

ANNUAL  
FINANCIAL  
STATEMENTS

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# Acquirente Unico S.p.A.

## Annual Financial Statements

# 2019

Share capital € 7,500,000 fully paid-in  
Sole shareholder pursuant to Art. 4 of Italian Lgs Decree 79/99 Gestore dei Servizi Energetici - GSE S.p.A.  
Entity with direction and coordination powers: GSE S.p.A.  
Registered offices - 00197 Rome – Via Guidubaldo Del Monte, 45  
Rome Business Register, VAT and Tax Id Code no. 05877611003  
Rome Economic and Administrative Register no. 932346

## LETTER TO THE SHAREHOLDER

During 2019, Acquirente Unico continued to develop its business, based on what is established in the regulations and its pre-established objectives, as part of an energy sector undergoing a profound transformation.

Following the delay of the planned termination of price protection for the electricity and gas markets, Acquirente Unico will continue supplying energy for enhanced protection customers until 1 July 2022 for domestic customers and micro-enterprises and through 1 January 2021 for small and medium enterprises.

Again, in 2019 there was a decrease electricity purchases for the enhanced protection service due to end consumers transferring to the free market.

There were also important new developments in Acquirente Unico's other activities during the year.

The start of operations for the IIS Consumption Portal was an important step for better market functioning. In fact, the new Portal, established in the 2018 Budget Law and managed by Acquirente Unico, has been operational since 1 July 2019, and now, consumers can access their own consumption and check their contractual situations any time, simply, safely and free of charge. According to European regulations, knowledge of this information is considered fundamental to increase consumer awareness and allow more accurate and justified decisions. Access to consumer data accompanies another portal managed by Acquirente Unico, based on the mandate established in Italian Law 124/17 - the Offer Portal - thanks to which thousands of electricity and gas offers found on the free market can be compared securely and transparently.

The Energy and Environment Consumer Help Desk served as a reference point in 2019 for effective management of disputes and for requests for information coming from electricity and gas consumers and integrated water service users. Additionally, the role of the Branch progressively increased to include the waste sector. As of 1 July, users of required managers can activate procedures through the Conciliation Service in the same way as energy sector customers.

After authorisation by the Italian Ministry of Economic Development in February 2019, Acquirente Unico announced for its OCSIT functions the launch of a 500 million bond loan placement with a 7-year duration, receiving offers for double this amount. OCSIT used some of the proceeds to pay off a maturing bank loan in advance in March, with the remaining portion intended for use in acquiring specific stocks in future years. Also thanks to this transaction, for the sixth consecutive year, OCSIT's actual costs have been lower than what was budgeted.

AU also strengthened its international profile during 2019. As part of its position as OCSIT, in September, AU hosted the thirtieth edition of ACOMES - the Annual Coordinating Meeting of Entity Stockholders, an international meeting for representatives from organisations and agencies responsible for the emergency oil stocks for their relative countries. Additionally, AU continued to provide assistance to vulnerable consumers through the ASSIST project, an initiative promoted by the European Commission as part of the European Horizon2020 programme, intended to fight energy poverty. At the beginning of June 2020, the project was nearing completion. Despite the crisis associated with COVID-19, the results were presented in an online event with widespread participation, involving European, national and local institutions. In our country, around 8,500 consumers were impacted by the soft action, while more than 600 families were involved in tailor-made projects. The results were significant, both in terms of energy savings and in terms of increasing awareness in vulnerable consumers. AU's international activities included a strong commitment to supporting the digital transformation in the energy sector. In particular, it presented the activities of the Integrated Information System during European Sustainable Energy Week (EUSEW, 17-21 June 2019), the largest European event for energy, organising a specific conference titled "Digitalisation in energy: challenges and opportunities for consumers".

The development process followed by the company has helped it to be ready to meet even the challenges of 2020, in particular the emergency situation associated with COVID-19. In particular, the possible repercussions for our country's system and the energy system in particular make Acquirente Unico's role even more important. On one hand, it supports better market functioning and, on the other, it assists the consumers most affected by the crisis. AU's contribution is not only linked to economic results, but also to its ability to support more functional and digitalised energy markets.

AU's mission is more important than ever: to create positive effects for consumers, operators, institutions and our entire community, so that the energy system can guarantee development throughout the country.

Chairman and Chief Executive Officer  
Andrea Péruzy

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**REPORTS OF THE BOARD OF STATUTORY AUDITORS AND  
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## CORPORATE STRUCTURE

### Board of Directors (2017-2019)

<b>Chairman and Chief Executive Officer</b>	Andrea Péruzy
<b>Directors</b>	Liliana Fracassi
	Vinicio Mosè Vigilante

### Board of Statutory Auditors (2017-2019)

<b>Chairman</b>	Alessandra D'Onofrio
<b>Statutory Auditors</b>	Pierluigi Carabelli
	Roberto Nicolò
<b>Alternate Statutory Auditors</b>	Corrado Checcherini
	Alice Sette

## REPORT ON OPERATIONS

## REGULATORY ELEMENTS AND AREAS OF REFERENCE

Acquirente Unico S.p.A. (hereafter also “Acquirente Unico” or “AU”), a company limited by shares wholly owned by Gestore dei Servizi Energetici - GSE S.p.A. (hereafter “GSE”), was established pursuant to Italian Legislative Decree 79 of 16 March 1999, in order to guarantee the supply of electricity to eligible customers.

From 1 July 2007, with the completion of the liberalization of the retail sale of electricity, as a result of Italian law no. 125 of 3 August 2007, for conversion with amendments to Decree Law no. 73 of 18 June 2007 (hereinafter “Law no. 125/2007”), all end-users of electricity, and in particular also civilian or domestic users, have the right to freely choose their electricity supplier. In light of this innovation, Italian law no. 125/07 introduced enhanced protection and safeguards in electricity sales services.

AU’s mission was subsequently extended to include additional activities and functions assigned to it through legislative provisions or sector regulations.

### Enhanced protection service

The enhanced protection service targets residential customers and businesses with fewer than 50 employees with annual revenue not exceeding € 10 million (hereinafter the “small customers” or “protected customers”) who decide not to go onto the open market. The service is provided by the enhanced protection provider, which may be a specific sales company, in geographical areas in which the distribution company supplies at least 100,000 end users, or the same distribution company in other cases. In the context of this service, the supply function is provided by Acquirente Unico.

Acquirente Unico, in accordance with the directives of the Regulation Authority for Energy, Networks and Environment, (hereafter, “Authority” or “ARERA”), transfers to the operators the electricity to be supplied to the protected customers, ensuring the balance of its accounts, according to the provisions of Article 4, paragraph 6 of the aforementioned Legislative Decree no. 79/99.

Legislative Decree 93 of 1 June 2011 (hereafter LD 93/11) subsequently confirmed the enhanced protection service for small customers, providing for possible adjustments over time, in response to the monitoring of developments in the retail market and the existence of effective competition.

The enhanced protection service underwent significant organic change.

In particular, Italian Law 124 of 4 August 2017 (hereafter “Annual Market and Competition Law”) established, among other things, the abrogation of paragraph 2 of article 35 of Italian Legislative Decree

93 of 1 June 2011, effective as of 1 July 2019. The deadline was then extended to 1 July 2020 by Italian Decree Law 91 of 25 July 2018, converted, with amendments, by Italian Law 108 of 21 September 2018. With this abrogation, regarding the provision that confirms the greater protection service pursuant to Law 125/07, converting with amendments Decree Law 73/07, the legislators intended to remove, in the electricity sector (in the same manner as established for the gas sector), price protection for civil end customers and companies connected in low voltage, with less than 50 employees and annual revenue not exceeding € 10 million who do not select a supplier on the open market, effective as of 1 July 2019. In this context, within six months of the date the law takes effect, the Authority must send the Italian Ministry of Economic Development (hereafter, also “MED”) a report on monitoring of retail markets to verify that the objectives indicated in the law have been achieved (including the portal and the IIS).

On the basis of the information contained in the Authority’s report, having heard from the same Authority and the Competition and Market Guarantor, the MED with a decree to be adopted within sixty days of report transmission, after hearing from the relevant parliamentary commissions, shall report on the achievement of the objectives. If one of the objectives is not achieved, the Ministry of Economic Development and the Authority shall adopt the necessary provisions to achieve it within the subsequent three months and each relative to their own assigned responsibilities. The same ministerial decree defines the measures necessary to guarantee elimination of the transitional price rules and the knowledgeable entrance of end customers on the market, using mechanisms which ensure competition and a plurality of suppliers and offers on the open market.

Already from 2016, the Authority had begun a process to reform the enhanced protection service that involved changing the market mechanisms used to protect prices for domestic and non-domestic customers in the energy sector, including among other things a revision of the disbursement conditions for the enhanced protection service (so-called reformed enhanced protection service), effective as of 1 January 2017 (see most recently Resolution 633/2016/R/eel).

ARERA also began proceedings in 2019 to implement the actions foreseen in the annual market and competition law, regarding the establishment of a protection service for domestic and small enterprise users in the electricity sector (resolution 396/2019/R/EEL). In this context, a consultation document was issued (DCO 397/2019/R/eel) regarding “initial reconnaissance” to acquire information useful for defining the protection service for domestic and small enterprise users in the electricity sector.

Finally, as an effect of Italian Decree Law 162 of 30 December 2019, converted with amendments by Italian Law no. 8 of 28 February 2020 (the Thousand Extensions Decree), the date on which the greater protection regime for the electricity sector would expire was postponed to:

- 1 January 2021 for small and medium enterprises - enterprises employing fewer than 50 people and with annual turnover or a total in the annual financial statements not exceeding € 10 million (small enterprises as identified in Directive EU 2019/944);
- 1 January 2022 for domestic clients and micro-enterprises - enterprises employing fewer than 10 people and with annual turnover or a total in the annual financial statements not exceeding € 2 million (micro-enterprises as identified in Directive EU 2019/944).

During the course of 2019, ARERA also approved the amendment to article 7 of the contract to sell electricity to enhanced protection operators, proposed by Acquirente Unico in order to grant the operators the right to request postponing of the payment dates established for the fee due for the energy sold (resolution of 11 June 2019, 236/2019/R/eel).

More specifically, the amendment allows an extension for monthly payments of invoices coming due during certain periods of the year indicated in the contract, subordinate to a positive evaluation of the requesting entity's credit position and without any additional costs applying to AU, which would apply all charges associated with the granting of the extension to the requesting entities.

Therefore, this action is intended to prevent the risk of financial imbalance which Acquirente Unico could run in the case of delayed payments from enhanced protection operators (especially those of larger size), as well as the potential negative repercussions on the entire system which could derive from this.

The resolution also establishes that Acquirente Unico:

- shall guarantee equal treatment for operators when evaluating delay requests;
- shall use the amounts paid by enhanced protection operators to cover the charges associated with granting payment extensions to reduce financial expenses and, therefore, benefiting the entire system;
- shall ensure that the tools and operating methods established to grant payment extensions include adequate protections in terms of the risk of insolvency or of delayed or partial payment from operators in the factoring sector, considering that the latter are not subject to regulation by ARERA and hence cannot be fined in the case of possible breach of the provisions.

On its website, Acquirente Unico published the text of the framework contract as resulting from the amendment approved with the resolution.

## Similar Protection

Similar Protection was established (Resolution 369/2016/R/eel) as a new protection tool accompanying the enhanced protection service. Essentially, it is a monitored trading environment in which the end user is able to operate on the open market, choosing their own vendor from a variety of certified operators offering supply contract, in which the variable parameter within the economic conditions is the one-off bonus to be paid to customers.

As part of this institution, Acquirente Unico was appointed as the Protection Administrator, with the task of preparing the Operating Rules (approved by the Authority with Resolution 541/2016/R/eel), identifying suppliers certified for Similar Protection and performing other management aspects relative to contact between customers and suppliers, including the preparation of the Central Similar Protection Site, where users of an active electricity supply can select a supplier to make use of the new service.

The same Resolution also established that the Central Similar Protection Site will interact with the IIS, which carries out control and accounting functions for reservations and switching carried out under Similar Protection.

## Safeguard Service - Electricity Sector

The Safeguard Service is intended for end users not entitled to enhanced protection in the event that they are without a seller on the open market or did not select one.

The Authority, in implementing the decree of the Italian Ministry for Economic Development of 23 November 2007, has assigned to AU the task of organizing and carrying out the contractual procedures for the selection of the companies that will provide the service, in accordance with the provisions of the Authority.

## Supplies of last resort and default distribution service - Gas Sector

Subject to the changes introduced by Legislative Decree no. 93/11, the service provision of last resort for vulnerable customers who are temporarily without a gas supplier, is provided to customers who are entitled to the protection service (domestic customers - including condominiums with consumption of no more than 200,000 cubic meters per year, utilities related to public service activities, other customers with consumption of no more than 50,000 cubic meters per year) by operators selected on the basis of competitive procedures run by Acquirente Unico.

The Authority also assigned the Acquirente Unico the task to manage the tendering procedures for the identification of the default natural gas distribution service, aimed at ensuring the balance of the distribution network, in relation to the take outs of natural gas made directly by the end customer holder of the delivery point, without a supplier, to whom the prerequisites for the activation of the supplier of last resort are not applicable, or when in any case it is otherwise impossible the activation.

## Energy and Environment Consumer Help Desk

Law no. 99/09 provides that the Authority can rely on AU to strengthen its activities of protection of the energy consumers, also with reference to the functions referred to in Article 2, paragraph 12, letters l) and m) of law 14, 481/95.

Legislative Decree no. 93/11, implementing Directives 2009/72/EC and 2009/73/EC, provided, among other things, that the Authority will ensure the efficient handling of complaints and conciliation procedures for end users, against sellers and distributors of natural gas and electricity, using Acquirente Unico.

In compliance with these legislative provisions, the Authority entrusted AU with managing the Energy Consumer Help Desk through availment, already as of 1 December 2009. This management was governed through three-year Operating Projects approved by the Authority, jointly with cost recognition and coverage methods.

Legislative Decree 130/2015, implementing Directive 2013/11/EU in our national legislation, established that disputes between consumers and companies can be resolved out of court, with lower costs and more quickly. This provision began a large process of reforming the protective system during 2016.

Specifically, implementing said legislative provision, through Resolution 209/2016/E/com, containing “Adoption of the integrated text on out of court settlement procedures for disputes between customers or end users and operators or managers of sectors governed by the Authority for Electricity, Gas and Water - Integrated Conciliation Text (TICO)”, the Authority established, as of 1 January 2017, an obligation to attempt resolution through the Conciliation Service, or through the entities registered on the specific list kept by the Authority, or which have stipulated a specific protocol with it, as a condition for proceeding to legal action.

Taking into account the provisions already established by TICO, the Authority changed the terms of use for Acquirente Unico in relation to activities associated with the efficient management of complaints and

disputes, pursuant to articles 7, paragraph 6 and 44, paragraph 4 of Italian Legislative Decree 93/11, for the electricity and gas sectors, operational as of 1 January 2017 (Resolution 383/2016/E/com).

In particular, on the basis of the above cited reform, Help Desk activities performed on behalf of the Authority include:

- managing the Energy Customer Conciliation Service relative to the obligatory settlement attempt in order to proceed to ordinary legal action (operation in an initial experimental phase from 2013 until 2016);
- managing special procedures to resolve recurring disputes deriving from specific cases involving information already codified in specific databases which Acquirente Unico has direct access to;
- managing special informational procedures, which allow affected end users to obtain specific information not available or easily accessed through the operator;
- collecting written notifications and requests for information coming from customers or end users;
- the call centre, an immediately accessible channel that allows a customer or end user to obtain information about the method used to access the services regulated by the Authority, about their rights, liberalisation of the electricity and natural gas markets, conciliation entities that can be used for the obligatory settlement attempt pursuant to TICO, special procedures and tools used to confirm offers;
- the help desk, which provides consulting to certified branches of consumer associations and trade associations on regulation issues in the sectors the Authority is responsible for, also making use of assistance from the call centre;
- careful monitoring of the results of all activities carried out through availment, in order to allow the Authority to implement any possible follow-up.

Consequently, the Authority approved the proposal for the 2017-2019 Single Project prepared by Acquirente Unico (Resolution 727/2016/E/COM - Reformed Authority Protective System Project - STAR), to perform activities that are part of the reformed system of protections relative to complaints and out of court resolution of disputes with end users, through availment of Acquirente Unico, extending the validity of the Availment Regulations until 2019 (pursuant to Resolution 597/2015/E/com).

Following the provisions of the Annual Market and Competition Law regarding the extension of availment of Acquirente Unico to all the sectors regulated by the Authority for publication and dissemination of information about the full opening of the market and the conditions for providing

services, as well as effective processing of complaints and conciliation procedures, upon the conclusion of a procedure begun for the said purpose, the Authority confirmed availment of Acquirente Unico also for the water sector and approved the Project to extend the activities of the Help Desk to the water sector, with reference to the Contact Centre service, complaints management, online conciliation service and special procedures envisaged for users of the integrated water service (see Resolution 900/2017/E/idr).

