	980.211
Insurance	123.868	149.453
Bank charges and fees	31.217	26.662
Administrative consultancy	91.360	108.835
Network maintenance costs	571.490	501.883
Electricity, gas and water costs	93.391	103.616
Software fees	178.410	176.942
Employee training costs	41.383	19.555
Meter reading costs	96.181	103.185
Other costs	420.643	388.590
Total	2.656.216	2.558.932

9.5 COSTS FOR THE USE OF THIRD-PARTY ASSETS

The breakdown of the item “Costs for the use of third-party assets” for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Rental expenses	101.176	101.485
Concession fees	460.929	450.897
Total	562.105	552.382

9.6 PERSONNEL COSTS

The breakdown of the item "Personnel costs" for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Wages and salaries	2.109.217	2.240.276
Social security costs	672.018	714.914
Employee severance indemnity (TFR)	147.086	155.252
Other costs	63.072	51.270
Total	2.991.393	3.161.712

9.7 DEPRECIATION/AMORTISATION OF FIXED ASSETS

The breakdown of the item "Amortisation, depreciation, provisions and write-downs" for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Amortization of intangible assets	66.320	48.579
Depreciation of tangible assets	1.457.561	1.473.409
Total	1.523.881	1.521.988

9.8 PROVISIONS AND WRITE-DOWNS

The breakdown of the item "Provisions and write-downs" for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Provision for doubtful accounts	0	0
Write-downs of tangible assets	0	10.500
Total	0	10.500

9.9 OTHER OPERATING EXPENSES

The breakdown of the item "Other operating expenses" for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Gas equalization costs	626.203	451.908
Losses on ordinary operations	53.358	0
Charges common conventions	123.385	108.786
Operating contingent liabilities	34.843	17.169
Other operating expenses	265.842	253.538
Total	1.103.631	831.401

Contingent liabilities refer to adjustments to the gas and energy equalisation for 2017.

9.10 CAPITALISED COSTS FOR INTERNAL WORKS

The breakdown of the item “Capitalised costs for internal works” for the year ended 31 December 2018 and 2017 is shown below.

At 31 December		
	2018	2017
Warehouse material	348.347	306.831
Labour	150.123	195.401
TOTAL	498.470	502.232

Capitalised costs include Euro for personnel costs and Euro for material costs and refer to the development and implementation of investments in the gas and electricity distribution networks.

10 INCOME FROM INVESTMENTS

The breakdown of the item “Income from equity investments” for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Income from investments in subsidiaries	0	0
Income from investments in other companies	1.081.047	1.218.748
Total	1.081.047	1.218.748

Income from equity investments includes dividends received from Dolomiti Energia Holding S.p.A., Dolomiti Energia S.p.A. and Set Distribuzione S.p.A.

11 WRITE-DOWN OF INVESTMENT

No write-downs were recorded in 2018, while those recorded in 2017 related to the write-down of the investment in the subsidiary Ledro Energia Srl for Euro 744,505, equal to the accumulated losses up to 31 December 2017.

12 FINANCIAL EXPENSES

The breakdown of the item “Financial expenses” for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Interessi passivi bancari	397	19.509
Interessi passivi su prestito obbligazionario	171.275	172.515
Interessi passivi su mutui	47.535	47.896
Interessi da attualizzazione	16.364	18.474
Totale	235.571	258.394

13 FINANCIAL INCOME

The breakdown of the item "Financial income" for the year ended 31 December 2018 and 2017 is provided below.

	31.12.2018	31.12.2017
Interest income from subsidiaries	86.071	86.314
Interest income from associated companies	44.523	38.157
Other financial income	9.353	5.079
Total	139.947	129.550

14 GAINS AND LOSSES FROM INVESTMENTS - EQUITY METHOD

These refer to 20% of the result of the year of the associated company Alto Garda Power S.r.l.

