
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

Draft Financial Statements at 31.12.2019

23rd FY

Corporate bodies

Board of Directors

Chair	Andrea Mora
Director	Manuela La Via
Director	Lara Marcabruni
Director	Massimo De Alessandri
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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Letter to Shareholders

Shareholders,

2019 was a year in which your Company managed to maintain excellent profitability, closing with a net profit of Euro 2.8 million.

AGS has continued to invest in the territory, allocating approximately Euro 0.8 million to structural investments in order to guarantee the maintenance of adequate quality and efficiency of the services provided and infrastructures owned. In addition, the investments made have undoubtedly generated industry and therefore had a positive and indirect effect on the local economy.

I would like to recall that AGS, as a "listed" company having the "AGS SpA 2014-2023" bond traded on the Vienna Stock Exchange, is bound by the requirements for the protection of investors, transparency and information required by law in relation to the market, having as reference on one hand, the Vienna Stock Exchange and on the other, having chosen Italy as its "Home Member State", the rules issued by Consob.

With regard to gas concession, as already known regarding the tender for the management of methane gas distribution was confirmed, albeit with a change in the expected time frame: the date of publication of the gas tender notice for the future management of gas distribution in the single provincial area has been extended to the end of 2020.

As far as the water service is concerned, the existing management in the Province of Trento may continue until 31 December 2020, unless otherwise amended by regulations.

The exit of the two business units will have a strong impact from an organizational and economic point of view, both in the short and medium term, with related and consequent implications also from a financial point of view. In fact, as far as personnel will be concerned, about 20 people of various levels and skills will be involved, while the economic aspect will involve about Euro 4.2 million in turnover.

It is a delicate moment that requires the utmost attention in the reorganization and enhancement of professionalism as well as in the search for new opportunities.

During the year, we continued to invest in training, both professional and personal, and continued to develop with a dynamic organizational structure geared towards growth and diversification of turnover. Specifically, I would like to mention the adoption, on the "privacy risk" concept, of the new Privacy Procedure. Moreover, in line with its Mission and the "Agenda 2030 for Sustainable Development" approved by the United Nations, AGS has defined and adopted the "Strategic Plan for the Sustainable Development of its actions" in which it declares and communicates its medium-long term strategic

guidelines on sustainability. During 2019, the e-procurement portal was completed and implemented as a new working tool for the management of suppliers and procurement in line with corporate values and principles such as legality, transparency but also innovation and sustainability.

AGS is a company that is constantly looking for opportunities in its field in order to make the most of its internal resources and to be able to offer its customers an adequate and competitive service. Being able to intercept and implement projects with a high digital, technological and innovative value will lead the company not to be compulsorily subject to the logic of aggregation or mandatory impoverishment given by the regulations issued and enacted.

From a strategic point of view, it is necessary for AGS in the near future to face the challenges of a changing market but with great opportunities, especially in the development of a circular economy, a strong stimulus to energy saving and efficiency, related to a further impetus in the use of renewable energy, including through the development of district heating, support in the development of the infrastructure needed to allow the charging of electric vehicles and a continuous investment in the optical fibre network as a technological infrastructure for data transport and as a tool and vehicle to develop the full potential of digital.

In the course of 2019, your Company has designed and developed what is necessary to proceed, in the three-year period 2020-2023, with the construction of the methane gas distribution network in the town of Pietramurata in the Municipality of Dro and has begun, on behalf of the Municipality of Tenno, to prepare a file with what is necessary to proceed as soon as possible with the evaluation of the construction of a hydroelectric power plant with flowing water on the Magnone torrent. Also during 2019, there was the complete commissioning of the plant of the subsidiary Ledren, a cogeneration plant powered by wood chips, aimed at the production of electricity and heat, a plant that supplies the district heating network in Tiarno di Sopra and that also allows the production of pellets.

The results achieved in 2019 combined with a solid financial structure make it possible to propose again this year the distribution of a dividend of Euro 1.80 per share in line with that of 2018, which will largely benefit the community of Alto Garda and Ledro.

Regarding the economic and financial forecasts for the year 2020, approved by the Board of Directors last December, they foresee a positive result in line with 2019.

In stressing how your Company is an important resource for the territory in which it operates, I would like to thank, also on behalf of the Board, all AGS employees whose commitment, competence and willingness to get involved, growing both professionally and humanly, have allowed and will allow our Company to face the challenges that will arise and to have further satisfactions in the near future.

Finally, together with the Board of Directors, I would like to express my thanks to the Board of Statutory Auditors whose office is due to expire, to the Independent Auditors and to you, the Shareholders, for the trust and positive support, with the firm hope that this will continue for the future as well.

The territory deserves a healthy and proactive Society and the Society deserves a territory that stimulates and supports it.

The Chair

Andrea Mora

Report on Operations

Shareholders,

We hereby submit for your approval the financial statements for the year ended 31 December 2019 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

2019 was a year of global economic slowdown, although signs of stabilization in the global economic cycle increased towards the end of the year.

As far as Italy is concerned, the pace of the economy remains slow.

Manufacturing activity and sales on international markets confirm the overall scenario of stagnation that emerged during the year, with exports not particularly brilliant, mainly due to the drop in intra-EU sales. The outlook for the end of the year is negative, with foreign orders in November at their lowest level for more than six years. In this scenario, only the activity related to the construction sector has maintained relatively constant growth rates.

The indications coming from the climate of confidence of businesses and consumers are of a 2019 closure and a weak 2020 start, as shown by the deceleration of household consumption, more inclined to save, and the fall in industrial investment and stocks, an image of the fears that have blocked the production plans of companies.

All this is mainly due to the more negative opinion on the economic situation of our country, in addition to the component of political uncertainty that remains even with the establishment of the new coalition government in August 2019.

During 2019, the average Euro/Dollar exchange rate was 1.12, down 5.2% compared with 2018. An analysis of monthly trends reveals a progressive weakening of the single currency against the Dollar, in a context of global economic slowdown as a result of trade tensions between the United States and China.

In this context, the European Central Bank (ECB) strengthened its monetary policy to support the economy during the year, with a depreciation effect of the Euro. In particular, at its September meeting, it announced a broad package of stimulus measures, including a cut from -0.4% to -0.5% in the deposit rate and a recovery for an undefined period of quantitative easing, which was only suspended at the end of 2018. The Frankfurt Institute also announced that rates will remain at or below current levels until inflation converges to a level close to but below 2%. From 1 November, Christine Lagarde took over as head of the ECB from Mario Draghi and at her first meeting in December, reaffirmed the need for an accommodating policy to ensure favourable financing conditions.

In the oil markets, the average price of Brent crude fell by 10.3%, from 71.50 USD/bbl in 2018 to 64.10 USD/bbl in 2019.

The price of crude oil in Euro followed the annual trend of that in Dollar, showing a smaller decline due to the weakening of the single currency compared to 2018 levels. The average price in 2019 was 57.2 Euro/bbl, down 5.6% compared with the average for the previous year.

The increased competitiveness of natural gas and the increase in production from renewable sources have led to a limited demand for coal in Europe for electricity generation, pushing prices down in a context of abundant supply on the global market.