The Authority then changed the name from “Energy Consumer Help Desk” to “Energy and Environment Consumer Help Desk” (Resolution 920/2017/A).

The Authority also introduced temporary provisions for the initial management of requests for information, claims, complaints and notifications received from users in the waste sector through the Help Desk, effective as of 1 July 2018 (resolution 197/2018/R/rif of 5 April 2018). Subsequently, it established the methods to be used to implement the protection system for complaints and disputes from water sector end users, identifying the managers required to participate as of 1 July 2019 in the procedures voluntarily activated by customers through the Conciliation Service (Resolution of 16 April 2019, 142/2019/E/idr).

In particular, ARERA has arranged for a gradual transition to a fully effective protection system, through an additional stage involving changes to the transitional regime, establishing:

- an obligation to participate in procedures voluntarily activated by end users with the Conciliation Service for managers which serve a portion of the population equal to at least 300,000 inhabitants with residency, corresponding to around 68% of the national population (the list of these managers is annexed to the provision). End customers served by these managers can make use of second level complaints through the Help Desk only with regards to the water social bonus;
- the possibility of voluntarily informing ARERA of a desire to make use of the Conciliation Service for below-threshold managers, providing the commitment lasts at least two years (managers not required to participate will provide notification of their adhesion to the procedure on a case by case basis). Solely for end users served by below-threshold managers who have not voluntarily required themselves to participate in the Conciliation Service, the option will be maintained to choose between a second level complaint with the Help Desk and the Conciliation Service (to resolve issues not resolved at the first level with the manager);
- for managers required to participate (including those who have voluntarily created this requirement), the obligation to indicate on their website, in new contracts and in response to first level complaints

which do not resolve the problem raised by the use, the methods for activating the Conciliation Service and other out of court dispute resolution bodies, which can be accessed free of charge, in which the managers must participate.

It is expected that an additional provision will identify the expiration date for these regulations, also including a verification on the implementation status of the regulatory changes introduced, after a monitoring period of at least a year.

Finally, we note that the Help Desk provides auxiliary assistance related to the decision making procedure for dispute resolution between customers or end users and operators or managers which were not resolved during the settlement process (“third-level” protection, in which dispute resolution is achieved through an administrative decision made by the Authority - Resolution 639/2017/E/com of 21 September 2017).

ARERA also established in 2019 that the Help Desk would offer an informational service to end users intended to increase awareness of the services offered by the Consumption Portal, providing a link to the same on its homepage (resolution of 25 June 2019, 270/2019/R/com).

## Integrated Information System

Italian Decree Law of 8 July 2010, no. 105 converted into Italian Law no. 129 of 13 August 2010, (hereinafter "Law no. 129/10"), established within Acquirente Unico the Integrated Information System (IIS) for the management of information flows related to the electricity and gas markets, based on a database of collection points and end user identification data.

In implementing this law, the Authority established:

- the general criteria for the operation of the IIS;
- the fee for covering costs;
- the principle of the separation of accounts of foreign economic and financial activities related to managing IIS with respect to the other activities of the Company;
- the initial information flows to manage.

The functionalities of the IIS were subsequently extended to the management of information related to the consumption of electricity and gas by end users and, therefore, data on related measures of consumption, by the Italian Decree Law of 24 January 2012, no. 1, converted into Law 24 March 2012, no. 27, in line with what is reported by Antitrust in the matter.

In addition, Legislative Decree n. 102 of 2014 on energy efficiency matters has given the Authority to option to rely on, among other things, the IIS as part of the tasks conferred by the above-mentioned Decree regarding metering and billing of energy consumption.

The Annual Competition and Market Law then arranged for the creation and management by the IIS manager of an IT portal to collect and publish, in open data mode, the current offers on the retail electricity and gas markets, with particular reference to domestic use, companies connected in low voltage and companies with annual consumption not exceeding 200,000 standard cubic meters, based on the provisions established by the Authority.

The 2018 Budget Law also envisaged the stipulation of a memorandum of understanding between the Integrated Information System and ISTAT, having heard from ARERA, the Personal Data Protection Guarantor and the Competition and Market Guarantor, to make electricity and gas consumption information available to ISTAT to offer additional data for ISTAT censuses.

During 2019, the Authority issued a series of provisions regarding the IIS, regarding the electricity and natural gas sectors, also implementing the referenced legislative framework.

Specifically, the Authority established:

- establishment of the Electricity and Natural Gas Consumption Portal (hereafter, Consumption Portal), implementing Law 205/2017 (2018 Budget Law) to allow end users to access their historic data in a clear and useful manner. (Resolution of 25 June 2019, 270/2019/R/com);
- in the gas sector, completion of regulations for the process to provide technical/identifying data for delivery points (DPs) and reading data to the Integrated Information System (IIS), while also amending the communication standards, in order to rationalise the information flows for the gas sector regarding the technical/identifying data for the reading group and the readings taken, also at on the occasion of technical and sales services (resolution of 25 June 2019, 271/2019/R/gas ARERA ). The date on which information flows defined in the IIS technical specifications will take effect, initially set for 1 February 2020, was postponed to 1 June 2020 (resolution of 26 November 2019, 493/2019/R/GAS);
- rationalisation of information flows regarding technical data and readings from delivery points, as well as data used for managing supplier changes, and the introduction of an informational service for commercial counterparts, in the context of the Integrated Information System (Resolution 479/2019/R/eel). The new information flows will be applied with reference to all delivery points effective as of 1 August 2020, while those to make functional data available from

the IIS when supply begins and those for historic reading data on the basis of the information available will apply as of switching from 1 September 2020. The information service will be made available to commercial counterparts within the IIS with 5 months after the relative provision is published.

- a reform of the gas settlement regulations, with approval of the “Integrated text of provisions for settlement of physical and economic items regarding the natural gas balancing service (TISG)”, which substitutes that approved with resolution 72/2018/R/gas, to implement the new regulations relative to the provisional budget and management of the chain of commercial relationships relative to the Integrated Information System (resolution 148/2019/R/gas). It was confirmed that the reform will take effect as of 1 January 2020, with the exception of certain specific aspects already adopted on the basis of the previous resolution in 2018;
- the start of proceedings intended to revise the TIMR, in particular with reference to the indicators included in it, establishing, among other things, that the IIS Manager shall establish a specific monitoring office within the IIS, to be called the IIS Monitoring Unit, responsible for reporting and monitoring activities, as well as processing and making available information useful in the retail monitoring of IIS availability. The IIS Monitoring Unit is also responsible for making available additional data and information useful for ARERA’s institutional activities, in the context of reporting and monitoring activities. To that end, the IIS Manager sent an organisational proposal relative to this Unit to the ARERA Retail Market and Consumer Protection Area (as established under Resolution 7 May 2019, 173/2019/A);
- management of the correspondence between balancing users (BU) and distribution network delivery points (resolution 155/2019/R/gas).

Additionally, as of 1 June 2019 the regulations for the indemnity system internal to the IIS took effect also for the natural gas sector (resolution 406/2018/R/com of 26 July 2018). As of this date, transactions and relative processes are managed solely within the IIS (as has been the case for the electricity sector since 1 December 2018).

## Italian Central Stockholding Entity - OCSIT

In order to implement the EU Directive 2009/119/EC, which establishes the obligation for Member States to hold a minimum quantity of stocks of crude oil and/or petroleum products, the Italian government issued the Legislative Decree no. 249 of 31 December 2012, published in the Official Gazette no. 22 of 26 January 2013 and in force since 10 February 2013.

The measure, among other things, attributed to Acquirente Unico the functions and activities of Italian Central Stockholding Entity (OCSIT), providing in particular that OCSIT is to purchase, hold, sell, and transport “specific” stocks (finished products referred to in a list defined by the regulation) and can also organize and provide a service of storage and transport of emergency and commercial oil stocks.

As determined by the above-mentioned Legislative Decree, the costs and expenses incurred by the Company to carry out OCSIT activities are covered by the contribution determined by the Italian Ministry of Economic Development, jointly with the Ministry of Economy and Finance, and payable by the parties responsible, as identified annually by the Ministry of Economic Development, on the basis of what was released for consumption in the last year of the energy products listed in Annex C, Section 3.1, paragraph 1 of Regulation (EC) No. 1099/2008.

OCSIT is subject to the supervision of the Italian Ministry of Economic Development, which shall determine the guidelines for the exercise of its functions. With a deed of 31 January 2014, the Ministry of Economic Development adopted compliance guidelines for the operational start-up of OCSIT, also on the basis of the business plan it transmitted to the Ministry.

With a decree on 27 February 2019, the Ministry of Economic Development established the start of the stock year 2019/2020, from 1 April 2019 to the date the next stock year begins. It also establishes that OCSIT must hold specific stocks which together amount to fourteen days of stock. Consequently, stocks of products with the same characteristics as specific stocks, owned by the other responsible parties are equal to 16 days.

The MED Decree of 4 July 2019, regarding Implementing Directive EU 2018/1581, containing an amendment to Directive 2009/119/EC regarding the calculation methods for petroleum stock requirements, established that the start date for stock years would be 1 July rather than 1 April, allowing European storage bodies three additional months in which to complete the administrative procedures and adjust their stock levels.

As clarified by the MED, in consideration of the date on which the Decree took effect, on 1 January 2020, the operational changes regarding holding of stocks by responsible parties and OCSIT will apply as of stock year 2020, or 1 July 2020. Consequently, stock year 2019, which began on 1 April 2019, will end on 30 June 2020.

## Gasoline Fund (OCSIT)

Starting in 2018, the OCSIT activities relative to the Gasoline Fund increased as an effect of Article 1, paragraph 106 of Italian Law no. 124 dated 4 August 2017, pursuant to which, "as of 1 January 2018, the Cassa Conguaglio GPL (Liquefied Petroleum Gas Equalisation Fund), pursuant to Italian Interministerial Price Commission provision no. 44 dated 28 October 1977 will be eliminated and the relative functions and responsibilities, as well as the relative legal relationships, will become part of the functions performed by Acquirente Unico SpA through the Italian Central Stockholding Entity assigned pursuant to Article 7, paragraph 1 of Italian Legislative Decree no. 249 dated 31 December 2012, under the separate accounts regime. Permanent staff working as part of the aforementioned Cassa as of the date the present law takes effect will be transferred to the OCSIT function of Acquirente Unico SpA, maintaining their fundamental and accessory compensation, limited to fixed and continual items paid at the time of transfer. Starting from 1 January 2018, ownership of the Fund for rationalisation of the fuel distribution network pursuant to Article 6 of Legislative Decree no. 32 of 11 February 1998 was also transferred to OCSIT, which involves charges for the execution of the activity, so as to ensure economic, equity and financial independence for said activities, with respect to the other tasks performed by OCSIT. The activities transferred pursuant to the present paragraph were carried out on the basis of operational guidelines issued by the Ministry of Economic Development and will cease when the financial resources of the cited Fund are exhausted. Starting from 1 January 2018, ownership of the GPL Fund and the Reserve Stocks Fund were also transferred to OCSIT."

Following the issuing of the said law, the following funds, which were part of the now eliminated Cassa Conguaglio GPL, were also transferred to the Company (collectively referred to as the "Gasoline Fund"):

- Fund for rationalisation of the fuel distribution network. This fund indemnifies managers of petrol stations following their closure. The fund was developed over the years through contributions made by the managers themselves;

- Reserve stocks fund. Fund to collect receivables deriving from the eliminated National Reserve Stocks Agency;
- GPL Fund. Cassa Conguaglio employee severance indemnity fund.

## ECONOMIC FRAMEWORK

### International outlook

Global economic activity in 2019 saw growth of 2.9%, based on OECD estimates<sup>1</sup>, a good six tenths of a point lower than the previous year and the lowest annual growth rate since the financial crisis. Based on Bank of Italy analysis<sup>2</sup>, global economic growth remained slow, with notable differences between countries, both in the advanced and emerging economies.

In particular, among the advanced economies, Japan was one of the few to see a slight improvement with respect to 2018, while the United States, although at a slightly slower rhythm than in 2019, nonetheless recorded the most significant growth (2.3%).

Among the main emerging countries, growth fell most significantly in India (although it still recorded 5%), while the slowing of economic activity in China which began in 2018 continued, with the lowest estimated annual GDP growth since 1990 (6.1%). In Brazil and Russia, the macroeconomic situation continues to be fragile and worsened with respect to the previous year, with respective growth rates of 0.8% and 1.1%.

In the Eurozone, economic activities slowed with respect to the previous year, in particular during the last quarter, recording growth of 1.2%, due both to weakness in the manufacturing sector and a decline in foreign demand. During the year, and in particular during the summer, the industrial sector remained very weak, with a particularly notable decline in Germany, which saw the lowest GDP growth in 6 years (0.6%). On the other hand, France and Spain saw fairly satisfactory economic growth, although it was lower than the previous year. The fear remains that if the weakness in the industrial sector becomes prolonged, this will be reflected in a significant manner in service areas throughout the Eurozone.

A dramatic decrease in the growth rate of international commerce flows was seen, which rose by only 0.6%, compared to 4.4% the previous year. Global trade was above all weighted down by trade tensions between the United States and China, the effects of which also impact business trust and propensity to invest. Additionally, imports to the US and United Kingdom also decreased during the year.

Inflation in the Eurozone in 2019, measured on the basis of the harmonised consumer price index, was positive (1.2%), but the base component remained weak. Due to favourable conditions, in particular thanks to the expansive measures adopted by the ECB, during the second half of the year financial market

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<sup>1</sup> OECD, Economic Outlook, no. 106, November 2019

<sup>2</sup> Bank of Italy, Economic Bulletin, no. 1 January 2020, pg. 13

conditions changed, with a considerable decrease in sovereign risk premiums in the Eurozone. In December, the ECB's Executive Board confirmed the monetary policy direction it had adopted in September. Official rates will remain at levels equal to or lower than current ones until inflation has stably reached a level near 2%.

## Domestic outlook

For the year 2019, Italy's estimated GDP growth (adjusted for calendar effects) is equal to 0.2%<sup>3</sup>. During the last quarter of 2019 the Italian economy saw a significant decline (-0.3%, the biggest drop since the beginning of 2013), which fully put the brakes on the already weak but still positive performance seen in previous quarters. This was the consequence of a notable decrease in added value in industry and agriculture, while tertiary activities continued to stagnate. In terms of demand, 2019 continued to show a positive contribution from the net foreign component, even if Italian exports have suffered from the weak growth of global commerce.

Industrial production continued to see a slow but constant decline (-0.6% on an annual basis), in large part due to the drop in the energy sector. Only in November was a slight improvement seen (0.1%), thanks to the demand for goods from the productive system.

Household consumption increased slightly over the year, in particular thanks to a favourable trend in available income.

The unemployment rate was 9.8%, with an annual downward trend of -0.5%. On an annual basis, numbers of employees increased (+207 thousand units), above all permanent (+162 thousand), while freelance workers decreased by 71 thousand units. The data on youth employment recorded in December was a significant improvement over the previous year (annual trend -3%). For young people between 15 and 24 years of age, the unemployment rate was 28.9%<sup>4</sup>.

In 2019, inflation in Italy saw a modest positive change (0.6%<sup>5</sup>, harmonised consumer price index), half with respect to 2018. The slight increase was in large part due to energy goods, especially fuels.

Conditions on the financial markets improved in the second half of 2019. More specifically, from June onwards a notable decrease in the risk premium for Italian government securities was seen. The differential between returns on 10-year Italian and German government securities in fact fell by a good 120 basis points, in part due to the more accommodating monetary policy.

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<sup>3</sup> ISTAT, preliminary GDP estimate, 31 January 2020

<sup>4</sup> ISTAT, Employed and Unemployed, provisional data, 30 January 2020

<sup>5</sup> ISTAT, Consumer Prices, 17 January 2020

Finally, based on Ministry of Economy and Finance, GDP growth of around 0.4% is forecast for 2020, around 0.8% for 2021 and 1% for 2022<sup>6</sup>. Based on this projection, economic activity will be supported by internal demand and a progressive recovery in international trade.

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<sup>6</sup> MEF, Update to the 2019 Economy and Finance Document, 30 September 2019

## FINANCIAL PERFORMANCE

### Summary Financial statements

The income statement and balance sheet data for the 2019 financial year are shown in summary in the schedules set out in the following pages obtained by reclassifying the statutory accounting statements prepared in accordance with the Italian Civil Code.

In addition to the reclassified schedules, detailed analytical data is presented concerning:

- operating costs, separately for the different macro-areas that comprise AU activities;
- the overall trend in operating costs;
- financial management results.