	31.12.2018	31.12.2017
Alto Garda Power S.r.l.	1.426.400	2.154.885
Totale	1.426.400	2.154.885

15 CURRENT AND DEFERRED TAXES

The taxes for the year recorded in the income statement of these financial statements for a total of Euro 286,665 are as follows:

	31.12.2018	31.12.2017
Current taxes IRAP and IRES	285.116	284.657
Deferred taxes IRES and IRAP	8.812	115.383
Taxes previous year IRES and IRAP	-7.263	28.287
Total	286.665	428.327

8. GUARANTEES AND COMMITMENTS

The breakdown of guarantees undertaken by the Company at 31 December 2018 and 2017 is provided below.

	At 31 December	
	2018	2017
Guarantees issued to third parties	704.285	704.285
Guarantees issued to subsidiaries	960.000	1.950.000
TOTAL	1.664.285	2.654.285

The main contractual obligations relate to take-or-pay contracts on the basis of which AGS S.p.A. is obliged to withdraw minimum volumes of thermal and electrical energy from Alto Garda Power S.r.l. The amounts due were calculated on the basis of the gas purchase and electricity sales price assumptions for 2018.

Impegni di acquisto take or pay	2019	2020	2021	2022	Oltre	Totale
Energia termica	794.055	794.055	794.055	794.055	794.055	3.970.275
Differenziale energia elettrica	215.531	215.531	215.531	215.531	215.531	1.077.655
Totale	1.009.586	1.009.586	1.009.586	1.009.586	1.009.586	5.047.930

9. FEES TO DIRECTORS AND STATUTORY AUDITORS

The following is the breakdown of fees to the Company's directors and statutory auditors for the years ended 31 December 2018 and 2017.

	At 31 December	
	2018	2017
Directors' fees	47.710	47.687
Board of Auditors' fees	28.273	27.260
TOTAL	75.983	74.947

10. FEES OF THE INDEPENDENT AUDITORS

The table below shows the fees received by the independent auditors BDO Italia S.p.A. for the years ended 31 December 2018 and 2017.

At 31 December		
	2018	2017
Statutory audit of annual accounts	16.953	16.978
Other consultancy services provided	0	0
Tax advisory services	0	0
Other audit and accounting organisation services	800	12.162
TOTAL	17.753	29.140

The item "Other audit and accounting organisation services" relates to the certification of the balance of receivables/payables at 31/12/2017 to the municipalities that are shareholders of AGS S.p.A.

11. SIGNIFICANT EVENTS THAT OCCURRED AFTER THE END OF THE YEAR

No significant events occurred after the end of the 2018 financial year.

12. PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

It is hereby proposed to the Meeting to allocate the profit for the year of Euro 3,020,292 as follows:

- Euro 151,015 equal to 5% to the legal reserve;
- Euro 1,426,400 to the non-distributable reserve, being related to the result for the year of the associated company Alto Garda Power S.r.l., valued using the equity method, and not being a dividend paid.
- Euro 804,254 ordinary dividend to shareholders corresponding to Euro 1.80 per share, also proposing that the payment be made as from 30 September 2019;
- Euro 1,715.65 to the extraordinary reserve.

Riva del Garda, 21 March 2019

The Chairman

Andrea Mora

Certification of the annual financial statements pursuant to article 154-bis of Legislative Decree 58/98

The undersigned Andrea Mora, Chair of the Board of Directors, and Andrea Carloni, Administration Manager of Alto Garda Servizi S.p.A., certify, taking into account the provisions of current legislation:

- the adequacy in relation to the characteristics;
- the effective application of the administrative procedures and controls for the preparation of the financial statements during the period from 1 January 2018 to 31 December 2018.

In this regard, no significant aspects emerged in the effective application of the procedures or in any reference to the body of general principles used in the preparation of the certification.

It is also certified that:

The financial statements as at 31 December 2018:

- have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
- correspond to the information contained in the accounting ledgers and records;
- provide a true and fair representation of the equity, economic and financial situation of the Company in question.

The Report on operations includes a reliable analysis of the results of operations, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which they are exposed.

Riva del Garda, 21 March 2019

Chair of the Board of Directors Andrea Mora

Administration Manager

Andrea Carloni