The market prices of CO₂ emission securities have recorded a significant growth compared to 2018, reaching an average value of 24.8 Euro/tonne, up 56.1%. The change was more marked in the first quarter, characterized by a trend deviation of 125.6% driven by the launch of the Market Stability Reserve (MSR) and the suspension of UK auctions. Developments on Brexit and the summer heatwave provided price support in the following months. Subsequently, prices were impacted by the weakness of the energy sector, only to rise again in December, in the wake of the British Parliament's approval of the agreement on the UK's exit from the European Union and the increases recorded on the Brent market. To support the prices during the year, there was also the emergence of the willingness of some European countries to support more ambitious objectives in the reduction of greenhouse gas emissions.

The Energy Efficiency Certificates (EEC) market recorded an average price of 260.1 Euro/EEC in 2019, down 12.9% compared with the previous year, when the average price was 298.6 Euro/EEC. Throughout the year, prices were stable at around 260 Euro/EEC, with the market adapting to the price signal provided by the measures introduced by the corrective decree MD 10 May 2018. There is still a shortage of available certificates with respect to the objectives defined by legislation, as confirmed by the significant amount of virtual EEC, i.e. not resulting from the implementation of energy efficiency projects, required by distributors from the Energy Services Manager (GSE) in order to meet their obligations for the 2018 mandatory year.

In 2019, gross demand for electric power totalled 319.6 TWh, or 1.8 TWh less (-0.6%) than in 2018. In seasonally adjusted and calendar and temperature-adjusted terms, the value does not vary substantially.

In 2019, net production increased by 4.0 TWh (+1.4%), the production mix of which was characterized by an increase in the thermoelectric contribution of 2.5 TWh (+1.4%). The recovery in thermoelectric production was made possible mainly by a reduction of 5.7 TWh (-13.0%) in net imports compared with 2018, and a reduction of 2.9 TWh (-5.8%) in hydroelectric production, due to a reduction in the availability of water resources compared with the previous year.

With regard to other renewable sources, the photovoltaic sector reported an increase in production of 2.0 TWh (+9.0%), as did wind power generation, up 2.5 TWh (+14.2%) compared with 2018. As for hydroelectric pumping, usage was 0.1 TWh higher than in the previous year. Overall, national production, net of pumping, covered 88.1% of demand, up from 86.4% in the previous year.

With reference to the price scenario as at 31 December 2019, the 2019 average listing of the time weighted average (TWA) of the single national price (the "PUN" in Italy), came in at 52.3 Euro/MWh, a decrease of 14.7% compared to the figure relating to the previous year (61.3 Euro/MWh).

This drop in price compared to 2018, is part of a context of lower demand for electricity and lower costs for the main fuels used for thermoelectric generation (gas, coal), the latter factor more than offset the increase in CO2 prices.

Analyzing the monthly trend of the PUN during 2019, it can be observed that the level is lower than that of 2018, except for the months of January, February and April. At the beginning of the year, colder temperatures and lower imports, caused by some limitations on interconnection capacity at the northern border, brought upward price pressure on the previous day's market (+38.1% compared to the same month in 2018). Starting in February, PUN prices fell as a result of the decline in demand, impacted by temperatures above the seasonal average and the weakening of the economic situation, as well as falling gas prices. In the last quarter of the year, prices again showed a downward trend due to a recovery in hydroelectric generation and mild temperatures.

During 2019, the F1, F2 and F3 hour groups, as well as the peak and off-peak bands, recorded almost similar decreases, around 14.6%, compared to the previous year.

As far as area prices are concerned, in 2019, there were rather homogeneous decreases, with slightly less marked changes in Sicily (-9.7%) compared to decreases of around 14.7% in other areas. In 2019, demand for natural gas totalled 73.7 billion cubic meters, or 1.6 billion cubic meters more (+2.2%) than in 2018. This improvement is mainly the result of an increase in the thermoelectric sector, which recorded an increase in volumes collected of 2.5 billion cubic meters (+10.4%) compared with the previous year, due mainly to cyclical effects such as a reduction in net imports and a reduction in hydroelectric production caused due to a reduction in the availability of water resources compared with the previous year. The civil sector recorded a slight decrease in volumes of 0.6 billion cubic meters (-1.9%), due mainly to the climate factor, which, in the first quarter, was reflected in average temperatures that were higher than in 2018 (-1 billion cubic meters), unlike in the second quarter, when temperatures were on average lower than in the previous year (+0.8 billion cubic meters). In the last two quarters, there were no significant deviations from 2018.

In terms of volumes, the industrial sector was slightly lower than in 2018, with a change of -0.3 billion cubic metres (-1.9%).

In 2019, sources of supply recorded:

- ▣ domestic production down 0.6 billion cubic meters (-11.7% compared to 2018);
- ▣ gas imports up 3.2 billion cubic meters (+4.7% compared to 2018);
- ▣ injection storage balance of about 0.8 billion cubic meters.

Since the beginning of the year, the increase in global production by the main exporting countries (including the US) and the weakening of prices in the Asian market, combined with the strengthening of the use of capacity allocation mechanisms by means of auction, have favoured the arrival of LNG, supporting supply. The abundance of LNG flows, which has affected the European and national markets, has been growing

significantly in recent years; this has contributed to a strong pressure on market prices with a sharp reduction in price levels. In 2019, the price of spot gas in Italy, along with the changes recorded by other European hubs, declined by 33.6% compared with the previous year, reaching 17.0 Euro cents/standard cubic meter.

During the last quarter, the seasonal drop in temperatures led to an increase in prices, particularly in November. However, this was limited by the high availability of supply.

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 analyzes 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 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 has been set up by all the Municipalities, Alto Garda Impianti S.r.l., to which the same Municipalities are considering whether to confer the management service of the water service.

Natural gas sector

During 2019, 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 2019 budget law, the Autonomous Province of Trento, by virtue of the recognized 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 2020.

Electricity sector

In 2019, 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 284 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 since the tariffs are not determined by the public body, business is not considered 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 11.74 million, in line with 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	2019	2018	difference %
electricity	3.73	3.84	-2.86%
methane gas	2.53	2.42	4.55%
water/sewage	1.61	1.71	-5.85%
heat	3.37	3.27	3.06%
other revenues	0.50	0.52	-3.85%
Total	11.74	11.76	-0.17%

	2019 qty. distributed	2018 qty. distributed	difference %
GWh electricity	83.5	83.8	-0.39%
mcm methane gas	42.4	41.8	1.33%
mcm drinking water	1.8	1.8	0.00%
Mwh heat	42,982	43,214	-0.54%

Electricity sector

In 2019, 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 2019, gas demand was substantially in line with 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 2019, the quantities of water were in line with the previous year, while revenues decreased due to the decrease in sewerage tariffs.

District heating sector

During 2019 there was a slight decrease in the quantities distributed (- 0.54%) compared with 2018, mainly due to the weather trend. At the same time, there was an increase in turnover (+3.06%) 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 is in line with the previous year, while there was an increase in costs for services mainly due to extraordinary activities related to the maintenance of the gas networks.

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 Equalization Fund.

Personnel costs increased slightly compared to 2018, as did depreciation and amortization due to the application of the new IFRS16 accounting standard.

INVESTMENTS

Investments made in 2019 amounted to Euro 0.862 million compared to Euro 1.027 million in the previous year. Investments are detailed in the following table and described by sector.

values in Euro thousand	2019	2018	delta %
electricity service	557	592	(5.91)
gas service	58	86	(32.56)
water service	4	5	(20.00)
district heating	102	155	(34.19)
Others	141	189	(25.40)
Total	862	1,027	(16.07)

Electricity sector

Distribution is performed 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 2019 amounted to Euro 557 thousand compared to Euro 592 thousand in 2018.