The main operating highlights are also summarized in an overall synthesis, as shown in the schedule below.

### Main operating highlights

For the purposes of offering a brief presentation of the global operating trend of Acquirente Unico in 2019, Table 1 shows the main economic and financial data.

**Table 1: Summary of the main operating data (€ thousand)**

	2019	2018	Changes	Changes
	(€ thousands)	(€ thousands)	(€ thousands)	%
Revenues from the sale of electricity	3,017,918	3,600,923	(583,005)	(16.19%)
Profit for the year	56	285	(229)	(80.35%)
Investments in specific stocks (OCSIT) - value at end of year	660,973	576,301	84,672	14.69%
Other Investments (tangible and intangible assets) - value at end of year	10,100	6,861	3,239	47.21%
Shareholders' equity	8,699	8,914	(215)	(2.41%)

Source: Internal processing, Acquirente Unico.

## Reclassified Income Statement

Table 2: 2019 Reclassified Income Statement (€ thousand)

	2019	2018	Changes
<b>REVENUES</b>			
REVENUES FROM ENERGY SALES TO ENHANCED PROTECTION OPERATORS	3,017,918	3,600,923	(583,005)
OTHER REVENUES CONNECTED WITH ENERGY	10,471	44,401	(33,930)
REVENUES COVERING CONSUMER HELP DESK AND ARBITRATION SERVICE COSTS (STAR)	10,633	8,573	2,060
REVENUES COVERING WATER SECTOR COSTS	559	236	323
REVENUES COVERING IIS COSTS	13,430	9,964	3,466
REVENUES COVERING RETAIL MONITORING COSTS	115	215	(100)
REVENUES COVERING OFFER PORTAL COSTS	1,004	544	460
REVENUES COVERING OCSIT COSTS	28,702	21,261	7,441
REVENUES COVERING GASOLINE FUND COSTS	517	485	32
OTHER REVENUES AND INCOME	368	376	(8)
<b>a) Total operating revenue</b>	<b>3,083,717</b>	<b>3,686,978</b>	<b>(603,261)</b>
<b>COSTS</b>			
ENERGY PURCHASES	2,541,496	3,164,123	(622,627)
SERVICES PURCHASES CONNECTED WITH ENERGY	480,911	472,999	7,912
<b>Total energy costs</b>	<b>3,022,407</b>	<b>3,637,122</b>	<b>(614,715)</b>
OTHER PURCHASES OF CONSUMABLES	56	50	6
PERSONNEL COSTS	17,619	14,895	2,724
PROVISION OF SERVICES	11,997	10,334	1,663
- Services by the parent company	1,022	1,361	(339)
- Other services (including related costs of storage)	10,975	8,973	2,002
USE OF THIRD-PARTY ASSETS	25,504	20,165	5,339
- Leases for oil products storage services	24,163	18,897	5,266
- Other	1,341	1,268	73
OTHER EXPENSES	1,839	407	1,432
<b>b) Total costs (not including amortisation/depreciation)</b>	<b>3,079,422</b>	<b>3,682,973</b>	<b>(603,551)</b>
<b>c) Gross Profit (a-b)</b>	<b>4,295</b>	<b>4,005</b>	<b>290</b>
<b>d) Amortisation, depreciation and write-downs</b>	<b>4,217</b>	<b>3,759</b>	<b>458</b>
<b>Total Operating Costs</b>	<b>3,083,639</b>	<b>3,686,732</b>	<b>(603,093)</b>
<b>e) Operating income (c-d)</b>	<b>78</b>	<b>246</b>	<b>(168)</b>
NET FINANCIAL INCOME/(EXPENSE)	106	173	(67)
<b>EARNINGS BEFORE TAX (EBT)</b>	<b>184</b>	<b>419</b>	<b>(235)</b>
<b>Income taxes</b>	<b>128</b>	<b>134</b>	<b>(6)</b>
- Current taxes	269	278	(9)
- Taxes related to previous years	-	-	0
- Deferred tax liabilities and assets	(141)	(144)	3
<b>PROFIT FOR THE YEAR</b>	<b>56</b>	<b>285</b>	<b>(229)</b>

Source: Internal processing, Acquirente Unico.

## Revenue

**Total operating revenue** (Table 2), equal to € 3,083,717 thousand, was generated in particular from the activity of the energy sale to companies serving the Enhanced Protection Market (€ 3,017,918 thousand). Income from energy sale, in addition to covering the cost of supply of electricity and related services (e.g. (dispatching etc.), include the fee for energy operation costs, in the adjusted amount quantified by adopting the rate of return on capital before taxes, according to the methodologies applied by ARERA (€ 6,087 thousand).

Total operating revenues also include other energy-related income (unbalancing fees, etc.), amounting to € 10,471 thousand, income to cover the operating cost of activities carried out under the availing procedure and those related to IIS, OCSIT and the Gasoline Fund and, finally, other income and profit.

As a whole, operating revenue decreased by € 603,261 thousand compared to the previous year. The decrease was due to revenues from selling electricity to enhanced protection service operators (€ - 583,005 thousand) as a direct consequence of the decrease in the cost of electricity supply, since electricity purchase and sales activity management occurs within a balanced economic regulatory regime.

## Operating costs

**Total operating costs**, before amortisation, depreciation and write-downs, as can be seen in the reclassified Income Statement (Table 2), amount to € 3,083,289 thousand, of which € 3,022,407 for purchase and sale of electricity (including related services) and € 61,232 thousand for other costs, including € 24,163 thousand for fees paid to third parties to lease storage depots for OCSIT product stocks.

**Energy purchase costs** refer to € 2,541,496 thousand to purchase electricity and € 480,911 thousand to acquire energy related services (dispatching and other). This item also shows an overall decrease of € 614,715 thousand compared to the previous year.

Because of the dynamics of the cost of electricity purchases and related services, the decrease of € 614,715 thousand, shown in Tables 3 and 4 below, is due to the combined effect of the reduction in transactions of physical quantities (-3,239,700 MWh, equal to -6.6% over the previous year) and the average unit cost of purchase, including services (-€ 8.18/ MWh, corresponding to a change of -11.0% over 2018).

**Table 3: Costs for supplying Electricity (€ thousands)**

	2019	2018	Change	% Change
Costs for supplying energy	3,022,407	3,637,122	(614,715)	-16.90%

Source: Internal processing, Acquirente Unico.

**Table 4: Change in benchmark purchase costs**

	2019	2018	Change	% Change
Quantity in MWh	45,707,200	48,946,900	(3,239,700)	-6.62%
Unit cost (€/MWh)	66.13	74.31	(8.2)	-11.01%

Source: Internal processing, Acquirente Unico.

**Operating costs other than energy purchases** totalling € 61,232 thousand in 2019 refer to administration of the structure in the different areas in which AU operates.

The schedules shown below, appropriately processed and highlighted in Tables 5 and 6, indicate respectively:

- operating costs by macro-expense;
- a breakdown of operating costs based on a criterion of destination, that is specifically indicating the respective area of activity, in both cases comparing the 2019 figures with those of the previous year.

**Table 5: Operating costs (excluding energy costs) analysed by macro-type-of expense**

OPERATING COSTS	2019	2018	Changes2019 vs. 2018	% Change 2019 vs. 2018
Raw and subsidiary materials, consumables, and supplies – excluding energy purchases	56	50	6	12.0%
For services - excluding energy services	11,997	10,334	1,663	16.1%
For the use of third-party assets	25,504	20,165	5,339	26.5%
For personnel	17,619	14,895	2,724	18.3%
Amortisation/depreciation and write-downs	4,217	3,759	458	12.2%
Other operating expense - excluding energy contingent liabilities	1,839	407	1,432	351.8%
<b>Total</b>	<b>61,232</b>	<b>49,610</b>	<b>11,622</b>	<b>23.4%</b>

Source: Internal processing, Acquirente Unico.

Total operating costs (€ 61,232 thousand) increased by € 11,622 thousand compared to 2018. The items which saw the most significant growth include leases (+€ 5,339 thousand), due to the increase in fees for storage of petroleum product stocks, in relation to the increase in the average number of days of stock

stored, personnel expenses (+€ 2,724 thousand), due to the increase in the average number of employees and salary trends, costs for services (+€ 1,663 thousand), mainly attributable to the increase in expenses for IT services, for co-sourcing activities, banking and insurance services and accessory costs for storage of OCSIT stocks, and other operating expenses (+€ 1,432 thousand) due to recognition of amounts relative to the decreases in petroleum products accruing in previous years.

**Table 6: Operating costs (excluding energy costs) by area of activity (€ thousand)**

OPERATING COSTS BY AREA	2019	2018	Changes 2019 vs. 2018	% Change 2019 vs. 2018
Energy Area	6,185	8,068	(1,883)	(23.3%)
Consumer Help Desk (Contact Center, Special Procedures and Arbitration Service)	10,686	8,774	1,912	21.8%
Water Service Help Desk	559	236	323	136.9%
Integrated Information System - IIS	13,447	10,012	3,435	34.3%
Retail monitoring	115	217	(102)	(47.0%)
Offer Portal	1,004	544	460	84.6%
Italian Central Stockholding Entity - OCSIT	28,708	21,274	7,434	34.9%
Gasoline Fund	528	485	43	8.9%
<b>Total</b>	<b>61,232</b>	<b>49,610</b>	<b>11,622</b>	<b>23.4%</b>

Source: Internal processing, Acquirente Unico.

In terms of the breakdown of operating costs by area of activity, the total amount can be attributed to management in the Electricity Area (€ 6,185 thousand), services provided by the Energy Help Desk (€ 10,686 thousand) and the Water Service Help Desk (€ 559 thousand), implementation and management of the Integrated Information System (€ 13,447 thousand) and the Offer Portal (€ 1,004 thousand), Retail Monitoring activities for € 115 thousand, operating management for the OCSIT - Central Stockholding Entity (€ 28,708 thousand) and the Gasoline Fund for € 528 thousand.

The trend by operating area shows that overall growth is essentially due to OCSIT operating management (+€ 7,434 thousand), development of IIS activities (+€ 3,435 thousand) and Help Desk services (+€ 1,912 thousand), partially contained by a decrease in costs recorded by the Energy Area.

As regards methods of covering operating costs, the fees related to the **Electricity Division**, net of other income pertaining to the same area, are covered by the adjusted remuneration for the year 2019, calculated according to the algorithms adopted by ARERA. The excess between the amount of the consideration and the amount of the net operating expenses to be covered contributes to the pre-tax return on invested capital.

The following is noted regarding the costs incurred by AU in 2019 for operating the other business areas that are part of the Company:

- the costs of the activities in avilment (Energy and Environment Help Desk, including the water sector, Retail Market Monitoring) are covered by payments made by the Energy and Environmental Services Fund;
- the costs of the Integrated Information System are covered through a monthly fee charged to operators of the enhanced protection electricity service, to the companies serving the open energy market and to gas sector operators;
- the cost of OCSIT operations is met by the contribution charged to the specifically concerned petroleum operators;
- finally, costs for the Gasoline Fund are covered by the Fund for rationalisation of the fuel distribution network, transferred to the Company.

### **Operating profit**

The **Gross Operating Margin** (EBITDA) was positive, amounting to € 4,295 thousand, compared with the amount of the previous year of € 4,005 thousand.

With depreciation, amortisation and write-downs (€ 4,217 thousand) deducted, **Operating Profit** of € 78 thousand was achieved, slightly down compared to the previous year's figure.

### **Financial management results**

The results of financial management and the reasons for its performance are shown in the table below.

**Table 8: Financial management results: 2019-2018 comparison**

€ thousands

	2019	2018	changes
INTEREST INCOME ON BANK CURRENT ACCOUNTS	24	11	13
INTEREST FOR LATE PAYMENT AND PENALTIES FROM OPERATORS	328	216	112
OTHER FINANCIAL INCOME	16,351	6,059	10,292
<b>GROSS FINANCIAL INCOME</b>	<b>16,703</b>	<b>6,286</b>	<b>10,417</b>
	2019	2018	changes
FINANCIAL EXPENSE ON MEDIUM-TERM LOANS	3,021	4,683	(1,662)
FINANCIAL EXPENSE ON BOND LOAN	12,467	-	12,467
INTEREST EXPENSE ON SHORT-TERM BORROWINGS	1,108	1,429	(321)
OTHER FINANCIAL CHARGES	-	1	(1)
<b>GROSS FINANCIAL EXPENSE</b>	<b>16,596</b>	<b>6,113</b>	<b>10,483</b>
<b>FINANCIAL INCOME/(EXPENSE) RESULT</b>	<b>107</b>	<b>173</b>	<b>(66)</b>

Source: Internal processing, Acquirente Unico.

In 2019, financial management achieved net income of € 107 thousand, down with respect to the € 173 thousand recorded the previous year.

It should be noted that charges on loans granted to OCSIT, in particular relative to the medium-term loan intended for supplies of oil product stocks and the bond loan, as well as interest expense on short-term debt, due to financial payables intended to cover the requirement originating from electricity purchases on the Day Ahead Market, have a contra entry under the item Other financial income.

### Pre-tax profit

Pre-tax profit is equal to € 185 thousand, compared to € 419 thousand in 2018. This is the consequence of calculations carried out on the basis of a before tax profit rate, as in the Resolution adopted by ARERA.

### Profit for the year

Profit for 2019 equalled € 56 thousand, compared to € 285 thousand in 2018.

## Reclassified Balance Sheet

The reclassified Balance Sheet as of 31 December 2019, compared with that the previous year is detailed in Table 9:

**Table 9: Reclassified Balance Sheet, 2019 (€ thousand)**

<i>€ thousands</i>	Dec. 31, 2019	Dec. 31, 2018	Changes
<b>NET FIXED ASSETS</b>			
Intangible Assets	4,872	3,923	949
Tangible assets	666,201	579,239	86,962
Financial fixed assets	714	784	(70)
	<b>671,787</b>	<b>583,946</b>	<b>87,841</b>
<b>NET WORKING CAPITAL</b>			
- Receivables due from customers	703,509	985,219	(281,710)
- Receivables due from parent company	124	-	124
- Receivables due from Energy and Environmental Services Fund	60	-	60
- other assets	1,955	1,821	134
- Payables due to suppliers	(106,382)	(90,964)	(15,418)
- Payables due to parent company	(75)	(1,974)	1,899
- Payables due to subsidiaries of parent companies	(79,417)	(143,721)	64,304
- Payables due to Energy and Environmental Services Fund	(16)	(4)	(12)
- other liabilities	(25,016)	(16,863)	(8,153)
<b>Total</b>	<b>494,742</b>	<b>733,514</b>	<b>(238,772)</b>
<b>INVESTED CAPITAL</b>	<b>1,166,529</b>	<b>1,317,460</b>	<b>(150,931)</b>
<b>PROVISIONS</b>	<b>(21,055)</b>	<b>(29,908)</b>	<b>8,853</b>
<b>INVESTED CAPITAL NET OF PROVISIONS</b>	<b>1,145,474</b>	<b>1,287,552</b>	<b>(142,078)</b>
<b>COVERAGE</b>			
<b>SHAREHOLDERS' EQUITY</b>	<b>8,699</b>	<b>8,914</b>	<b>(215)</b>
- Share Capital	7,500	7,500	-
- Legal reserve	1,143	1,129	14
- Profit for the year	56	285	(229)
<b>NET FINANCIAL DEBT (CASH)</b>			
- net debt to banks and other financial institutions in short-term	374,913	829,307	(454,394)
- short term debt due to Energy and Environmental Services Fund (CSEA)	10,000	170,000	(160,000)
- bond loan	496,714	-	496,714
- debt to banks in the medium and long term	364,124	279,333	84,791
- other securities	(108,972)	-	(108,972)
- cash and cash equivalents	(4)	(2)	(2)
<b>Total</b>	<b>1,136,775</b>	<b>1,278,638</b>	<b>(141,863)</b>
<b>TOTAL</b>	<b>1,145,474</b>	<b>1,287,552</b>	<b>(142,078)</b>

Source: Internal processing, Acquirente Unico.

### **Invested Capital**

Total fixed assets (€ 671,787 thousand as of 31 December 2019) show a significant increase (€ 87,841 thousand) over the previous year, mainly due to OCSIT investments in oil stocks. The increase is due, in fact, to the investment in the procurement of an additional two oil stock days occurred during 2019.

Net working capital of € 494,742 thousand, is mainly formed by receivables due from customers (enhanced protection service operators and, to a much lesser extent, other counterparts) amounting to € 703,509 thousand and by payables due to suppliers, for € 106,382 thousand, as well as relative to subsidiaries of the parent company for € 79,417 thousand.

Invested Capital (including net fixed assets) amounts to € 1,166,529 thousand, which falls to € 1,145,474 thousand, net of various provisions.