In 2019, the Company continued activities to improve the electricity infrastructure through a series of work on medium and low voltage networks and stations.

Electricity network		2019	2018
Medium-voltage networks	km	93	93
Low-voltage networks (*)	km	295	290
Total meters	no.	16,301	15,913

* including connections of users

Methane gas sector

Distribution is performed in the Municipalities of Riva del Garda, Arco, Dro and Tenno. Investments in the natural gas sector totaled Euro 58 thousand.

Gas network		2019	2018
Medium-pressure networks	Km	33	33
Low-pressure networks *	km	181	180.5
Total meters	no.	16,513	16,471

* 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 water intake plant 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		2019	2018
Network extension	km	103	103
Total meters	no.	10,867	10,612

District heating sector

In 2019, resources were invested for Euro 102 thousand mainly regarding new connections and arrangement of road sections.

District heating network		2019	2018
Network extension	km	27	27
Total customers	no.	284	280

Fiber Optics

In 2019, resources were invested for Euro 59 thousand mainly regarding new connections.

Optical fibre network		2019	2018
Network extension	km	54	52
Total customers	no.	114	114

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		2019	2018
Poles	no.	6,195	6,187
Light points	no.	7,150	7,144

Joint investments

Joint investments, amounting to Euro 82 thousand, mainly include investments in cartography and remote control systems to increasingly automate interventions and controls on distribution networks.

HUMAN RESOURCES

At 31 December 2019, AGS S.p.A. had 50 employees.

The breakdown of personnel by category is as follows:

	C.C.N.L. applied	AGS 31.12.2018	incoming 2019	outgoing 2019	AGS 31.12.2019
Managers	Managers	1	-	-	1
White collars	C.C.N.L.E.	29	1	-	30
Blue collars	C.C.N.L.E.	18	2	1	19
Totals		48	3	1	50
of which:					
- part-time		5	-	-	5

Labour costs in 2019 amounted to Euro 3.046 million, an increase compared to Euro 2.991 million in 2018. 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. In 2019, there were 4 accidents, 3 of which were minor.

ECONOMIC AND FINANCIAL RESULTS

Alto Garda Servizi SpA closed the year 2019 with a net profit of Euro 2,874,199, down compared to Euro 3,020,292 in the previous year.

The net operating margin amounted to Euro 878,226, a decrease of 2% compared to 2018. Financial management showed a positive result of Euro 2,259,668, a decrease of Euro 152,155 compared to 2018.

The pre-tax result thus amounted to Euro 3,137,894, a decrease of Euro 169,063 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	2019	2018
ROE	Net Result / Equity	5.58%	6.50%
ROI	Operating Result / Total Assets	1.26%	1.26%
EBITDA EURO	Earnings Before Interest, Taxes, Depreciation and Amortization	2,485,766	2,419,015

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Company. In 2019, the index recorded a value of 5.58%, a decrease compared to 2018 (6.10%). ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2019, the index was 1.26%, in line with the previous year.

EBITDA (Earnings Before Interest, Taxes, Depreciation and amortization) corresponds to the operating result before depreciation, amortization and write-downs and highlights the amount generated from operations, net of notional cost items. EBITDA 2019 was 3% higher than the previous year.

Balance Sheet

AGS S.p.A. has a solid and balanced financial situation.

Fixed assets account for 86.27 % of Total Assets and are covered by shareholders' equity for 85.87%.

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	2019	2018
Debt and equity to asset	(Shareholders' Equity + Consolidated Liabilities) / Long-term Capital	116.42%	113.20%
Financial autonomy	(Current Financial Liabilities + Consolidated Financial Liabilities) /	16.70%	25.71%
Loan rigidity	Fixed Capital / Total Assets	86.27%	85.24%
Inventory turnover	Warehouse outgoing / Warehouse average value	0.85	0.79

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 116.42%.

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 16.70%, down from 25.71% 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 85.24% in 2018 to 86.27% in 2019.

Significant events that occurred after the end of the year

It should be noted that on 12 March 2020, the company's board of directors resolved, in order to centralize real estate management in the parent company, to proceed with the purchase of the land/building owned by the subsidiary Ledro Energia S.r.l., which will take place at the value defined by a specific appraisal, and the signing of a lease contract to the same Ledro Energia S.r.l.. At the same time, Ledro Energia S.r.l. will repay part of the loan, which currently amounts to Euro 5.6 million, and will also define a repayment plan for the remaining debt, which will have to take place over a maximum of 20 years. There were no other significant events after the end of 2019.

With reference to the well-known situation related to the spread of the COVID-19 virus, the Directors, in considering this aspect as a non-adjusting event on the results of the financial statements for the year ended 31 December 2019, reported that according to IAS 10, the epidemic crisis is an event occurring after the reporting that does not involve adjustments to the same, as the epidemic began to spread and fully manifest its effects only after the closing date of the financial statements at 31 December 2019 and that it is not currently possible to predict the evolution of this phenomenon nor to evaluate reliably the potential impact on the company's economic, equity and financial situation, without excluding the possibility that, should the crisis triggered by the epidemic continue during 2020, it could have an impact on the economic results for the year 2020. However, it should be considered that energy and gas distribution services are regulated, and therefore no particular effects are expected, while water and district heating distribution services could be affected by the possible impacts of the next tourist season, if particularly negative.

Outlook

The Board of Directors believes that it will be able to confirm the same performance of ordinary operations, both economic and financial, for the 2020 financial year, substantially in line with 2019.

Economic situation

(values in Euro thousands)

	2019	%	2018	%
production value	11,744	100.00	11,760	100.00
production cost	(6,212)	(52.90)	(6,349)	(53.99)
added value	5,532	47.10	5,411	46.01
personnel cost	(3,046)	(25.94)	(2,991)	(25.43)
gross operating margin	2,486	21.17	2,420	20.58
amortization, depreciation, write-downs and allocations	(1,607)	(13.68)	(1,524)	(12.96)
net operating margin	879	7.48	896	7.62
financial operations	2,260	19.24	2,411	20.50
pre-tax result	3,139	26.73	3,307	28.12
taxes	(264)	(2.25)	(287)	(2.44)
net result	2,875	24.48	3,020	25.68

Balance Sheet

(values in Euro thousands)

	2019	%	2018	%
Fixed assets	59,997	86	60,541	85
Current assets	9,551	14	10,480	15
Invested Capital	69,548	100	71,021	100

	2019	%	2018	%
Shareholders' Equity	51,522	74	49,502	70
Minorities' Capital	18,026	26	21,519	30
Financing Capital	69,548	100	71,021	100

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

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
Income Statement by business segment Year 2019						
	Energy	Gas	Water/Sewerage	District heating	Other Services	Total
Total revenues and income	3,773,062	2,524,387	1,683,075	3,363,772	399,748	11,744,044
Total operating costs	3,102,567	1,755,620	1,636,235	2,606,985	156,870	9,258,277
Gross Operating Margin (EBITDA)	670,495	768,767	46,840	756,787	242,878	2,485,767
Amortization, depreciation, allocations and write-downs	662,973	64,872	38,824	613,029	227,842	1,607,540
Operating result (EBIT)	7,522	703,895	8,016	143,758	15,036	878,227

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 assets and liabilities Non-current						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
Reclassified balance sheet by business segment at 31 December 2019							
	Energy	Gas	Water/Sewerage	District heating	Other Services	Not allocable	Total
Long-term capital	10,702,897	7,816,966	124,532	11,831,605	255,650	20,576,866	51,308,516
Net working capital	25,698	-78,560	65,890	-12,560	-52,562	-1,973,727	-2,025,821
Other assets and liabilities Non-current						8,688,461	8,688,461
Net invested capital (NIC)	10,728,595	7,738,406	190,422	11,819,045	203,088	27,291,600	57,971,156
Shareholders' equity							51,522,201
Net Financial Position							6,448,955
Equity and net financial debt (EBIT)							57,971,156

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 2019, 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 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 2019, the company does not own treasury shares. At 31 December 2019, subsidiaries and associated companies did not hold shares of AGS S.p.A. and did not purchase or sell such shares in 2019. In 2019, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

Significant events during the year

There were no significant events in 2019.