### **Sources**

Shareholders' Equity totals € 8,699 thousand, including Net Profit of € 56 thousand for the year. The decrease with respect to the previous year (€ 215 thousand) is attributable to the results for the year and the distribution of part of the profit from the previous year over the course of the year.

The difference between Invested Capital (net of provisions) and Shareholders' Equity resulting primarily from net debt (including the amount of funding aimed at supplying inventory to OCSIT, equal to € 364,124 thousand), amounted to € 1,136,775 thousand at the end of 2019, down with respect to the previous year by € 141,863 thousand.

This decrease is mainly due to the combined effects of the following factors: the repayment of the bank loan taken out in 2015 by OCSIT to purchase oil stocks; the repayment of advances granted to CSEA to purchase electricity; the issuing of a bond loan on 20 February 2019; the investment of the temporarily unused liquid assets obtained through the bond loan in insurance policies.

## ACTIVITY IN ENERGY MARKETS

### Total electricity demand

In 2019, based on provisional data from Terna, electricity demand totalled 319.6 TWh<sup>0</sup>, showing a decrease of -0.6% compared to 2018 (321.4 TWh), a year which saw growth of 0.3% with respect to 2017 (320.5 TWh). Monthly trends with respect to the previous year were higher in the months of January, June, July and August, with an average of 2.6%. In the remaining months, the monthly trends with respect to 2018 were negative (an average of 2.3%).

### Energy demand for the enhanced protection service

Energy demand for the enhanced protection service in 2019 totalled 45.7 TWh<sup>7</sup>, accounting for 14.3% of total demand (15.2% in 2018).

### Consumption and oil price trends<sup>(8)</sup>

Global oil demand in 2019 is estimated to have been on average 100.3 million b/d, after exceeding the record level of 101 million b/d in both the third and fourth quarters of the year. With respect to 2018, demand for oil rose by almost 1 million b/d (+1%), less than that forecast at the beginning of the year and slightly lower than growth in 2018 (+1.3 million b/d). A large part of this increase was, again in 2019, driven by non-OECD countries, in particular China (+600,000 b/d) and other Asian countries (+300,000 b/d), which with 27.9 million b/d represented around 53% of total non-OECD demand. In essence, solely Asia was responsible for 90% of the increase in global oil demand, despite less dynamic economic performance than in the past. On the other hand, in terms of oil demand from OECD countries, a positive sign was again recorded for the United States and Canada, but in amounts much lower than in the recent past (+130,000 b/d, a third of the growth seen in 2018). Europe instead recorded a slight drop for the second consecutive year (-100,000 b/d), settling at 14.2 million b/d. Globally, oil continued to be the largest energy source accounting for 31%, followed by coal at 27% and gas at 23%. Together these sources satisfied 81% of total energy demand, similar to the previous year. In the transportation sector

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<sup>7</sup> Source: Terna SpA - Provisional figures from Terna processing.

<sup>8</sup> Source UP - Unione Petrolifera – Preliminary 2019 data.

(goods and people), the weight of petroleum products remained at around 92%. All together, since 2010 global oil demand has risen by 12 million b/d, supported by an increase of 11.3 million from non-OECD countries and 700,000 b/d from OECD-countries. In terms of 2020 forecasts, the most recent figures from the International Energy Agency estimate oil demand will increase by up to 101.5 million b/d, 1.2 million b/d more than in 2019, with 75% of the increase concentrated in non-OECD countries.

In 2019, average oil supply was around 100.3 million b/d, just higher than in 2018 (+10,000 b/d, +0.01%). Taken as a whole, OPEC production declined by 1.9 million b/d with respect to 2018 (-5%), while that of non-OPEC countries increased by 1.7 million b/d (+3%), while supply of biofuels and processing gains also rose (+0.2 million b/d). Saudi Arabia, occupied by the complex listing of Saudi Aramco, which does not appear to have convinced foreign investors, given that 80% of shares placed ended up in the hands of Saudi investors, reduced its production by 500,000 b/d, returning below the threshold of 10 million b/d after 4 years. This was in part due to cuts implemented by OPEC Plus and also due to the effects of the attacks on oil infrastructure in mid-September which instantly removed 5.7 million b/d from the market, around 6% of global crude production. However, this was rapidly recovered. In the United States, with a total volume of over 17 million b/d, 1.6 million b/d more than the previous year (+10.2%), the policy of supporting national resources continued, with a new production record established and classification as a next oil exporter, for the first time in 70 years. In Russia, due to its signing of the OPEC Plus agreement, 2019 saw its volumes grow by just 90,000 b/d, just reaching 11.6 million b/d, which is nonetheless its highest level in recent years. Since 2010, the United States has more than doubled its volumes (+120%), compared to increases of +11.5% in Russia and +5.1% in the OPEC countries. As a whole, since 2010 global oil supply has grown by 13.1 million b/d (+15%), covered for 78% by non-OPEC countries (+10.2 million b/d) and the remaining part by OPEC countries (+1.7 b/d), to which can be added processing gains and biofuels (+1.2 million b/d). A peculiarity in 2019 was that the year was substantially balanced: demand and supply trends avoided the surpluses which, greater or smaller, had characterised recent years. More specifically, during the second half of the year, the surplus generated during the first part of the year was absorbed thanks to OPEC Plus production cuts and the reduction in Saudi production. Relative to OPEC Plus production cuts, in its last meeting in Vienna on 6 December, it was decided to further reduce supply by 500,000 b/d, starting on 1 January, with the aim of fighting the expansion in US supply, thereby bringing the total reduction to 1.7 million b/d, which could reach 2.1 million if certain countries, Saudi Arabia above all, make even more severe cuts, as stated in the final document issued after the meeting.

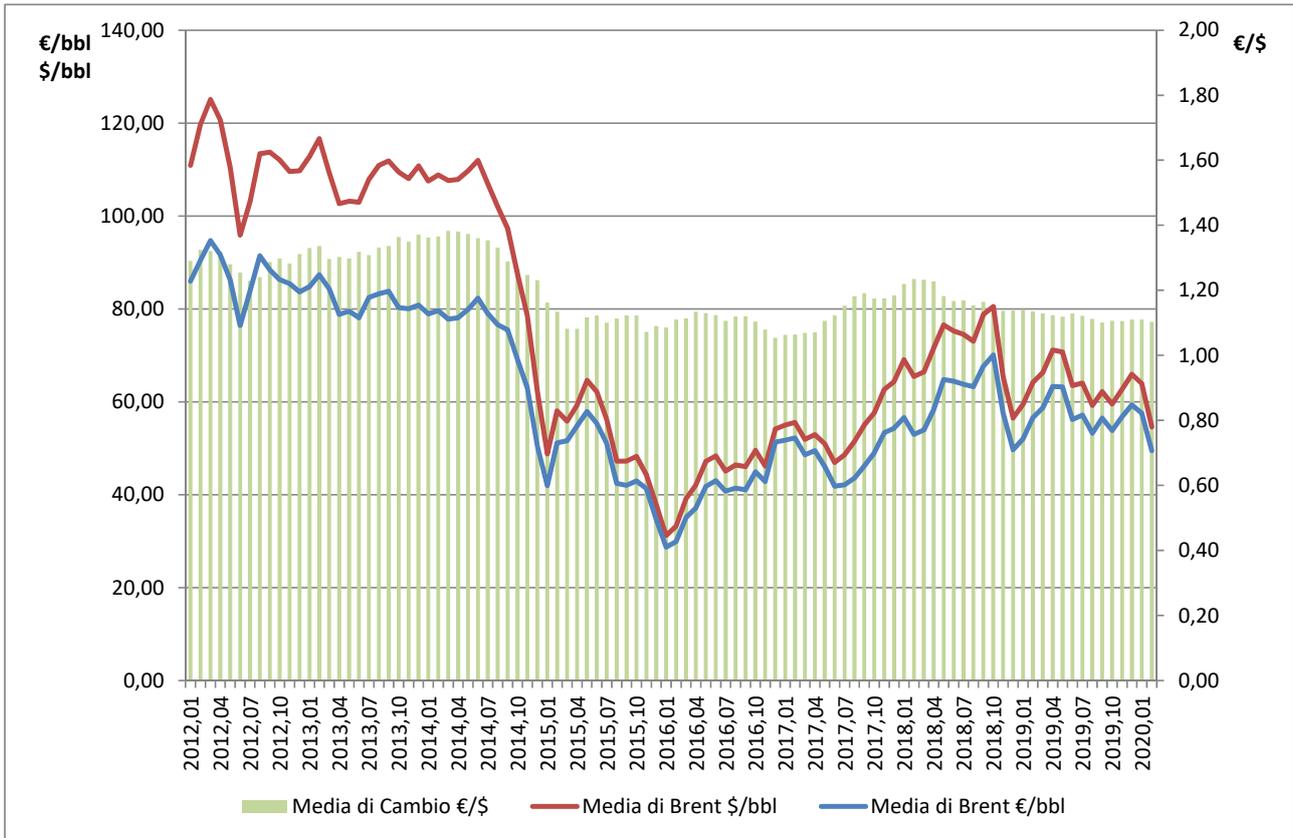
During the course of 2019, the price of crude (dated Brent) was extremely volatile, closing at an annual average of \$64.5/barrel (-9%), \$6.5/barrel lower than the previous year (\$71/barrel). After reaching around \$50/barrel at the end of 2018, the initial part of the year saw a widespread upward trend which drove prices up to around \$76/barrel in May, only to slide in the following months, ending up back at the low of \$54 at the beginning of August. The main reasons behind the increases seen during the first quarter include the decrease in crude supply on the market due to the sanctions imposed by the American administration on Iran and Venezuela, as well as production cuts established in the OPEC Plus agreement in effect as of 1 January 2019. These were tempered only partially by the slowing in global economic growth and the loosening of the US position on customs duties relative to China.

Starting in April, the aspects driving prices up to the peak of \$ 76/barrel in mid-May were the decision made by the US administration to not renew waivers for imports of Iranian crude, the block of flows coming from the Russian Urals to Central Europe, due to organochloride contamination in the Druzhba pipeline, the attacks on tankers in the Gulf of Oman and, finally, Iran's threats to close the Strait of Hormuz. However, another downward trend began as of the second half of May, with the Brent down to below \$60/barrel by August, due to the intensification of the trade war between the US and China and Beijing's consequent decision to devalue the yuan. The final part of the year saw extremely volatile movements for prices, even intra-day, due to notable geopolitical instability, also after the drone attacks on two of the most important Saudi Arabian oil facilities on 14 September which, in the immediate aftermath, removed around 6% of global crude production from the market. Additionally, the consequences of the coronavirus on economic performance and, in particular, on crude prices during 2020 remain to be seen.

### **Trend of the euro/dollar exchange rate**

The euro/dollar exchange rate was more volatile in 2019 than the previous year, with a decisive downward trend. In fact, the rate began the year at around €1.15/\$ - €1.14/\$, but already in March, values had fallen to between €1.12/\$ - €1.13/\$, reaching the low for the year at the end of September, at €1.09/\$. During the final three months, the euro/dollar exchange rate oscillated between €1.10 - €1.12/\$, ending the year in December at around €1.1155/\$. The average annual figure was €1.1187/\$.

Figure 1: Brent price vs Euro/Dollar 2012-2019



Source: Brent prices and EUR/USD exchange rate (Bloomberg)

## Trends in the price of electricity<sup>9)</sup>

In 2019, the price to purchase electricity (SNP) on the Day Ahead Market (DAM), of € 52.32/MWh returned to the levels seen in 2014/2015, after two increases over the historic low of 2016, showing an annual drop of 14.7%. Against national purchase levels that were the lowest in the last six years, with the exception of 2018, and net imports close to the lowest levels ever, again this year, the decrease is linked to downward trends in gas prices on the PSV, especially between June and December (around €-18/MWh) with the lowest point reached in September (€ -25/MWh with respect to 2018). The drop in the SNP, in line with the trends seen in prices on the main bordering electricity markets, mainly reflect the reduction in the cost of gas, which fell to a level just above the historic low of 2016. In fact, volumes traded on the market remained almost unchanged, at their highest levels since 2013, supported on the supply side solely by national sales to combined cycle and wind (at historic highs) and, on the demand side, by increases in purchases by non-institutional operators and exports.

DAM liquidity was substantially stable and at its highest levels ever for the third consecutive year (72.1%), with market volumes which continue to show the highest figure since 2009 (+0.2%). Sales prices in the areas of the peninsula and in Sardinia fell widely and sharply to €51-52/MWh, and to €63/MWh in Sicily. In terms of zones, all sales prices fell decisively, reaching around € 51-52/MWh on the peninsula and in Sardinia (€ -8-9/MWh) and below €63/MWh in Sicily (€ -7/MWh), above all in correspondence with the greater availability of supply at low costs for combined cycle and wind. The further reduction in the North/South spread is notable. Always positive since 2009 it was, for the first time, almost non-existent (€ 0.36/MWh, € -0.98/MWh), in conjunction with a decrease in purchases made in the North.

The Intraday Market demonstrated price trends still in line with the SNP, with which for the first time it was practically aligned. Volumes rose, inferior only to the historic maximum recorded in 2016.

During the second full year of the new Intraday Market (IM) structure, the average purchase price in the seven sessions fell to €52.20/MWh (€ -8.33/MWh, -13.8% over 2018) and, as for the SNP, after two increases with respect to the minimum of 2016, the levels seen in 2014/2015 were reached. For the first time it was practically aligned with the DAM, with a negative differential of just €0.12/MWh (€ -0.66/MWh).

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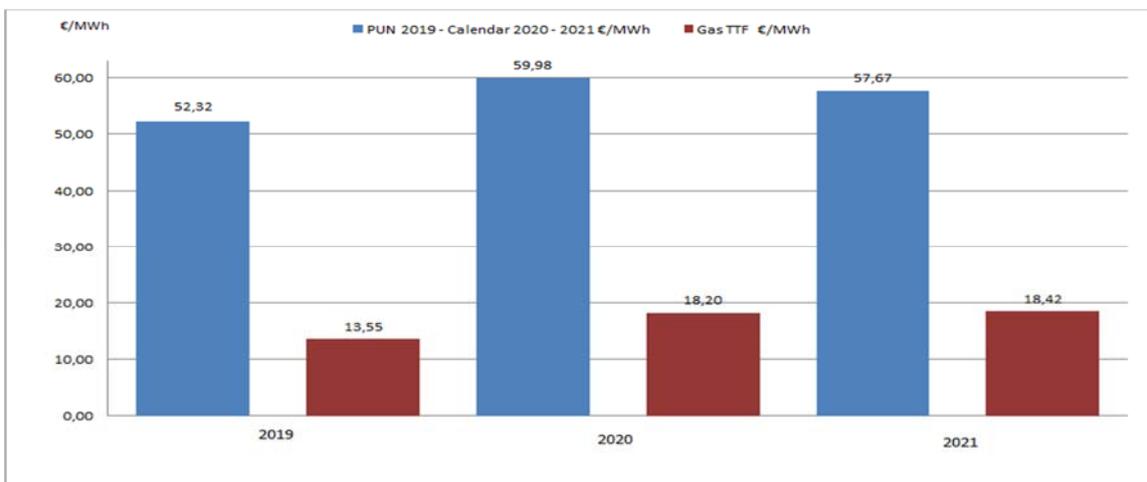
<sup>9</sup> Source GME Newsletter January 2019.

Similar trends were seen in the prices on the seven intraday markets, falling between around €52/MWh for IM1 and IM2 and €58/MWh for IM6, all decidedly down (-12/-14%) and aligned or lower than the prices calculated on the DAM during the same hours.

On the Forward Electricity Market, the annual 2020 baseload ended the trading period at € 54.25/MWh, showing expectations of a weak increase in prices for the year in course. Transactions on the OTC Registration System fell to their lowest levels since 2011.

The graph in figure 2 shows the average SNP value for 2019 and the spot price for gas traded on the TTF platform. For 2020 and 2021, it instead shows the average annual values of prices for the annual electric baseload product and the calendar for gas traded on the TTF platform.