Outlook

The economic and financial forecasts for the year 2020, approved by the Board of Directors last December, are confirmed and forecast a positive result that is substantially in line with 2019; however, reference is made to the above regarding the spread of the Covid-19 virus.

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 Italian 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	31.12.2018	ITEMS	31.12.2018
A - RECEIVABLES FROM SHAREHOLDERS		A - SHAREHOLDERS' EQUITY	193,253,141
B - FIXED ASSETS		B - TFR	302,896
I - Intangible assets	1,653,519	C - TFR	545,948
II - Tangible assets	157,202,768		
III - Financial assets	43,478,235		
C - CURRENT ASSETS		D - PAYABLES	9,170,270
I - Inventory	-	E - ACCRUALS AND DEFERRALS	34,196,515
II - Receivables	26,951,024		
III - Financial assets	-		
IV - Cash and cash equivalents	8,153,041		
D - ACCRUALS AND DEFERRALS	30,183		
TOTAL ASSETS	237,468,770	TOTAL LIABILITIES	237,468,770

- RECLASSIFIED INCOME STATEMENT -

SUMMARY	
DESCRIPTION	31.12.2018
A - OPERATING INCOME	26,704,757
B - OPERATING COSTS	(26,130,546)
DIFFERENCE	574,211
C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES	509,217
D - VALUE ADJUSTMENTS OF FINANCIAL ASSETS	(81,837)
E - EXTRAORDINARY INCOME AND EXPENSES	1,119,259
F - TAXES	(418,345)
ECONOMIC RESULT FOR THE YEAR	1,702,505

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 S.p.A. 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 2019 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)	2019	2018
Fixed assets	22,874	25,980
Receivables	28,790	35,769
Payables	24,863	33,919
Equity	26,801	27,830

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 analyzes 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 2019			
	Maturity		
	Within 1 year	Between 1 and 5	Over 5 years
Trade payables	1,487,616	0	0
Payables to banks and other lenders	1,560,181	7,046,668	0
Other payables	2,005,430	875,623	2,355,295
TOTAL	5,053,227	7,922,291	2,355,295

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 long-lasting relationships and 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 office appointed by 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 Corruption Prevention 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 2019 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	31.12.2019	31.12.2018
Non-current assets			
Property, plant and equipment	7.1	34,229,368	34,360,041
Intangible assets	7.2	177,336	186,999
Equity investments	7.3	16,901,812	17,248,017
Non-current financial receivables	7.4	6,679,450	6,632,064
Deferred tax assets	7.5	2,009,218	2,113,474
Total non-current assets		59,997,184	60,540,595
Current assets			
Inventories	7.6	549,259	484,521
Trade receivables	7.7	5,032,063	4,626,123
Receivables from parent company, associated companies, subsidiaries	7.8	216,059	337,075
Current tax receivables	7.9	95,861	3,358
Other current assets	7.10	1,499,558	1,275,354
Cash and cash equivalents	7.11	2,157,894	3,753,708
Total current assets		9,550,694	10,480,138
Total Assets		69,547,878	71,020,733

Liabilities and Shareholders' Equity	Notes	31.12.2019	31.12.2018
Shareholders' Equity			
Share Capital	8.1	23,234,016	23,234,016
Reserves	8.1	25,413,986	23,247,663
Net result of the year	8.1	2,874,199	3,020,292
Total Shareholders' Equity		51,522,201	49,501,971
Non-current liabilities			
Non-current financial payables	8.2	7,046,668	7,985,874
Employee benefits	8.3	1,163,646	1,142,492
Provisions for risks and charges	8.4	0	0
Total non-current liabilities		8,210,314	9,128,366
Current liabilities			
Current financial payables	8.5	1,560,181	4,743,187
Trade payables	8.6	773,797	1,037,602
Payables to parent company, associated companies, subsidiaries	8.7	2,084,095	1,581,291
Tax payables	8.8	160,942	306,721
Other current payables	8.9	5,236,348	4,721,595
Total current liabilities		9,815,363	12,390,396
Total Liabilities		18,025,677	21,518,762
Total Liabilities and Shareholders' Equity		69,547,878	71,020,733

INCOME STATEMENT

Figures in Euro	Notes	31.12.2019	31.12.2018
Revenues from sales and services	9.1	10,371,054	10,375,138
Other revenues and income	9.2	1,372,990	1,384,897
Total operating revenues and income		11,744,044	11,760,035
Cost of raw materials, consumables and goods	9.3	2,428,304	2,526,144
Costs for services	9.4	2,819,445	2,656,216
Leasehold improvements	9.5	485,725	562,105
Personnel costs	9.6	3,046,050	2,991,393
Amortization/Depreciation of fixed assets	9.7	1,607,540	1,523,881
Provisions and write-downs	9.8	0	0
Other operating expenses	9.9	1,075,075	1,103,631
Capitalized costs for internal works	9.10	(596,321)	(498,469)
Total operating expenses		10,865,818	10,864,901
GROSS OPERATING RESULT		878,226	895,134
Income from equity investments	10	1,274,846	1,081,047
Write-down of investments	11	140,405	0
Financial expenses	12	222,928	235,571
Financial income	13	117,355	139,947
Income and expenses from investments equity method	14	1,230,800	1,426,400
RESULT BEFORE TAXES		3,137,894	3,306,957
Current and Deferred Tax	15	263,695	286,665
NET RESULT OF THE YEAR		2,874,199	3,020,292

Comprehensive Income Statement		31.12.2019	31.12.2018
Result of the Income Statement		2,874,199	3,020,292
Amounts that will not be subsequently reclassified to profit/(loss) of the year		(49,715)	343,220
Amounts that will be subsequently reclassified to profit/(loss) for the year		0	0
RESULT FOR THE PERIOD		2,824,484	3,363,512

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 details of net debt:

Figures in Euro	31.12.2019	31.12.2018
Bonds - non-current portion	5,000,000	5,000,000
Bank loans - non-current portion	1,430,895	2,985,874
Other non-current liabilities	538,801	0
Total medium/long-term debt	6,969,696	7,985,874
Financial assets with related parties - non-current portion	0	0
Other non-current financial assets and other non-current assets	0	0
Total medium/long-term financial receivables	0	0
Total non-current net financial debt	6,969,696	7,985,874
Bonds - current portion	0	0
Bank loans - current portion	0	0
Financial liabilities with third parties - current portion	1,560,181	4,743,187
Other current liabilities	76,972	0
Financial liabilities with related parties - current portion	0	0
Total short-term debt	1,637,153	4,743,187
Other current assets	0	0
Financial assets with third parties - current portion	0	0
Financial assets with related parties - current portion	0	0
Total short-term financial receivables	0	0
Cash and cash equivalents	-2,157,894	-3,753,708
Total current net financial debt	-520,741	989,479
Net financial debt	6,448,955	8,975,353

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

Figures in Euro	31.12.2018	Cash flow	Non-cash flow	31.12.2019
Bonds	5,000,000	0	0	5,000,000
Financial payables	7,729,061	-4,737,985	615,773	3,606,849
Other liabilities	0	0	0	0
Financial assets	0	0	0	0
Other assets	0	0	0	0
Net liabilities deriving from financing activities	12,729,061	-4,737,985	615,773	8,606,849
Cash and cash equivalents	-3,753,708	1,595,814	0	-2,157,894
Net financial debt	8,975,353	-3,142,171	615,773	6,448,955

STATEMENT OF CASH FLOWS		
Figures in Euro	FOR THE YEAR ENDED 31 DECEMBER	
	2019	2018
Pre-tax result	3,137,894	3,306,957
Adjustments for:		
Amortization, depreciation, write-downs and provisions	1,607,540	1,523,881
Result of investments valued with the equity method and other companies	-1,230,800	-1,426,400
Financial (Income)/Expenses	105,573	95,624
Employee benefits	9,282	3,360
(Gains)/Losses from disposal of assets	0	
Fair value valuations	0	
Dividends collected	-1,274,846	-1,081,047
Cash flow from operating activities before changes in net working capital	2,354,643	2,422,375
Increase/(Decrease) in employee benefits	21,154	-368,364
(Increase)/Decrease in inventories	-64,738	-37,665
(Increase)/Decrease in trade receivables	-285,491	720,004
(Increase)/Decrease in other assets/liabilities and assets/liabilities for deferred tax assets/liabilities	-611,435	-123,499
Increase/(Decrease) in trade payables	238,999	282,312
Dividends received from other companies	1,274,846	1,081,047
Dividends received from associated companies	1,436,600	2,300,000
Interest income and other financial income received	117,355	139,947
Interest expense and other financial expenses paid	-222,928	-235,571
Use of provisions for risks and charges	0	0
Taxes paid	-185,623	-119,371
Cash flows from operating activities (a)	1,718,739	3,638,840
Investments in intangible assets	-49,000	-79,560
Investments in tangible assets	-813,523	-947,440
Divestments of tangible assets	0	
Net investments in equity investments	0	-800,000
(Increase)/Decrease in other investment activities	0	500,000
Cash flow from investment/divestment activities (b)	-862,523	-1,327,000
Financial payables (new issues of long-term loans)	800,000	2,000,000
Financial payables (repayments and other net changes)	-4,802,419	-2,762,926
Purchase of treasury shares	0	0
Dividends paid	-804,254	-759,754
Cash flow from financing activities (c)	-4,806,673	-1,522,680
<i>Increase/(Decrease) in cash and cash equivalents (a+b+c)</i>	<i>0</i>	<i>0</i>
Cash and cash equivalents at the beginning of the year	3,753,708	542,173
Cash and cash equivalents at the end of the year	2,157,894	3,753,708

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 2018	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 01 January 2019	23,234,016	1,383,081	3,263,400	0	18,601,182	3,020,292	49,501,971
Transactions with shareholders:							
Dividend distribution	0	0	0	0	0	-804,254	-804,254
Share capital subscription			0	0	0	0	0
Total transactions with shareholders	0	0	0	0	0	-804,254	-804,254
Allocation of the result for the year to the reserve	0	151,015	0	0	2,065,023	-2,216,038	0
Comprehensive result of the year:							
Net result	0	0	0	0	0	2,874,199	2,874,199
Application of IFRS 15					0	0	0
Actuarial gains/(losses) for employee benefits, net of tax effect	0	0	0	0	-49,715	0	-49,715
Total comprehensive result of the year	0	0	0	0	-49,715	2,874,199	2,824,484
BALANCE AT 31 December 2019	23,234,016	1,534,096	3,263,400	0	20,616,490	2,874,199	51,522,201

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 2019, 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 ENTITIES			
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 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 recognized 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 17 March 2020.

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 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 recognized at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortization and any impairment losses.

Amortization 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 analyzes, 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.

Property, plant and equipment

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 PIPES	4.00%		
TANKS	2.00%	START-UP/EXPANSION COSTS	5 YEARS
LIFTING SYSTEMS	6.67%	SOFTWARE	3 YEARS
AQUEDUCT PIPES/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 recognized 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 amortized cost taking into account the time factor. Impairment losses on receivables are recognized 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 recognized in the statement of comprehensive income on the purchase, sale, issue or derecognition of equity instruments. The amount paid or received is recognized 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 recognized in the income statement at fair value, net of directly attributable incidental costs, and subsequently measured at amortized 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 derecognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized as follows:

- costs relating to the provision of services are recognized in the income statement under personnel costs;
- net financial expenses on a defined benefit liability or asset are recognized 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 recognized in the income statement and any changes in the limit on assets, are immediately recognized 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 recognized 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 recognizes revenues when their amount can be reliably estimated and it is probable that the related future economic benefits will be recognized. 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 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 2019

The accounting standards adopted are the same as those used as at 31 December 2018, 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 2019.

Below is a list of the Regulations approved by the European Commission during the financial year 2019 or in previous financial years, the application of which is mandatory from 2019 onwards and which amend or supplement the international accounting standards:

- no. 1986/2017 of 31/10/2017 IFRS 16 "Leases" and amendments to other accounting standards/related interpretations; these amendments were applied with effect from 01/01/2019;
- no. 237/2019 of 08/02/2019 amendments to IAS 28 "Investments in Associates and Joint Ventures";
- no. 402/2019 of 13/03/2019 amendments to IAS 19 "Employee benefits";
- no. 412/2019 of 14/03/2019 amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements".

5. ACCOUNTING STANDARDS/INTERPRETATIONS APPROVED AND COMPULSORILY APPLICABLE FROM FINANCIAL YEARS SUBSEQUENT TO 2019.

Listed below are the Regulations approved by the European Commission during the 2019 financial year or in previous financial years, whose application is mandatory from 2020 onwards and which amend or supplement the international accounting standards:

- no. 2075/2019 of 29/11/2019 amendments to IAS 1 "Presentation of Financial Statements", IAS 8 "Changes in Accounting Estimates and Errors", IAS 34 "Interim Financial Reporting", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IAS 38 "Intangible Assets", IFRS 3 "Business Combinations", IFRS 6 "Exploration for and Evaluation of Mineral Resources" and Interpretations 12-19-20-22; these amendments should be adopted from 01/01/2020 at the latest;
- no. 34/2020 of 15/01/2020 amendments to IAS 39 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments", amendments to be applied obligatorily from the financial year 2020.

IFRS 16 "Leases"

The new accounting standard IFRS 16 "Leases", issued by the IASB and endorsed by the European Commission, replaces the previous standard IAS 17 and the related interpretations as from 1 January 2019, intervening on the definition of lease and overcoming the accounting dualism between finance lease and operating lease, introducing a single accounting model based on the recognition in the financial statements of an asset (Right of use) and the liability of the lease.

From the lessor's point of view, IFRS 16 is substantially in line with the previous IAS 17.