**Figure 2 SNP and TTF Gas Trends**



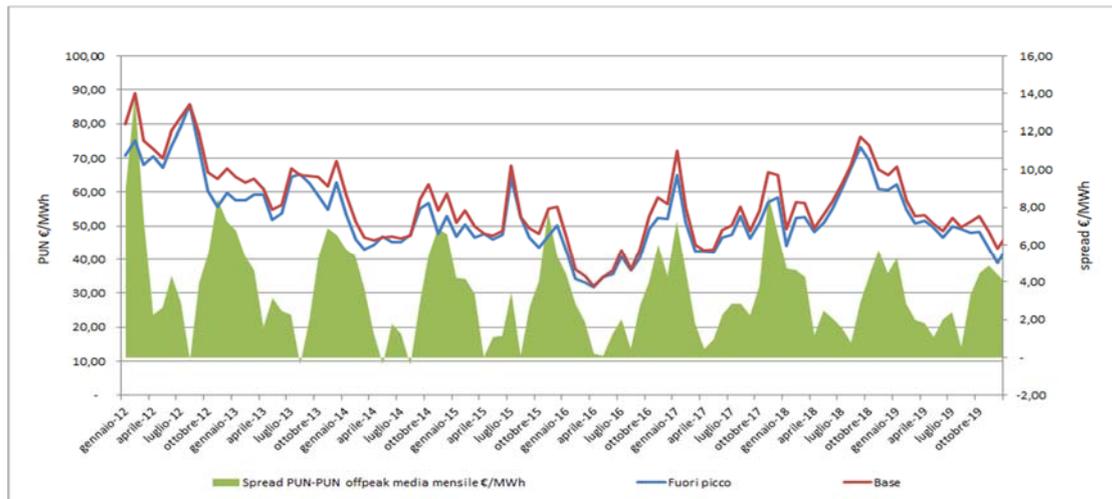
Source: TTF Gas prices (Bloomberg); SNP (Gestore dei Mercati Energetici – GME S.p.A.)

The graph makes clear the presence of a correlation between gas and electricity prices.

The average purchase price for energy on the electricity market (SNP) returned again in 2019 to exceed the 2017 levels at €52.32/MWh, down by €8.99/MWh over 2018 (-14.7%), even if in 2018 the price had exceeded €60/MWh, an amount not seen since 2013. The decrease was seen already in March. While in January the SNP reached its peak of €67.65/MWh, in March it had already fallen to €52.88/MWh (approximately € -14.8/MWh with respect to January 2019), paradoxically reaching the absolute low point in December at €43.34/MWh (€ -24.31/MWh with respect to January 2019). This trend is linked to the similar trend seen in the listings of gas traded on the PSV (or on the TTF hub, which with respect to the PSV includes transport costs to Italy).

Additionally, the downward effect on the SNP can also be attributed to the decrease in domestic demand and, partially, to renewable sales, which declined slightly overall with respect to the very high values seen the previous year (94.9 TWh, -0.6% over 2019). Analysis by hour groups shows an analogous reduction in peak prices, at € 59.12/MWh (€ -9.35/MWh, -13.7%) and off-peak prices, at € 48.72/MWh (€ -8.79/MWh, -15.3%), with consequent stability in the peak/baseload ratio, at 1.13 (+0.01 over 2018), in line with the historic minimum of 1.12 seen in 2018. The maximum hourly price of € 108.38/MWh was seen at 8:00 am on Thursday, 24 January, much lower (€ -51.02/MWh) with respect to the hourly maximum recorded in 2018 of € 159.40/MWh. A figure that demonstrates the changes that have affected the performance of the SNP over recent years is highlighted by Figure 3, which represents the average monthly SNP (all hours of the month) and the SNP in the Off-Peak hours (from 8:00 pm to 8:00 am from Monday to Friday and all hours on Saturday and Sunday). The differences in terms of monthly average between the SNP and the Off Peak SNP were equal to € 6.7/MWh in 2010, € 5.5/MWh in 2011, € 5.4/MWh in 2012, € 4.05/MWh in 2013, € 3.89/MWh in 2014, € 3.69/MWh in 2015 and € 3.14/MWh in 2016, with this being the historic low. The figure was 4.42 in 2017 and 3.26 in 2018, in line with 2019, where the difference was € 3.39/MWh. Furthermore, as regards the SNP in the F1, F2, F3 bands in the months of February, March, May and August 2019 the price in the F2 band was systematically higher than F1, confirming the trend already seen in the last few years. This trend can still be attributed to weak demand for electricity compared to the availability of generation plants, especially with regard to the strong spread of production from renewable sources, in particular photovoltaic to which, as it is known, is mostly due the so-called peak shaving, namely the reduction of the SNP during peak hours.

Figure 3: SNP Price Trends<sup>(10)</sup> 2012-2019



SNP data source: Gestore dei Mercati Energetici – GME S.p.A.

<sup>10</sup> SNP: Single National Price, Article 42.2, paragraph c of the Integrated Text on the Electricity Market, approved by Italian Ministerial Decree dated 19 December 2003, as amended.

## Energy supply

Acquirente Unico guarantees the supply of electricity to customers of the Enhanced Protection Service. Following approval of the cited resolution 633/2016, reforming the conditions for the Enhanced Protection Service, Acquirente Unico obtains its supplies exclusively on the spot markets (DAM and MPEG), without signing any type of coverage contracts.

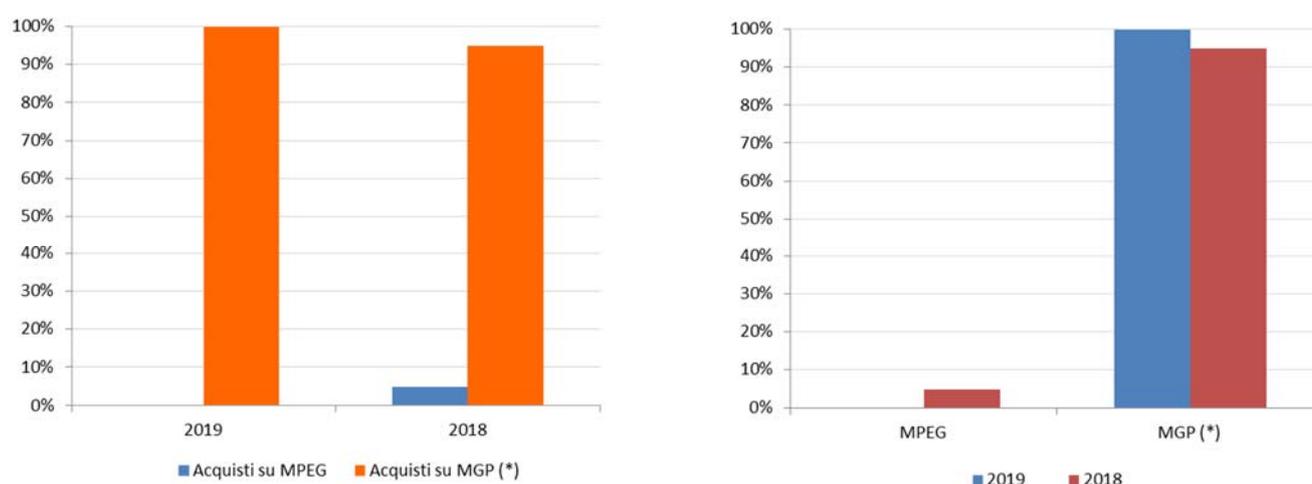
The table and graphs below provide a comparison between 2019 and 2018 for purchases for the Enhanced Protection Service.

**Table 10: Electricity supply for the Enhanced Protection Service 2019 vs. 2018**

Type of supply	2019		2018		Changes 2019 vs. 2018	
	GWh	%	GWh	%	GWh	%
<b>a) Purchases on the MPE</b>						
a.1) DAM	45,388.4	99.31%	47,485.2	97.02%	-2,096.8	-4.42%
a.2) MPEG	6.0	0.01%	2,458.8	5.02%	-2,452.8	-99.76%
<b>Total purchases spot markets (a.1+a.2)</b>	<b>45,394.4</b>	<b>99.32%</b>	<b>49,944.0</b>	<b>102.04%</b>	<b>-4,549.6</b>	<b>-9.11%</b>
<b>b) Unbalances</b>	312.8	0.68%	-997.1	-2.04%	1,309.9	-131.37%
<b>Total energy purchases (a+b)</b>	<b>45,707.2</b>	<b>100.00%</b>	<b>48,946.9</b>	<b>100.00%</b>	<b>-3,239.7</b>	<b>-6.62%</b>

Source: Internal processing, Acquirente Unico.

**Figure 4: Supply types 2019 vs. 2018**



(\*) Unbalances included

Source: Internal processing, Acquirente Unico.

A decrease in energy requirements was seen in 2019 compared to the previous year, going from 48.9 TWh to 45.7 TWh, approximately 6.6% less.

In 2019, electricity demand (45.7 TWh) was mostly satisfied through purchases from the power exchange (DAM). In fact, purchases on the MPEG and imbalances were only 0.006 TWh, equal to 0.01%, and 0.3 TWh, or 0.7% of total demand respectively.

More specifically, 45.4 TWh were purchased on the Day Ahead Market, at a unit cost of €54.69/MWh, while the unit cost on the Daily Products Market (MPEG) was €57.65/MWh.

The average annual cost of supplies, also considering unbalances, was €55.38/MWh in 2019, compared to €63.74/MWh in 2018, excluding costs relative to energy services.

## Unbalances

Under ARERA Resolution no. 111/06, in 2019, the time offsets between the final and binding programs to cover the energy needs of the Enhanced Protection Service amounted to 312.8 GWh, around 0.7% of total requirements.

## Costs of energy supply

Energy supply costs for 2019, including service costs and net of the profits other than transfer (unbalancing etc.), amounted globally to € 3,011,936 thousand, of which € 2,531,025 thousand was for the purchase of energy and the remaining € 480,911 thousand for dispatching and other service costs (Table 11).

**Table 11: Energy supply costs (€ thousand)**

€ thousand

	2019	2018	Changes
Cost of energy purchase			
<b>Total cost of energy purchase net of other revenues</b>	<b>2,531,025</b>	<b>3,119,722</b>	<b>(588,698)</b>
Total dispatching cost	475,694	467,789	7,905
Total cost for other services	5,217	5,210	6
<b>Total cost for dispatching and other services</b>	<b>480,911</b>	<b>472,999</b>	<b>7,912</b>
<b>Total cost of energy net of other revenues</b>	<b>3,011,936</b>	<b>3,592,721</b>	<b>(580,786)</b>

Source: Internal processing, Acquirente Unico

## **Electricity sales to companies operating in the enhanced protection service**

### **Companies providing the enhanced protection service**

At the end of 2019, the number of companies providing the enhanced protection service was 111, down by 12 with respect to the previous year, in part attributable to consolidation underway between enhanced protection operators, due to the possible elimination of the service.

### **Billing of Electricity sold by AU**

The quantities invoiced monthly by Acquirente Unico to the enhanced protection service operators are defined based on the resolution made by AREG, ARG/elt 107/09 (Integrated Settlement Text, TIS), as amended.

The invoicing and payment settlement methods are instead governed by AREG resolution ARG/elt 156/07, as amended (Integrated Sales Text, TIV).

In 2019, following the settlement of balances by Terna with dispatching users, Acquirente Unico made balancing adjustments for all operators of the enhanced protection service for the energy sold in 2018, as well as for the late adjustments for the previous five years (2013 - 2017).

### **Sale price**

The sale price of electricity for operators of the enhanced protection service is determined by the criteria set by AREG resolution no. 301/12 and is equal to the sum of four components:

- a) the weighted average unit costs incurred by Acquirente Unico in the hours included in a given time slot (F1, F2, F3), for the respective amounts of electricity;
- b) the unit cost incurred by Acquirente Unico as a dispatching user for the enhanced protection service in the hours included in said bands;
- c) the unit price recognized for Acquirente Unico for electricity purchases and sales for the enhanced protection market;
- d) the unit cost sustained by Acquirente Unico to cover financial charges generated by using financing channels to purchase electricity on the day ahead market destined for enhanced protection customers.

Table 12 shows the trend in the sale price in individual months of 2019, broken down by hourly bands.

**Table 12: Sale prices for 2019 (€/MWh)**

	Monthly Total 2019 (€/MWh)											
	January	February	March	April	May	June	July	August	September	October	November	December
<b>F1</b>	86.864	72.400	66.190	71.759	65.771	67.687	70.032	64.267	69.366	72.054	70.278	64.820
<b>F2</b>	82.868	74.178	69.405	72.538	68.591	66.850	69.625	68.521	69.286	71.074	64.997	59.763
<b>F3</b>	69.575	61.908	59.034	59.568	58.104	56.714	57.926	58.151	56.359	56.032	52.156	47.998
<b>Average</b>	80.044	69.633	64.806	67.414	63.933	63.461	65.784	63.234	64.654	66.781	62.662	56.923

Source: Internal processing, Acquirente Unico.

### Supplier of last resort and Default distribution service - Gas

Based on the guidelines provided by the Authority, in the month of September 2019, Acquirente Unico carried out the tendering procedures for the identification of suppliers of last resort and the natural gas default distribution service for the next thermal year (1 October 2019 - 30 September 2020).

Both the last resort supply service and the default distribution service were awarded to Hera Comm S.r.l. and Enel Energia SpA.

## ACTIVITIES IN SUPPORT OF OPERATORS AND END USERS

### Energy and Environment Consumer Help Desk

The Energy and Environment Consumer Help Desk functions on the base of three-year projects approved by the Authority for Energy, Networks and the Environment (ARERA) and 2019 represented the final year of activities carried out on the basis of the objectives set in the **2017-2019 Operating Project** (Project), approved through the Resolution of 6 December 2016, 727/2016/E/com. To ensure continuity of activities during the three year period from 2020-2022, in November of last year the Help Desk presented its proposed new Operating Project to ARERA, which approved it with a Resolution on 10 December 2019, 528/2019/E/com, which establishes that services in availment will be extended to the sectors of district heating and cooling and to waste, including recycling, urban and similar.

The Help Desk served as the **single reference point** in 2019 for effective management of disputes and requests for information from electricity and gas consumers and users of the integrated water service, pursuant to the Authority's resolution 383/2016/E/com and TICO (Reformed Authority Protective System - STAR), as well as 55/2018/E/idr, amended by resolution 142/2019/E/idr, and responded to information requests coming from users of waste services, pursuant to resolution 197/2018/R/rif.

In the year just ended, the Help Desk assisted electricity and gas customers in resolving disputes through the **Conciliation Service**, with this procedure a required condition for accessing the ordinary courts, while the **Special Procedures** (also known as **SMART Services**) helped to resolve specific types of issues (Settlement Procedures or SMART Help Services: bonuses, Cmor cancellation pursuant to the amendment of resolution 99/12, unrequested contracts pursuant to articles 8 and 9, resolution 153/12, lack of indemnity, double billing) and responded to requests for information on specific issues (informational Special Procedures or SMART Info Services: Cmor import and supplier, transfer supplier, switching date and supplier).

The Help Desk also offered its services to users of the **Integrated Water Service**, both by handling second level **Complaints** and through the **Conciliation Service**. The option to choose between the two

procedures was eliminated as of 1 July for users of managers required to participate in conciliation, with this tool the only possible procedure, as already occurred for energy sector customers.

During 2019, the **Toll Free Number Verde 800.166.654** continued to offer an important informational service to energy sector and environmental sector customers relative to the social bonus, tools for resolving disputes with suppliers, on consumer regulations and rights, on the Electricity and Gas Offer Portal and on the status of cases in progress with the Help Desk. During the year, two new services were added: as of May the Toll-Free Number also answers requests relative to Procurement Groups accredited by the Authority, and as of 1 July it provided information on the Consumption Portal.

The Help Desk also managed requests for information, complaints, cases and notifications coming from **Waste** sector users, including recycling, urban and similar.

With this in mind, and thanks to the efforts of a team of over *90 employees* supported by a co-sourcer managing the toll-free number and a team of external arbitrators, a set of organizational and technological skills has been established, optimal for supporting deep understanding of sector regulations and trends in regulated sectors, as well as the ability to manage relationships with all the players in the energy and environment markets.

Because of these skills, in 2019, the Help Desk, in close cooperation with the Authority and through continuous discussions with over **500** operators, managed:

- **485,000** calls received at the 800 166 654 toll free number;
- **55,000** requests for SMART Help and SMART Info services, information requests and notifications;
- **16,005** conciliation requests.

The SMART Services and the Conciliation Service are assessed on the basis of strict service level agreements (SLAs) with the Authority which call for the "measurement" of case management times and the quality of actions activated by the Help Desk.

In the same way, the Call Centre at 800 166 654 has to meet the SLAs established in ARG/com no.164/08, the Consolidated Text regulating the quality of energy and gas sales services (hereafter, TIQV) such as accessibility to the system, average operator waiting time and the level of service.

All services are also subject to customer satisfaction surveys from customers when the cases are closed, the results of which are provided below.

The Help Desk sends *monthly and quarterly reports* to the Authority, providing details on the activities performed and results achieved, and identifying proposals intended to strengthen consumer protection

and ensure the utmost transparency, publishing these results on a quarterly basis on the website [www.sportelloperilconsumatore.it](http://www.sportelloperilconsumatore.it), which can also be accessed through the Authority's website.

The website also provides all the information and forms needed to access Help Desk services and fully manage one's requests online, from sending the request to adding documentation, checking on pertinent documents and determining the status of complaints.