IFRS 16 defines a lease as an agreement by which a party (lessor/landlord) grants a lessee (tenant) the right to use a specific asset, against payment of a consideration, for a specified period of time, on expiry of which the lessee can return it or become its owner by paying the difference between what has already been paid and the value of the asset. This definition assimilates rental contracts to lease contracts, for which the same accounting treatment is therefore provided.

Scope of application

The application of IFRS 16 for existing contracts is always due, with the exception of lease contracts with a duration of 12 months or less and those where the underlying asset is of low value, to circumstances in which application is optional. It is up to the lessee, as far as Intangible Assets are concerned, to decide independently whether to treat them according to the new standard or to maintain the accounting method already in place.

A leased asset is subject to IFRS 16 if the following conditions are met:

- control: an asset is controlled when there is management of its use, in other words the operational management of the asset, and when it is possible to obtain the benefits of its use;
- identifiability: the contract generally identifies the asset or activity subject to the right of use. An asset is not considered to be identified if there is a substantial right of substitution during the contractual period.

The transition to IFRS 16

Given the company's drafting choice to use the "retrospective modified" approach at the date of initial application of the standard, the impact of the FTA on accounting equity at 1 January 2019 was zero.

On the effective date, i.e. 01/01/2019 for contracts outstanding at 31/12/2018, in accordance with the standard, the lessee recognizes the asset consisting of the right of use and the liability of the lease.

The measurement of the cost of the asset, consisting of the right of use, includes the amount of the initial measurement of the lease liability, the lease payments due at or before the effective date net of the lease inducements received, the initial direct costs incurred by the lessee and the estimated costs of dismantling or restoring the underlying asset.

In order to discount the lease payments, an independent specialist company was used.

After initial recognition of the right of use and the related liability, the lessee must measure the right to use the asset using the cost method, i.e. carry out the amortization process in accordance with IAS 16 and any impairment losses in accordance with IAS 36.

Amortization must be calculated taking into account the useful life of the asset, in the event of redemption, or, if this does not take place, it will be calculated by choosing the closest time between the expiry of the contract and the end of the useful life of the asset.

In the income statement, the lessee shall present interest expense on the lease liabilities separately from the amortization charge of the asset consisting of the right of use.

Impacts of the adoption of IFRS 16

The application of IFRS 16 affected for the company the lease contracts entered into for the lease of the Via Ardaro 27 headquarters; the first application of the standard led to the recognition of higher tangible assets following the recording of the rights of use acquired for leases amounting to Euro 692,745 and liabilities of the same amount for future fees.

With reference to the impact on the income statement, taking into account the evolution of contracts during the year in terms of new openings and closures of branches and payment of fees, the application of

IFRS 16 resulted in the charging of amortization of the right of use for Euro 76,972 and interest on lease payables for Euro 8,369.

FAIR VALUE ESTIMATE

In relation to the items 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:

- Level 1: fair value determined with regard to quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques, based on inputs that are observable in active markets;
- Level 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 2019.

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.

At 31 December 2019			
	Level 1	Level 2	Level 3
Electrical cabins and instrumental buildings/land	0	3,873,900	0
Investment Alto Garda Power S.r.l.	0	5,360,200	0
TOTAL	0	9,234,100	0

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 1,230,800. It should be noted that in the course of the 2019 financial year, Euro 1.4 million in dividends were received.

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

- Urban planning data;
- Status 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 2018	4,099,630	28,314,315	1,806,697	139,399	34,360,041
Of which:					
Historical cost	5,434,716	46,962,467	3,770,406	1,231,090	57,398,678
Accumulated amortization	-1,335,086	-18,648,152	-1,963,709	-1,091,690	-23,038,637
Purchases	692,745	736,317	63,841	4,780	1,497,683
Transfers	0	0	0	0	0
Disposals	0	-389,967	-29,093	-43,810	-462,870
Derecognition of accumulated depreciation	0	318,681	12,679	43,810	375,170
Write-down of assets	0	0	0	0	0
Amortization	-159,894	-1,147,237	-199,033	-34,492	-1,540,656
Balance as of 31 December 2019	4,632,481	27,832,109	1,655,091	109,687	34,229,368
Of which:					
Historical cost	6,127,461	47,308,817	3,805,154	1,192,060	58,433,491
Accumulated amortization	-1,494,980	-19,476,708	-2,150,063	-1,082,372	-24,204,123

With regard to tangible assets, it should be noted that costs for services provided by internal personnel have been capitalised for Euro 163,122. It should be noted that from 2015, the amortization of the gas networks has been suspended because the net book value is certainly lower than the value that will be recognized to the Company by the incoming operator at the time of the award of the tender, the announcement of which will be published presumably 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 2019, measured at fair value according to an appraisal prepared by an independent expert.

7.2 INTANGIBLE ASSETS

	Start-up costs	Industrial patents and intellectual property rights	Concessions	Other intangible assets	TOTAL
Balance as of 31 December 2018	0	56,776	0	130,223	186,999
Of which:					
Historical cost	210,335	1,122,831	540,712	356,819	2,230,697
Accumulated amortization	-210,335	-1,066,055	-540,712	-226,596	-2,043,698
Increases	0	57,220	0	0	57,220
Amortization	0	-52,678	0	-14,205	-66,883
Balance as of 31 December 2019	0	61,318	0	116,018	177,336
Of which:					
Historical cost	210,335	1,180,051	540,712	356,819	2,287,917
Accumulated amortization	-210,335	-1,118,733	-540,712	-240,801	-2,110,581

The item "Other intangible assets" includes capitalized improvements to the headquarters in Riva del Garda, 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	
	2019	2018
Investments in subsidiaries	1,115,090	1,255,495
Investments in associated companies	5,360,200	5,566,000
Investments in other companies	10,426,522	10,426,522
TOTAL EQUITY INVESTMENTS	16,901,812	17,248,017

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	1,115,090	-205,114	100	1,115,090
TOTAL						1,115,090
Associated companies		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	26,801,000	6,154,000	20	5,360,200
TOTAL						5,360,200
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	539,175,526	39,547,563	1.18	5,381,324
Dolomiti Energia S.p.A.	Via Fersina, 23 38121 Trento	20,200,000	105,764,781	12,321,659	4.54	2,562,000
SET Distribuzione S.p.A.	Via Manzoni, 24 38068 Rovereto	120,175,728	203,888,254	20,153,626	2.00	2,400,358
Primiero Energia S.p.A.	Via Guadagnini, 31 38054 S.Martino	9,938,990	45,515,147	4,702,971	0.81	81,840
Distretto Tecnologico	P.za Manifattura, 1 38068 Rovereto	232,000	511,837	112,638	0.35	1,000
TOTAL						10,426,522

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 2019 and 2018 are detailed below.

	At 31 December	
	2019	2018
Interest-bearing loan subsidiary Ledro Energia S.r.l.	5,600,000	5,600,000
Interest-bearing loan associate Alto Garda Power S.r.l.	1,079,243	1,031,857
Other receivables	207	207
Total	6,679,450	6,632,064

The shareholder loan to Alto Garda Power S.r.l. increased in 2019 for Euro 47,386 relating to the annual amount of interest income on the loan. As regards the loan to the subsidiary Ledro Energia S.r.l., it will be gradually repaid once the pellet production plant is fully operational and with the consequent cash flows

that the company will generate. In this regard, reference should also be made to the Report on Operations ("Significant events that occurred after the end of the year") with reference to the sale of the land/building of Ledro Energia to Alto Garda Servizi S.p.A.

7.5 RECEIVABLES FOR DEFERRED TAX ASSETS

The following table breaks down deferred tax assets by type of temporary difference at 31 December 2019 and 2018.

Receivables for deferred tax assets IRES	Deferred tax assets 2018	ADJUSTMENTS	Reabsorpti ons 2019	Increases 2019	Total deferred tax assets		
Deductible differences	Tax	Tax	Tax	Tax	Tax	Rate	Tax
Contributions connection electricity users	562,560	-39,214	-37,680	0	2,023,611	24.00%	485,667
Contributions connection gas users	156,148	0	0	0	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	937,258		-16,021	0	3,838,484	24.00%	921,236
Allocation doubtful accounts provision	54,767		0	0	228,194	24.00%	54,767
Other employee benefits	213,402		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	1,996,754	-39,214	-53,701	0	7,932,663		1,903,839
Receivables for deferred tax assets IRAP	Deferred tax assets 2018	ADJUSTMENTS	Reabsorpti ons 2019	Increases 2019	Total deferred tax assets		
Deductible differences	Tax	Tax	Tax	Tax	Tax	Rate	Tax
Contributions connection electricity users	82,978	-5,784	-5,558	0	2,023,611	3.54%	71,636
Contributions connection gas users	23,032	0	0	0	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	116,721	-5,784	-5,558	0	2,976,812		105,379
Total receivables for deferred tax assets	2,113,474	-44,998	-59,258	0			2,009,218

It should be noted that receivables for deferred tax assets relating to the difference between statutory and fiscal amortization (energy and gas networks) will be reasonably recovered with the sale of the networks to the new concessionaires, during 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 2019 and 2018 is provided below.

	At 31 December	
	2019	2018
Raw and ancillary materials and consumables	549,259	484,522
TOTAL	549,259	484,522

7.7 TRADE RECEIVABLES

The breakdown of "Trade receivables" at 31 December 2019 and 2018 is provided below.

	At 31 December	
	2019	2018
Receivables from customers	5,295,363	4,889,423
Provision for doubtful accounts	-263,300	-263,300
TOTAL	5,032,063	4,626,123

Trade receivables, shown net of the related provision for doubtful accounts, mainly includes trade receivables 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 2019 and 2018:

	Provision for doubtful accounts	
At 01 January 2018	263,300	
Allocations	0	
Utilisations	0	
At 31 December 2018	263,300	
Allocations	0	
Utilisations	0	
At 31 December 2019	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 2019 and 2018 is provided below.

	At 31 December	
	2019	2018
Receivables from parent company	95,009	171,660
Receivables from subsidiaries	110,897	160,659
Receivables from associated companies	10,153	4,756
TOTAL	216,059	337,075

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 2019 and 2018 is provided below.

	At 31 December	
	2019	2018
VAT	0	3,358
IRES	95,861	0
Total	95,861	3,358

7.10 OTHER CURRENT ASSETS

The breakdown of the item "Other current assets" at 31 December 2019 and 2018 is provided below.

	At 31 December	
	2019	2018
PAT and Municipalities – deposit of road cuts and various deposits	66,009	93,217
Energy revenues equalization fund	1,167,531	873,517
PAT – advance gas tender costs	43,081	43,081
Equalization fund 6th two-month period 2019	63,186	75,466
Sundry	132,555	134,580
Accrued and deferred assets	27,196	55,493
Total	1,499,558	1,275,354

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 paid the balance of the electrical equalisation. As a result, the amount due from the Equalisation Fund went from Euro 873 thousand to Euro 1.2 million. The calculation of the gas and energy equalisation for the year 2019 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 2019 and 2018 is provided below.

	At 31 December	
	2019	2018
Bank and postal deposits	2,157,200	3,752,817
Cash-in-hand and cash equivalents	694	891
TOTAL	2,157,894	3,753,708

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 2019, 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 2019, Euro 804 thousand, equal to Euro 1.80 per share, was distributed.

The breakdown of shareholders' equity is shown below:

	At 31 December	
	2019	2018
Share capital	23,234,016	23,234,016
Legal reserve	1,534,096	1,383,081
Share premium reserve	3,263,400	3,263,400
Extraordinary reserve	16,449,916	14,229,408
FTA reserve	1,589,613	1,589,613
Non-distributable reserve	1,334,285	1,539,485
IAS 19 reserve	424,761	424,761
Retained earnings reserve	817,915	817,915
Profit/ (loss) for the year	2,874,199	3,020,292
TOTAL SHAREHOLDERS' EQUITY	51,522,201	49,501,971

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

Description	amount	possibility of use	portions available	Summary of uses made in the three previous years	
				for losses 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	1,534,096	B	1,534,096	-	-
- reserve for portfolio treasury shares	-			-	-
- statutory reserves	-			-	-
- extraordinary reserve	16,449,916	A,B,C	16,449,916	-	587,650
- non-distributable reserve	1,334,285		-	-	-
- FTA reserve	1,589,614		-	-	-
- IAS 19 reserve	424,761		-	-	-
- retained earnings or losses	817,915	A,B,C	817,915		
Totals	48,648,003		22,065,327	-	587,650
Non-distributable portion			-		
Residual distributable portion			22,065,327		

A: for capital increase
 B: for loss coverage
 C: for distribution to shareholders

8.2 NON-CURRENT FINANCIAL PAYABLES

The table below shows non-current financial payables at 31 December 2019 and 2018.

	2019	2018
	Non-current	Non-current
Payables to banks	1,507,867	2,985,874
Other financial payables (IFR16)	538,801	0
Bond	5,000,000	5,000,000
TOTAL	7,046,668	7,985,874

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 2019 and 31 December 2018 are shown below:

	At 31 December 2018				
	TFR	Loyalty Bonuses	Additional monthly salaries	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
	At 31 December 2019				
	TFR	Loyalty Bonuses	Additional monthly salaries	Energy discounts	Total
Liabilities at the start of the period	720,722	76,120	68,861	276,789	1,142,492
Current cost of the service	33,011	4,667	3,795	0	41,473
Interest from discounting	10,685	1,232	1,055	4,346	17,318
Benefits paid	-80,246	0	-7,106	0	-87,352
Actuarial losses/(gains)	39,608	1,355	-473	9,225	49,715
Liabilities at the end of the period	723,780	83,374	66,132	290,360	1,163,646

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

	At 31 December	
	2019	2018
Discount rate/discount	0.77%	1.57%
Inflation rate	1.20%	1.50%
Overall salary increase rate	2.25%	1.00%
Annual TFR increase rate	1.00%	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 PROVISIONS FOR RISKS AND CHARGES

There are no provisions for risks and charges.

8.5 CURRENT FINANCIAL PAYABLES

The table below shows current financial payables at 31 December 2019 and 2018.

	2019	2018
Current	Current	
Payables to banks	1,483,209	4,743,187
Other financial payables (IFR16)	76,972	0
Bond	0	0
TOTAL	1,560,181	4,743,187

8.6 TRADE PAYABLES

The table below shows "Trade payables", which include payables for the supply of goods and provision of services, at 31 December 2019 and 31 December 2018. Payables refer entirely to the geographical area of Italy. All payables are due within one year.