Digitalisation of request management and dematerialisation of documents have been objectives pursued by the Help Desk since it began operating, with an eye to optimising time, cost, and service quality. Today, customers/users and operator/managers are required to communicate solely online with the Help Desk, also with the assistance of the Contact Centre, with the sole exception of domestic customers not supported by a professional proxy, and hence unable to use the Single Portal.

Note that the Help Desk supported the “Telecommuting” company project, which involved over 47 employees in 2019, who provide their 60% - 80% of their work hours through remote connections. The initiative continues to see positive results both in terms of motivation and performance for involved employees.

All Help Desk services are free of charge and easily accessible through the **Toll Free Number 800.166.654** or the website [www.sportelloperilconsumatore.it](http://www.sportelloperilconsumatore.it), through which customers can interact fully online, 24/7, once they have registered with the Single Portal.

## **Contact Centre**

In 2019, the Contact Center offered free answers through the **toll free number 800.166.654** and in writing with regards to opportunities and consumer rights relative to the electricity, gas, integrated water services and waste markets, tools for resolving disputes with suppliers, procedures to obtain social bonuses (electricity, gas and water), the Electricity and Gas Offer Portal, Procurement Groups accredited by the Authority and on the status of cases in progress with the Help Desk.

The Contact Centre with an internal AU team and a team managed by the co-sourcer awarded the service, able to guarantee the needed flexibility for the structure in the face of any sudden increases in calls.

During the year, the *Toll Free Number* managed around **485,000** calls during open hours (Monday-Friday, 8:00 am - 6:00 pm, exclusive of holidays), a 19.8% increase with respect to the previous year, as well as **3,100** written requests for information.

During this period, the Toll Free Number achieved the following *service levels*:

- **95%** service level (operator responses/calls) vs. the 80% established in the TIQV;

- **100%** service accessibility (available telephone lines) vs. the 95% established in the TIQV;
- **149** seconds average operator waiting time (including messages from the automatic answering system) vs. 200 set forth by the TIQV;
- **96%** of consumers were satisfied with the service received, based on the evaluation given by around **55%** of consumers contacting the Toll Free Number.

Note that the Contact Centre provides an important function as an *incubator* for new employees to be inserted in other Help Desk units, with an eye to professional development and integration between the various areas.

### ***Special Procedures and Notifications***

Requests for SMART Services (Special information and settlement procedures) and Notifications from consumers are identified, registered and classified by the *Special Procedures Unit* which, in terms of creating a file, analyses requests and, based on the subject, verifies the data requested from the Integrated Information System (IIS), or sends relevant information requests to relevant operators until the issue is fully resolved or informs the Authority of issues falling under its responsibility.

The **Unit** operates with:

- a *Technical Secretariat*, for registration, creation of files and distribution of incoming documents, which also provides support to operators/managers with regards to the authorisation procedure for the Service platform and assists with resolving any technical/management problems;
- a *team of experts* specialised in dealing with various issues in the sector.

In 2019 **215,520 documents** were handled, ensuring they were registered and sorted on the same day they arrived at the Help Desk. **55,000 new requests** to activate SMART services and notifications were analysed and handled, as well as **31,220 responses** from customers/users and operators/managers.

During the period, customers/users who requested support expressed a positive assessment of the service received **96%** of the time.

## **Settlement Service**

As of 2017 *conciliation* became the **main tool** available to end energy and gas customers to resolve second level disputes relative to issues governed by the Authority, as well as a necessary condition to access the ordinary courts.

For more than a year, since 1 July 2018, the Service has also been active for users of the **integrated water service** as an alternative to presenting second level complaints to the Help Desk. Since 1 July 2019, for users associated with managers required by the Authority to participate in conciliation procedures (resolution 142/2019/E/idr), this is the only tool that can be activated to resolve disputes with their suppliers. For all other users, the option to choose between a complaint and conciliation is still valid. The Authority has established that managers who are not obligated by the above resolution can in any case voluntarily adhere to the procedure for a minimum period of two years. In this case, their users are classified in the same way as those of obligated managers.

The conciliation procedures within the Service are entirely managed online with no costs for the end customer/user, in the presence of a specifically trained mediator for the electricity and environmental sectors, in compliance with the European regulations on energy and alternative dispute resolution (ADR). Presentation of conciliation requests, as well as meetings and management of cases, is done through accessing the Service web platform, combined with virtual rooms in which the parties meet in the presence of a mediator made available free of charge by the Service, who works to support an agreement between customers/users and operators/managers, recognises and handles single sign-on digital signatures for the minutes which, we recall, are **enforceable documents**.

The Service operates through a Manager, a Technical Secretariat and a team of Acquirente Unico mediators supported by a team of external mediators selected through agreements with the Rome and Milan Chambers of Commerce in order to guarantee necessary flexibility to the structure in terms of organisational requirements or any sudden upticks in requests.

The Secretariat manages incoming requests, supervises organisational aspects of conciliation and supports authorisation of operators relative to the web platform, as well as the resolution of any technical problems.

The Service also trains and updates all conciliators working for it and found on the list published on its website, optimising procedures used to manage cases and the conciliation management system web platform.

The service received **16,005** requests in 2019, sent by end users or their proxies in **68%** of cases, and by consumer associations for the remaining portion, and involved disputes relative to invoicing issues in **54%** of cases.

**77%** of conciliation requests were accepted by the Service and led to an agreement between the parties after an average of **52 days** with a minimum of *7 days*.

**95%** of participants in conciliations were satisfied with the service received and result achieved.

### ***Monitoring and Services***

The structure provides monitoring and reporting regarding the performance of the services offered by the Help Desk, prepares periodic reports for the Authority and AU, and identifies qualitative service levels for processes.

It also defines and updates operating procedures and tools in the face of regulatory changes in the sectors managed, as well as training to update the skills of AU and external resources who support the various services. Its activities also include actions intended to improve relations with external parties (Authorities, Consumer Associations, operator/managers, etc.).

Note that in September, the Help Desk voluntarily requested a “Data Protection Impact Assessment” through the DPIA procedure governed by Regulation EU 2016/679 – GDPR (General Data Protection Regulation). The comprehensive evaluation of the residual risk level deriving from the degree of compliance with the fundamental principles of the GDPR and specific risks relative to the security of data processing “did not identify significant non-compliances or lack of respect for the fundamental principles of the Regulation”.

## Integrated Information System

### Context

The number of operators working on the retail market for both the electric and gas sectors remained substantially unchanged in 2019 with respect to the previous year: electricity operators totalled 750 (including distribution companies, dispatch users, enhanced protection service operators, sellers, Terna and Cassa per i Servizi Energetici e Ambientali) and gas had around 900 operators (including distribution operators, transport operators, distribution users, sales companies and balancing users).

The number of active users in both sectors also remained stable:

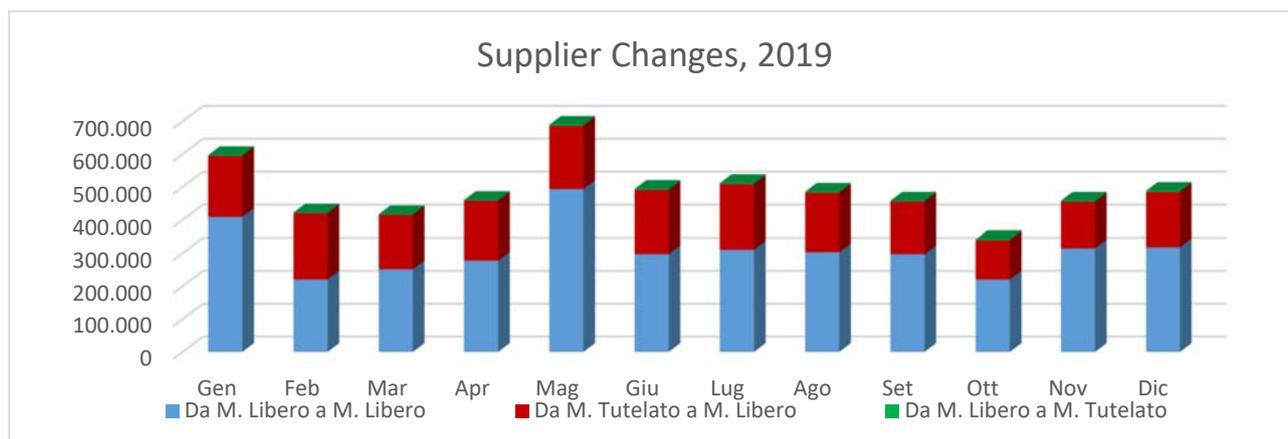
- the electricity sector recorded the number of active delivery points at around 36.8 million;
- in the gas sector, the number of active users came to 21.8 million delivery points.

Processing of the data handled by the IIS in the Official Central Register shows a progressive increase in electricity supplies active on the open market, going from 18 million to 20 million during the year, corresponding to the decrease in supplies provided through the Enhanced Protection Service, which fell from 18.8 million to 16.6 million.

The table below indicates supplier changes in the electricity sector, highlighting transfers between the open market and protective regimes.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
From open market to open market	408,782	220,582	251,716	277,638	493,472	297,374	310,379	303,445	296,976	220,646	314,914	317,935	<b>3,713,859</b>
From protected market to open market	186,176	199,894	164,150	180,594	192,783	194,047	198,665	179,202	158,931	118,815	140,635	167,111	<b>2,081,003</b>
From open market to protected market	2,161	1,929	1,537	2,116	2,919	2,807	2,710	2,976	2,445	2,287	2,942	3,311	<b>30,140</b>
Total supplier changes	597,119	422,405	417,403	460,348	689,174	494,228	511,754	485,623	458,352	341,748	458,491	488,357	5,825,002

The subsequent graph shows the trend in supplier changes in the electricity sector.



Around 182,000 users activated last resort services in 2019. The table below shows activation requests occurring during the year, distinguishing between activations under the enhanced protection and safeguard systems.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Number of safeguard activations	65,070	5,425	2,737	5,834	7,598	5,218	4,301	6,576	2,661	2,547	1,291	2,211	<b>111,469</b>
Number of enhanced protection activations	10,683	4,467	4,362	7,968	8,398	5,038	6,285	7,771	4,952	3,138	4,568	3,597	<b>71,227</b>
Number of total last resort activations	<b>75,753</b>	<b>9,892</b>	<b>7,099</b>	<b>13,802</b>	<b>15,996</b>	<b>10,256</b>	<b>10,586</b>	<b>14,347</b>	<b>7,613</b>	<b>5,685</b>	<b>5,859</b>	<b>5,808</b>	<b>182,696</b>

The most significant developments in IIS activities in 2019 included:

- The activation of new meter reading documents for the 2G meters, through the IIS;
- Determination of annual gas withdrawals through the IIS;
- Determination of Standard Gas Withdrawal Profiles through the IIS;
- Accreditation of Gas Balancing Users (BU) in the IIS;
- Creation of the Consumption Portal to allow end users access to their own supply data in the IIS;
- Development of the Portal to compare commercial offers for electricity and gas, to receive additional new offers;
- Population of relationships between Balancing Users (BU), Distribution Users (DU) and Delivery Points (DPs) to map the gas chain;
- Updating of monthly settlement processes by managing the gas chain;

- The start of the process to activate default transport for delivery points where the BU-DU-DP relationship is not closed;
- The start of the process to update the RCU, following fraudulent withdrawals of electricity by end users;
- Development of the Contract Termination process to manage termination by large customers;
- The start of the process to calculate Annual Consumption by Delivery Point for thermal year 2019/2020;
- Development of functions and applications to extend before the fact verification of annual average power (AAP);

Close cooperation with the Authority continued in 2019, standardising flows, re-engineering current processes and developing new processes.

## Electricity Industry

Due to the consolidation of the IIS's central role in managing electricity meter readings, it was possible to reform the functional rules for *ex-ante* verification of average annual power values, with reference to switching requests coming from dispatch users, ensuring coverage of guarantees. The main activities in this area involved:

- **Extension of *ex-ante* verification of annual average power (AAP) values.**  
Resolution 272/2019/R/eel assigned the IIS a central role in determining the annual average power value for each delivery point and in verifying, for each delivery point involved in a switching request made by a new user, that the algebraic sum does not exceed the maximum AAP value for the delivery points included in their dispatch contract, in line with the guarantees presented to Terna to cover the dispatch contract. Analysis and definition of technical specifications was done in 2019 to allow the IIS to calculate the AAP value for each delivery point, and the procedures and applications needed to manage the process were also prepared, to operate as of the first half of 2020. The introduction of the *ex-ante* control using the IIS constitutes an important guarantee for the electricity system, avoiding financial exposure for dispatching users, which has been the cause of bankruptcy for important operators in recent years, with

consequent economic consequences for end users as well, as their supplies require last-resort services to guarantee continuity and the electricity system having to nationalise unpaid system charges. During 2020, this project will allow for further optimisation of last-resort service activation processes guaranteed to the end user, while further limiting possible unpaid amounts following the failure of market operators.

- **Evolution of on condition RCU update processes to manage fraudulent withdrawals of electricity by end users.**

The Authority carried out inspections to that end, during the course of 2018, after which circumstances were identified which justified the introduction of possible improvements in terms of promptness and increasing efficiency in handling fraudulent withdrawals. In fact, during these checks it was found that in a significant number of the cases analysed communication by the distributing company to the enhanced protection operator with regards to the existence of fraudulent withdrawals took a very long time, as did the subsequent issuing of a bill by the latter to the end user, with possible negative repercussions in terms of recovering the receivable from the customers responsible for the fraud. With Resolution 568/2018/R/eel proceedings began to subsequently adopt provisions intended to improve efficiency in the management of fraudulent withdrawals. With Resolution 109/2019/R/eel the Authority introduced measures to improve efficiency in management of fraudulent withdrawals by enhanced protection end users, revising the mechanism regarding settlement of uncollected amounts relative to these withdrawals, pursuant to TIV.

Relative to commercial processes, the main developments in 2019 involved:

- **Development of reading flows for the electricity sector.**

The technical specifications for the standard processes for reading data for PODs with 2G meters were analysed and defined in 2018 in relation to application of hourly treatment for settlement purposes, as established in Resolution 700/2017/R/eel. Standards and processes were defined in 2019 for the meter change and the technical specifications were published in February. The procedures and applications to manage reading flows through the new meter standard are now operational, as is the new specific flow for the meter change. As of August 2020, management of the previous readings pursuant to Resolution 65/2012 will be definitively eliminated.

- **RCU update processes following fraudulent withdrawals of electricity.**

Projects were carried out to improve the on-condition updating process for the RCU in 2019 in order to allow acquisition of the information needed to manage readings to improve handling of fraudulent withdrawals from enhanced protection end users.

Additionally, **management of processes begun the previous year** continued, as detailed below:

- Management of the Official Central Register (RCU). The Register collects official data relative to all energy delivery points installed on distribution networks connected to the Italian transport network: around 44.4 million delivery points counted, of which around 7.5 million points not energised, constantly updated by IIS users with an average frequency of around 12,000 daily changes. IIS accredited companies operating in the electricity sector include 1 transport company, 148 distribution companies, 600 distribution users and sales companies and 123 enhanced protection operators.
- Management of information flows relevant to balancing the network and forecasting consumption (settlement), begun with Resolution 57/2013/R/com. The activities include monthly management of identifying information for delivery points served on the open market and adjustments to mistakes in attributing delivery points to dispatch users by distributors, as governed by Resolution 308/2013/R/com, as well as managing half-yearly adjustment of data regarding area deliveries.
- Daily acquisition of activation request results, contract deactivation and termination due to arrears for delivery points coming from distribution companies, with simultaneous of the RCU, as envisaged in Resolution 82/2014/R/eel. On the whole, an average of 13,000 changes were handled daily.
- Provision of the Precheck service, governed by Resolution 2/2014/R/eel. An average of around 20,000 queries were sent by sellers each day to verify a match between the POD and the identifying information for the end consumer owning the delivery point in the RCU.
- Management of the transfer process, implementing Resolution 398/2014/R/eel and subsequent Resolution 161/2015/R/eel. These activities were begun in November 2015 and involve management of around 120,000 transfer requests per month.

- Management of the Indemnity System. Around 181,400 new indemnity requests presented by outgoing operators were processed in 2019, as well as activities involving cancellation, accounting and changes to around 176,700 cases opened the previous year. Additionally, spot checks were performed to check the accuracy of the data declared by operators.
- Management of procedures to apply the *television fee in the electricity bill*, implementing that established in the 2016 Stability Law. During 2019, the IIS made around 22.5 million charges per month, continuing to provide the important results for the government budget achieved the previous year. Additionally, in 2019 procedures to manage reimbursements of improper instalments were managed in the IIS.
- Acquisition of *electricity consumption reading data* for all active delivery points. For all delivery points not handled on an hourly basis, around 40 million monthly readings were managed in 2019, also considering the number of adjustments for the readings, as envisaged in Resolution 402/2015/R/eel. For points on which a 2G meter is installed, readings with details every fifteen minutes were acquired on a daily basis, as envisaged in resolutions 248/2017/R/eel and 700/2017/R/eel, for around 12 million points. Finally, with regards to the approximately 5 million points involved in hourly processing for the purposes of settlement, as provided in Resolution 640/2014/R/eel, the IIS continued with monthly acquisition of the readings taken the previous month, with details every fifteen minutes.
- Electricity measurements made available in a centralised manner to dispatch users and enhanced protection service operators. Resolution 594/2017/R/eel assigned IIR to serve as the sole interface to make measurement data available to distributor companies and dispatch users. As of January 2018, the IIS has officially served as the centralised service that collects, saves and disseminates measurement data (both that obtained with current meters and those from new 2G meters), as well as managing, through the RCU, “system relations”, connecting each delivery point, distributor, end user, dispatch user and commercial party.

## Gas Sector

With regards to business, in 2019 the gas market reform established in Resolution 72/2018/R/gas began, attributing a central role to IIS in terms of determining annual withdrawal by DP, defining a Standard Withdrawal Profile and managing the gas chain, all needed to complete the reform of the regulations regarding gas settlement planned for 2020. The IIS's central role in market processes and management

of consumption reading flows was further strengthened, as envisaged in Resolution 434/2017/R/gas. As established in Resolution 488/2018/R/gas, as of November 2018 the IIS officially manages acquisition gas readings and makes them available, as needed to aggregate readings and providing profiles for Distribution Users, to define physical gas quantities taken by each balancing user on each gas day, and the payments for daily balancing, as established in Resolution 72/2018/R/gas, as amended.

The main activities in this area involved:

- **Determination of annual withdrawals and determination of standard withdrawal profiles through the IIS.**

In the first quarter of 2019, technical specifications were analysed and defined to allow the IIS to calculate annual consumption for all DPs, measured annually, monthly and daily, based on that established in Resolution 132/2019/R/gas. Additionally, all DPs were assigned a standard withdrawal profile based on their category of use, withdrawal class and climate zone, for use in the subsequent thermal year. This activity was completed in the IIS in July 2019.

- **Definition of the process to update relationships between balancing users and distribution network delivery points (gas chain mapping).**

During the first half of 2019 analysis was carried out on the procedure for the initial population of relationships between BUs, DUs and DPs was defined, as foreseen in Resolution 155/2019/R/gas. During the same period, technical specifications were analysed and defined with regards to the process of updating the relationships used by BUs to update the correspondence with the DPs they already own, to confirm/refuse combination requests received by the IIS from Distribution Users, as well as those from DUs to update relationships after events which lead to changes. Initial population was carried out in October and in November the procedures and applications used to manage update flows regarding relationships between BUs, DUs and DPs were operational.

- **Default transport activation process.**

During the first quarter of 2019, technical specifications were analysed and defined for the default transport activation process for delivery points for which a BU-DU-DP relationship is not closed, with the aim of guaranteeing natural gas balancing in relation to withdrawals from transport system delivery points in the absence of the relative Balancing User, pursuant to Resolution 249/2012/R/gas. Starting in December, procedures and applications became operational to manage flows going towards BUs, DUs and transport companies to activate the default transport.

Relative to **commercial processes**, the main developments in 2019 involved:

- **Accreditation of Gas Balancing Users (BU) in the IIS.**

Resolution 515/2018/R/gas introduced the for IIS to accredit balancing users for entities holding a gas transport contract, also defining the methods and schedules functional to accrediting and communication requirements applying to the balancing manager and other minor transport companies. The process is part of the reform of the sector regarding settlement and mapping of commercial relationships. As of January activities with Bus necessary for accreditation began, as well as those need to permit the start of the process of unequivocal associations between DPs and BUs, requiring the BU to play an active role in the IIS.

- **Updating of monthly settlement processes by managing the gas chain/.**

After the IIS was assigned the central role in managing gas chain mapping, in 2019 analysis was done and technical specifications were updated for monthly settlement processes, as established in the “Integrated Text of Provisions for Settlement of Physical and Economic Items Regarding the Natural Gas Balancing Service” (IISG). The new version of the monthly settlement process began operating in December 2019, with official management of the gas chain by the IIS applying as of January 2020.

- **Start of the GAS Indemnity System.**

Resolution 593/2017/R com approved the “Integrated text for the indemnity system applying to end users in arrears in the electricity and natural gas sectors” (TISIND) which defines the regulations to be applied to the indemnity system, for both the electricity and natural gas sectors, based on usage of the IIS. Downstream of experiments and testing to ensure proper operation of the new management methods with the relative operators, with Resolution 406/2018/R the indemnity system regulations took effect for the natural gas sector as well as of 1 June 2019, within the IIS. From the point the gas process began in 2019, the IIS managed over 70,000 indemnity requests.

During the year, management of processes begun the previous years continued and was strengthened, as indicated below:

- Careful updating of the GAS RCU, accreditation of commercial counterparts, in order to make possible extension of the pre-check and switching service. IIS accredited companies operating in the gas sector include 7 transport companies, 247 distribution companies, 605 distribution users and sales companies and 113 balancing users. Within the GAS RCU, delivery points, of which an average of 21.8 active and 3.5 actionable, are updated with a frequency of around 11,000 changes per day, received from distributors following activation, deactivation, transfer and switching operations and amending identifying data for delivery points.
- Management of *settlement flows* (TISG); in implementation of Resolution 418/2015/R/com, as amended, as of July 2016, the IIS ensures official management of the flows it is responsible for. Additionally, implementing Resolution 312/2016/R/gas, since 1 October of the same year, by the end of each month the IIS has published the sum of the annual deliveries associated with each delivery point on the distribution networks, aggregated by delivery point on the transport network and detailed by the standard delivery profile type;
- Management of *gas transfers*, implementing Resolution 102/2016/R/com, as of 1 December 2016 the new processes have been managed. The IIS manages an average of 71,000 transfers each month.
- Management of gas switching; in implementation of Resolution 77/2018/R/com, as of 1 December 2018, the new processes have been managed. The IIS manages an average of 180,000 switches each month.

### **Portal for comparison of offers for electricity and gas**

The Comparison Portal, established under paragraph 61 of the Annual Market and Competition Law, no. 124 of 4 August 2017, serves to collect and publish current offers for the retail electricity and gas sale market, in particular for domestic users, companies connected in low voltage and companies with annual consumption not exceeding 200,000 standard cubic meters). Creation of the Portal was governed by Resolution 51/2018/R/com. During the first half all that required to implement PHASE 1 was carried out, focussing on comparison PLACET offers (acquisition of offers, definition and development of algorithms to calculate annual costs and consumption estimates, design and development of portal interface). In the second half, all adjustments needed to manage other types of offers on the free market were analysed and executed, as well as the filters and functions envisaged in the resolution. In July,

consultation with sales operators was done, with regards to the format of the various types of offers on the free market and the selection of forward indexes used to calculate costs relative to offers with variable prices. Since December 2018 the Portal has been fully operation, with over 4,000 offers compared. As envisaged in Decision DMRT/EMS/3/2018, the IIS prepares control reports on a monthly basis in relation to the obligation for sellers to published PLACET offers. Also, as envisaged under Resolution 51/2018/R7com, on a quarterly basis it prepares a report with traffic data, Offer Portal performance and the number of offers available on the Portal, with update frequency. Reports produced also include PLACET prices and contracts signed, as part of activities involving retail monitoring, market analysis and commercial appropriateness.

Market offers and operator requests were also constantly monitored in 2019. Based on the monitoring, implementation of a new report was assessed, which allows comparison of new offer types offered on the market by operators.

### **Consumption Portal to allow electricity and gas end users to access their consumption data**

The Consumption Portal, planned under the 2018 Budget Law (Italian Law 205 dated 27 December 2017), was established to allow end users to access their electricity and gas consumption data in the IIS. Access to the Portal, granted to all clients after SPID authentication, allows end users to view all information regarding the supply of electricity and natural gas on their account, including historic consumption data and other information about supplies, both technical and contractual. It is presented in a simple and secure way, free of charge, particularly with reference to domestic users, companies connected through low voltage and companies with annual consumption not exceeded 200,000 standard cubic metres. The goal is to increase awareness of individual energy consumption habits and individual energy footprints by making this information accessible. Creation of the Portal was governed by Resolution 270/2019/R/com, effective as of 1 July 2019.

During the initial stage, a website external to the IIS was created, in which interfaces for end user access were created, integrated with SPID authentication as well as the search and navigation functions which allow customers to consult readings and consumption for the last 12 months, with varying levels of detail based on the commodity and the type of meter installed. An archive was created for daily collection of

data relative to electricity and gas RCU supplies and correlated readings. This archive is the official database for Portal queries. Additionally, specific querying services for the archive were developed and specific application servers and data servers have been set up virtually to process query requests coming from the Portal interface, so as to not interfere with the ordinary operations in the IIS in executing market transactions. The data obtained can also be download by users at any time, in the most common digital formats. The period of time for historic data will be progressively increased to 36 months during the course of 2020, as well as the detail of the data made available. As established under Resolution 270/2019/R/com, the IIS prepares on a quarterly basis a report containing traffic data, user habits and the performance of the Consumption Portal. It also creates a yearly report containing an assessment of its technological adequacy and any needs for technological updates.

### **Other activities**

In 2019, in its role as Manager, AU provided the necessary technical support to the Authority in defining development guidelines for processes to be managed through the IIS. This support involved the issuing of the following deeds:

- Resolution 31/2019/A of 29 January, which approved the budget relative to the estimated costs for creating and managing the Offer Portal pursuant to Resolution 51/2018/R/com, as communicated by Acquirente Unico S.p.a. with reference to the period from 1 January to 31 December 2019;
- Consultation 33/2019/R/com of 29 January, which governs withdrawal from electricity and gas supply contracts for delivery points not connected in low voltage and for delivery points with annual consumption exceeding 200,000 standard cubic metres;
- Consultation 49/2019/R/eel of 12 February, which contains the Authority's guidelines on revising the settlement mechanism for fraudulent withdrawals, pursuant to article 16-*bis* of the TIV;
- Resolution 78/2019/R/eel of 5 March, which defines settlement of physical and economic items relative to electricity supplied and withdrawn from Italian grids interconnected solely with foreign grids (e.g. the Campione d'Italia electricity grid);
- Resolution 81/2019/R/gas of 5 March, which approves an amendment to the method used to calculate the incentive parameter p1, pursuant to paragraph 9.2, letter a) of the TIB and an amendment to Table 1 pursuant to Resolution 480/2018/R/gas;

- Consultation 84/2019/R/eel of 5 March, containing guidelines on the extension of before the fact verification of annual average power with reference to switching requests presented by dispatching users;
- Resolution 85/2019/R/com of 5 March, amending the 1 February 2018 Authority Resolution 51/2018/R/com making certain specific amendments to the Offer Portal Operating Rules, pursuant to Law 124/17;
- Resolution 103/2019/R/eel of 19 March, through which the Authority completed the process of revising market zones begun with Resolution 22/2018/R/eel, defining the new zone configuration which will apply as of 2021;
- Resolution 108/2018/R/gas of 26 March, which for the quarter from 1 April - 30 June 2019 updates the natural gas supply economic conditions for the enhanced protection service and makes amendments to the TIVG;
- Resolution 112/2018/R/gas of 26 March, which approves the values of CCR components pursuant to article 6bis of TIVG and CRVOS pursuant to article 26.1 of the RTTG for the next thermal year;
- Resolution 119/2019/R/eel of 2 April, which introduces measures to improve efficiency in the management of fraudulent withdrawals from enhanced protection end users and reviews the mechanism pursuant to article 16bis of TIV relative to settlement of uncollected amounts relative to these withdrawals;
- Resolution 132/2019/R/gas of 9 April, which defines transitional provisions for distribution companies to send information to the Integrated Information System to be used for calculation, in a simplified manner, of the parameter regarding annual withdrawals for thermal year 2019/2020;
- Resolution 147/2019/R/gas of 16 April, which reforms the process of assigning exit points on the transport network which supplies distribution networks (city-gate);
- Resolution 148/2019/R/gas of 16 April, which approves the new “Integrated text of provisions for settlement of physical and economic items regarding the natural gas balancing service (TISG)”, which substitutes that approved with Resolution 72/2018/R/gas, to implement the new regulations relative to the provisional budget and management of the chain of commercial relationships relative to the Integrated Information System;
- Resolution 155/2019/R/gas of 16 April, which contains provisions to support the process of updating relationships between balancing users and delivery points in the distribution network within the Integrated Information System;

- Resolution 196/2019/R/com of 21 May, which adds to the provisions on the methods of exercising the right of withdrawal from electricity and gas supply contracts with regards to large end users;
- Resolution 262/2019/R/eel of 25 June, which as of 1 July 2019 updates the rate components destined to cover general charges and additional components in the electricity and gas sectors;
- Resolution 263/2019/R/eel of 25 June, which for the quarter 1 July - 30 September 2019 updates economic conditions for the enhanced protection electricity sales service and makes amendments to the Authority's Resolution 369/2016/R/eel;
- Resolution 264/2019/R/gas of 25 June, which for the quarter from 1 July - 30 September 2019 updates the natural gas supply economic conditions for the enhanced protection service;
- Resolution 270/2019/R/com of 26 June, which establishes the Electricity and Natural Gas Consumption Portal, implementing Law 205/2017;
- Resolution 271/2019/R/gas of 25 June, which contains provisions regarding the process of making technical and identifying information from delivery points available to the IIS, and measurement data and changes to communication standards with reference to the gas sector;
- Resolution 272/2019/R/eel of 26 June, which defines provisions functional to the extension of before the fact verification of annual average power with reference to switching requests presented by dispatching users;
- Resolution 301/2019/R/gas of 9 July, which governs the tender proceedings to identify last resort suppliers and default service providers for natural gas starting as of 1 October 2019 and updates the regulations for disbursement of the same services;
- Decision 6/2019-DMRT of 17 July, which amends and adds to the Operating Instructions and xml structures used for exchanges of information, relative to communication standards for the natural gas sector;
- Decision 7/2019-DMRT of 17 July, which amends and adds to contract monitoring relative to PLACET offers in terms of data acquisition methods;
- Resolution 382/2019/R/gas of 24 September, establishing the update as of 1 October 2019 of fee components covering general system charges and other fee components relative to the electricity and gas sectors;

- Resolution 384/2019/R/gas of 24 September, which for the quarter from 1 October - 31 December 2019 updates the natural gas supply economic conditions for the enhanced protection service and makes amendments to the TIVG;
- Resolution 385/2019/R/gas of 24 September, which for the month of October 2019 updates the economic conditions for supplies of gases other than natural gas, following the change in the element covering supply costs relative to the raw material;
- Consultation 412/2019/R/eel of 15 October, with which the Authority described its guidelines regarding the change to the process of terminating dispatch and transport contracts and activating last resort services, to limit the effects;
- Resolution 479/2019/R/eel of 20 November, which approves rationalisation of information flows regarding technical data and readings from delivery points, as well as data used for managing supplier changes, and the introduction of a technical data informational service for commercial counterparts, in the context of the IIS;
- Resolution 493/2019/R/gas of 26 November, which grants the extension requests received with reference to beginning the rationalisation of information flows containing readings and technical data from delivery points, as established in resolution 271/2019/R/gas;
- Resolution 572/2019/R/com of 27 December, establishing the update as of 1 January 2020 of fee components covering general system charges and other fee components relative to the electricity and gas sectors. This also updated the compensation values for the electricity and gas bonuses;
- Resolution 579/2019/R/com of 27 December, which for the quarter 1 January - 31 March 2020 updates economic conditions for the enhanced protection electricity sales service, as reformed by Resolution 633/2016/R/eel and makes amendments to the Authority's Resolution 369/2016/R/eel.

Additionally, activities continued relative to operating management and development of technological infrastructure and software applications created to provide services, ensuring operations for all accredited operators in both sectors. Over 6,335 end users utilised the IIS web portal for operators, as well as essentially all the main accredited IIS users, connected in advanced mode, resulting in a total of 82 communication ports managed.

## **Retail Market Monitoring system for electricity and natural gas**

Based on that established in Resolution 173/2019/A, as of 1 July 2019 “Retail Monitoring” activities ended the avilment regime on the account of the Authority, and were inserted as an organisational and functional unit within the Integrated Information System. Due to its central role in managing both commercial processes and readings relative to the retail electricity and gas markets, the Authority made the IIS responsible for monitoring market trends, extending the areas and objectives to be handled.