	At 31 December	
	2019	2018
Suppliers of goods and services	485,408	746,121
Invoices to be received	288,389	291,481
Total	773,797	1,037,602

8.7 PAYABLES TO PARENT, ASSOCIATED AND SUBSIDIARY COMPANIES

The table below shows "Payables to parent, associated and subsidiary companies" at 31 December 2019 and 31 December 2018. Payables refer entirely to the geographical area of Italy.

	At 31 December	
	2019	2018
Payables to parent company	1,286,427	1,214,265
Payables to subsidiaries	83,849	0
Payables to associated companies	713,819	367,026
TOTAL	2,084,095	1,581,291

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 also include the purification component that refers to the billing portion for the water service performed by AGS S.p.A. at 31 December 2019 to end customers and that is then turned over to the Municipality of Riva del Garda.

8.8 TAX PAYABLES

The table below shows "Tax payables" at 31 December 2019 and 31 December 2018.

	At 31 December	
	2019	2018
Tax liabilities IRAP	3,623	3,960
Tax liabilities IRES	0	185,511
Withholding taxes on employees and collaborators IRPEF	157,319	117,250
Total	160,942	306,721

Payables for IRPEF relate to withholdings to employees for December 2019 paid in January 2020.

8.9 OTHER CURRENT PAYABLES

The table below shows "Other current payables" at 31 December 2019 and 31 December 2018.

	At 31 December	
	2019	2018
Payables to pension and social security institutions	231,095	226,631
Payables to employees	280,756	277,637
Other payables	10,980	12,177
Payables to the Equalization Fund	1,482,599	1,199,550
Accrued and deferred liabilities	3,230,918	3,005,600
TOTAL	5,236,348	4,721,595

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 income refers to connection contributions from users. Amounts due to the Equalisation Fund refer to items invoiced in the 6th two-month period of 2019 and paid in January and February 2020.

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:

	31.12.2019	31.12.2018
Revenues from electricity transmission	2,895,813	2,894,209
Revenues from electricity production	129,557	131,268
Revenues from gas transmission	2,370,881	2,335,493
Revenues from water service management	1,343,358	1,405,401
Heat revenues	3,224,275	3,187,597
Other revenues	407,170	421,170
Total	10,371,054	10,375,138

Revenues are in line with the previous year.

9.2 OTHER REVENUES AND INCOME

A breakdown of the item "Other revenues and income" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Services provided to subsidiaries	54,895	74,586
Contributions from equalization systems	276,843	380,969
Revenues from management of aqueduct plants	211,308	165,682
Revenues from public lighting services	75,242	114,937
Operating contingent assets	79,216	151,412
Revenues from other services provided to third parties	675,486	497,311
Total	1,372,990	1,384,897

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 2019 and 2018 is shown below.

	31.12.2019	31.12.2018
Purchase of drinking water	7,886	5,626
Purchase of electricity	252,290	249,928
Purchase of heat	1,448,939	1,597,415
Purchase of warehouse material	620,236	541,376
Purchase of other materials	163,690	169,466
Change in inventories	-64,737	-37,667
Total	2,428,304	2,526,144

9.4 COSTS FOR SERVICES

The breakdown of the item "Costs for services" for the year ended 31 December 2019 and 2018 is shown below.

	31.12.2019	31.12.2018
Electricity transport fees	1,014,492	1,008,273
Insurance	124,472	123,868
Bank charges and fees	26,759	31,217
Administrative consultancy	129,779	91,360
Network maintenance costs	623,758	571,490
Electricity, gas and water costs	100,452	93,391
Software fees	224,721	178,410
Employee training costs	16,112	41,383
Meter reading costs	92,507	96,181
Other costs	466,393	420,643
Total	2,819,445	2,656,216

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 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Rental expenses	21,523	101,176
Concession fees	464,202	460,929
Total	485,725	562,105

The reduction compared to 2018 is due to the application of the new accounting standard IFR16.

9.6 PERSONNEL COSTS

The breakdown of the item "Personnel costs" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Wages and salaries	2,151,166	2,109,217
Social security costs	689,229	672,018
Employee severance indemnity (TFR)	145,929	147,086
Other costs	59,726	63,072
Total	3,046,050	2,991,393

9.7 DEPRECIATION/AMORTIZATION OF FIXED ASSETS

The breakdown of the item "Amortization, depreciation, provisions and write-downs" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Amortization of Intangible assets	66,883	66,320
Depreciation of Tangible assets	1,540,657	1,457,561
Total	1,607,540	1,523,881

The increase compared to 2018 is due to the application of the new accounting standard IFR16.

9.8 PROVISIONS AND WRITE-DOWNS

The breakdown of the item "Provisions and write-downs" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Provision for doubtful accounts	0	0
Write-downs of tangible assets	0	0
Total	0	0

9.9 OTHER OPERATING EXPENSES

The breakdown of the item "Other operating expenses" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Gas equalization costs	549,366	626,203
Losses on ordinary operations	71,662	53,358
Charges common conventions	103,985	123,385
Operating contingent liabilities	72,240	34,843
Other operating expenses	277,822	265,842
Total	1,075,075	1,103,631

Contingent liabilities refer to adjustments to the gas and energy equalization for 2018.

9.10 CAPITALISED COSTS FOR INTERNAL WORKS

The breakdown of the item "Capitalised costs for internal works" for the year ended 31 December 2019 and 2018 is shown below.

At 31 December		
	2019	2018
Warehouse material	433,198	348,347
Labour	163,123	150,123
TOTAL	596,321	498,470

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 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Income from investments in subsidiaries	0	0
Income from investments in other companies	1,274,846	1,081,047
Total	1,274,846	1,081,047

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

11 WRITE-DOWN OF INVESTMENT

In 2019, the equity investment in the subsidiary Ledro Energia S.r.l. was written down for Euro 140,405, equal to the losses accumulated up to 31 December 2019.

12 FINANCIAL EXPENSES

The breakdown of the item "Financial expenses" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Bank interest expense	353	397
Interest expense on bond	171,110	171,275
Interest expense on mortgages	31,047	47,535
Interest from discounting	20,418	16,364
Total	222,928	235,571

13 FINANCIAL INCOME

The breakdown of the item "Financial income" for the year ended 31 December 2019 and 2018 is provided below.

	31.12.2019	31.12.2018
Interest income from subsidiaries	56,000	86,071
Interest income from associated companies	47,386	44,523
Other financial income	13,969	9,353
Total	117,355	139,947

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
Total	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 263,695 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 2019 and 2018 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 2019.

Take-or-pay purchase commitments	2019	2020	2021	2022	After	Total
Thermal energy	794,055	794,055	794,055	794,055	794,055	3,970,275
Electricity differential	215,531	215,531	215,531	215,531	215,531	1,077,655
Total	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 2019 and 2018.

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 2019 and 2018.

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 auditing and accounting organization services" refers to the attestations to the member municipalities of AGS S.p.A. of the receivables/payables balance at 31/12/2019.

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

No significant events occurred after the end of the 2019 financial year. For information on the spread of the COVID-19 pandemic, please refer to the comments made in the Report on Operations.

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 2,874,199 as follows:

- Euro 143,710 equal to 5% to the legal reserve;
- Euro 1,230,800 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 2020;
- Euro 695,435 to the extraordinary reserve.

Riva del Garda, 17 March 2020

The Chair
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 administrative procedures and controls for the preparation of the annual financial statements during the period from 01 January 2019 to 31 December 2019.

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 at 31 December 2019:

- 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, 17 March 2020

Chair of the Board of Directors	Andrea Mora
Administration Manager	Andrea Carloni