The support provided to the Authority in obtaining and processing data and representative benchmarks was strengthened in 2019, while technical interface activities continued with sales and network operators required to participate in the retail monitoring system. In order to reduce the informational requirements originally established for market operators, as well as to provide exemplary data collection, the use of databases in the IIS was intensified. These are also used to integrate the information used to calculate some of the benchmarks established in the TIMR. As a whole, during the year 18 data collections were managed, aimed at observing non-payment issues, the default service, last resort supply service, closing invoices, period invoices, impact of estimated consumption with respect to effective consumption, economic renegotiation, both on the open and enhanced protection markets, and monitoring of PLACET offers (free pricing under conditions similar to protection). The commitment to analysing market phenomena was again confirmed in 2019, including the visual representation of the same, published by the Authority in its 2018 Annual Report on the Retail Market.

## **Italian Central Stockholding Entity (OCSIT)**

2019 was a year of much activity for the Italian Central Stockholding Entity, both in terms of operations and finance.

In January, the Consulting Committee met and, as usual, discussed with the operators the results of the tenders planned in the three-year supply already shared with the MED and planned future activity with special reference to expiring storage contracts and management of future requirements, including financial.

The tenders were awarded provisionally, while awaiting the publication of the annual Ministerial Decree containing the definitive assignment of storage requirements, which occurred on 27 February.

Article 4 of the Decree in question assigned storage requirements for specific Italian stocks relative to the year in course. Specifically: 14 days for OCSIT and 16 days for required entities. Following that which occurred the previous year, again for stock year 2019/2020, the Ministry of Economic Development formalised for OCSIT a reduction in stock requirements with respect to that originally established in the business plan, leading to the purchase of 2 stock days, rather than the 4 originally planned.

The decision was made on the basis of the offers received by OCSIT during the bidding phase, with regards to storage and product for the least available product which, for the second year in a row, was jet fuel. It should in any case be specified that on the basis of the tenders already provisionally awarded for stock years 2020/2021 and 2021/2022, the demand for 4 stock days is covered for all products. The relative tenders will nonetheless be definitively awarded after publication of the annual Ministerial Decrees assigning the requirements, which will detail the quantities, in turn linked to the consumption recorded in previous stock years.

On 15 January 2019, the Acquirente Unico Board of Directors approved the issue of a fixed rate bond loan for OCSIT functions, for a maximum amount of € 600 million, for listing on one or more multilateral trading facilities, to be subscribed solely by qualified or institutional Italian and/or foreign investors, and to grant the Chairman and Chief Executive Officer the powers to carry out all necessary and opportune actions to implement that approved by the Board to complete the issue.

After the Board of Directors authorised the issue of the bond loan, the Company asked the Standard & Poor's agency to provide a rating for the issue which, preliminarily, was given a BBB rating, in line with the rating of the issuer.

Following the indication of the Joint Lead Manager banks, the company arranged for a series of meetings in the main financial areas (London, Paris and Milan) during the first week of February. Following the positive response, on 13 February, the Company announced the issuing of a 500 million bond loan with a maturity of 7 years, receiving bids for double the amount. On the evening of the same day, the operation was completed with the coupon priced at 2.8% annually.

With a portion of the proceeds, OCSIT repaid the 300 million bank loan coming due in June 2019 in advance, in March. The residual amount will be used to purchase specific stocks in future years. While awaiting these future investments in stocks, the company has allocated the residual amounts for short-term use, as better specified in specific sections in the Report on Operations and Explanatory Notes.

After the issuing of the bond loan, OCSIT prepared a new version of the 2019 budget which showed a reduction in financial expense in the light of the more favourable coupon obtained during the issue, with respect to previous expectations. As with the prior one, the new document was official sent to the General Directorate for Security of Supply and Energy Infrastructure of the Ministry of Economic Development. In the month of February, as usual, MED communicated the actual costs incurred by OCSIT in 2018 (so-called final balance), necessary for determining the amount of the balance of the adjustment contribution due by the economic operators. The final figures showed, for the sixth year in a row, total costs lower than those planned in the budget. In detail, the actual costs amounted to € 26,296 thousand, compared with an estimate of € 28,325 thousand, showing savings of 7%. The difference was paid to the operators at the time of adjustment, following approval of the Interministerial Decree of 2019 determining the contribution.

Purchases relative to the thirteenth and fourteenth stock day concerned 145,384 tons of petroleum products, with the following locations:

- 99,061 tons of gasoil, of which 60,000 in Sarroch (prov. Cagliari), 12,000 in Visco (prov. Udine), 5,000 in Cremona, 15,000 in Naples and 7,061 in Porto Corsini (prov. Ravenna);
- 23,881 tons of gasoline, of which 18,500 in Venice, 4,000 in Lacchiarella (prov. Milan), 1,000 Arquata Scrivia (prov. Alessandria) and 381 stored in the depot in Cremona;
- 21,440 tons of jet fuel, of which 19,000 in Gaeta (prov. Latin) and 2,440 in Sarroch (prov. Cagliari);
- 1,002 tons of fuel oil, all stored in Sarroch (prov. Cagliari).

Spending to acquire products, totalling € 84,671 thousand, was covered with the residual amounts deriving from the 400 million loan signed on 21 March 2017. After these purchases, the storage requirements relative to OCSIT reached 1,336,828 tons of petroleum products, with cumulative outflows during the period from 2014-2019 of over € 661 million.

In the month of July the international ratings agency Standard & Poor's retained, after the annual review, the rating of BBB for Acquirente Unico/OCSIT, with a negative outlook, in line with the rating assigned to the Republic of Italy.

In early September, OCSIT hosted the thirtieth annual meeting of ACOMES (Annual Coordinating Meeting Entities Stockholding) in Rome, during the course of which it informed its European partners about the implementation status of its business plan and shared “best practices” relative to certain common issues in the sector.

The MED Decree of 4 July 2019 was published in the Official Journal on 12 September, implementing the Commission's Implementing Directive (EU) 2018/1581 of 19 October 2018, which contained amendments to Directive 2009/119/EC with regards to the methods used to calculate storage requirements, thereby amending Legislative Decree 249 of 31 December 2012. In compliance with article 22 of Directive 2009/119/EC, the Commission reviewed its functioning and implementation (“intermediate assessment”), and identified the need to introduce a series of technical amendments to the directive, to simplify implementation.

From among the changes with the largest impact on OCSIT operation, note the three month postponing of the start of the new annual storage requirements, starting in stock year 2020. Based on this, stock year 2019, which began on 1 April 2019, will end on 30 June 2020. Consequently, stock year 2020/2021 will begin on 1 July 2020.

The receipt of the contribution due on a monthly basis from operators for the January-March 2019 period was received regularly. To proceed to invoicing the contributions for the period from 1 April 2019 - 30 June 2020 and the simultaneous reimbursement regarding settlement of the difference between budgeted and actual costs, OCSIT had to await the publication of the annual decree by the Ministry of Economic Development with the Ministry of Economy and Finance in the Official Journal, which occurred on 2 November 2019. The initial payments were regularly received starting in the final days of December.

By the deadline of November 30, OCSIT communicated its forecast for costs and expenses for the year 2020 (Budget 2020) to the General Directorate for security of supply and energy infrastructure of the

Ministry for the Economic Development. The Budget had been approved in advance by the Board of Directors of Acquirente Unico Spa.

The second Consulting Committee meeting of the year occurred at the beginning of December, needed for a series of updates regarding the changes imposed by the cited amendment to Directive 2009/119/EC, as well as the tenders for stock year 2020/2021. During the meeting, the Committee also dealt with more financial issues such as the details of the bond loan, including investment of part of the liquidity, quantification of future financial requirements and methods for satisfying these, as well as the situation with regards to collecting the 2019 contribution, also in the light of the 3 month extension in the reference timeframe due to the amendments made.

Simply for informational purposes, note that the total market value of stocks held by OCSIT at 31 December 2019 was € 737,806 thousand, with unexpressed capital gains of € 76,833 thousand with respect to the total average purchase value.

The table below shows the valuation of stocks in the balance sheet at 31 December 2019, separately by type of product supplied and held, with the indication of the relative quantities according to the tax records.

#### OCSIT STOCKS AT 31 DECEMBER 2019

PRODUCTS	QUANTITY (Tonnes)	VALUE (€)
GASOLINE	245.612	135.353.615
GASOIL	910,264	439,329,695
JET FUEL	150,248	77,414,585
BTZ FUEL OIL	30,704	8,874,703
<b>TOTAL</b>	<b>1,336,828</b>	<b>660,972,598</b>

### Gasoline Fund (OCSIT)

The activities of the Gasoline Fund continued during 2019 (former Cassa Conguaglio GPL), which was transferred to Acquirente Unico, through OCSIT, on the basis of article 106 of Italian Law 124 of 4 August 2017.

In particular, there were two main operating drivers:

1. payment of environmental contributions and indemnities;

2. credit collection activities.

With regards to the first point, work to process cases continued with regards to those for which the Technical Committee established within the MED had already indicated compliance and proposed payment. In fact, the Gasoline Fund is responsible for carrying out preparatory controls prior to payment. To facilitate all these steps, it should be remembered that an interdepartmental Management Committee was set up with legal, administrative and financial skills that meets regularly with the goal of examining the files prepared by Gasoline Fund workers and, if all checks are carried out successfully, issues an opinion in favour of payment.

With regards to the second point, relative to collection of previous contributions, the Gasoline Fund is carrying out intense and in-depth collection activities regarding both entities which had partially paid their contributions under the law and those which have never paid. The results achieved are pleasing, if one considers that in a few months almost 30% of the amounts requested have been collected by the Gasoline Fund, despite the high number of entities involved, the fragmentation of the sums received and the “age” of the receivables, which date back to a Legislative Decree of 1998 and a subsequent Ministerial Decree of 2013. Collection activities are still in progress.

Note that the results achieved were shared during the Technical Committee meeting for restructuring the fuel distribution network, held on 3 December at the MED, with the main sector associations attending. At the meeting, OCSIT provided information about the accounting situation of the Gasoline Fund, indicating the overall balance of bank current accounts and cash and cash equivalents, net of various provisions and indemnities approved.

In conclusion, note that the MED informed AU-OCSIT that it had received a request for information from the European Commission - Directorate General for Competition regarding presumed government aid in favour of oil companies for reclamation of contaminated sites.

## OTHER CORPORATE ACTIVITIES

### Human Resources

The Company guided organisational development in 2019 by analysing the degree to which the organisation's structure complies with the plan for developing its activities. In particular, analysis regarded the IIS Operations Department, which saw the greatest impact from the activities assigned and the central Staff Departments/Office which support the Operations Department.

The results of this analysis suggested, on one hand, reorganising of the organisational chart at top levels for Staff departments, to make them more effective in taking on responsibilities and circulating information. On the other, it suggested that the IIS should obtain greater structure, further segregating activities to favour development of professional skills.

This review was accompanied by a Performance Appraisal for the individuals involved.

Again this year the Company continued along the path begun in 2017 to improve its climate. To that end, it carried out initiatives such as: Children in the Office, a Climate survey which involved the entire population with both qualitative analysis (Focus Group) and a quantitative questionnaire. The results of the project were presented in specific meetings, with space provided for a final debate.

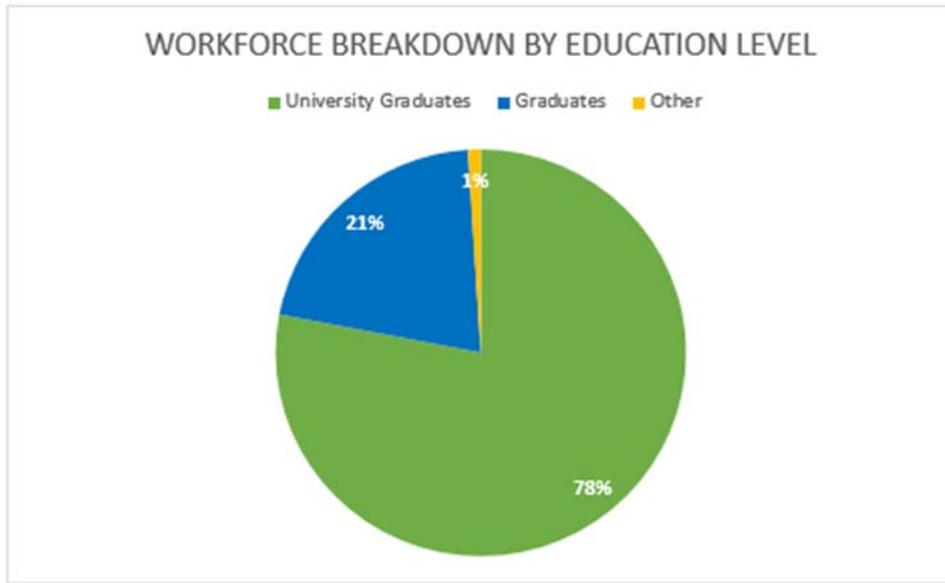
### Workforce development

The year 2019 registered an increase of **27** units in the number of employees (full-time employees and contractors), up from 234 on 31 December 2018 to 261 on 31 December 2019.

This increase was due to the development of activities, above all those relative to the Integrated Information System.

To meet the needs for increased staff, given that this mainly involves a target population of new graduates, the Company developed cooperative projects and stipulated agreements with the main Italian universities. Overall, the composition of AU's workforce at 31 December 2019, as compared to 2018, shows substantial stability in the presence of university graduates, who represent 78% of company workforce (i.e. holders of bachelor's and master's university degrees).

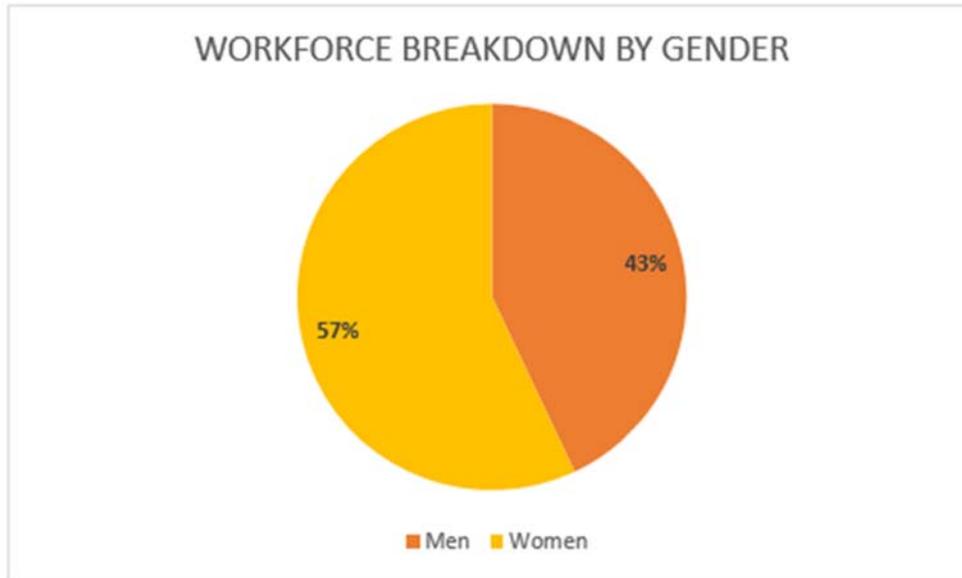
**Figure 1: Workforce breakdown by education level**



Source: Internal processing, Acquirente Unico, at 31 December 2019

Additionally, in 2019 the Company maintained a similar ratio terms of females to males, as shown in the table below:

**Figure 2: Workforce breakdown by gender**



Source: Internal processing, Acquirente Unico, at 31 December 2019.

## Training to support skills development

Training offered in 2019 involved issues relative to safety/security relative to Legislative Decree 81/08 and "Fire Prevention" and "First Aid", aimed at updating the skills of the relative teams.

Additionally, training courses were carried out with the aim of developing greater awareness and a sense of belonging, as well as improving soft skills. In particular:

- ✓ the “Job Without Borders” project was launched, which involved the Operating Departments. It was established that every employee would pass a work day with a colleague from another unit/department. The project involved around 150 people;
- ✓ various team building initiatives were completed, aimed at heterogeneous groups within the company. These initiatives involved around 60 people;
- ✓ classroom training courses were provided to strengthen soft skills, aimed at the Consumer and Conciliation Area.

Finally, following company commitments which are increasingly international in terms of certain Departments, specific English language courses were carried out.

## Corporate Information Systems

## *Energy Area*

Relative to IT systems supporting the activities of the Energy Operations Department, in 2019 development maintenance projects were completed for the Belvis application used to forecast electricity consumption and prices.

In particular, these projects included improving the reports used in demand forecast decision making processes, the configuration of screens for web-based operations and the implementation of new forecast calculation methods.

Additionally, in December new functions were developed to support the Demand Forecast Team, using the BelVisyon module and integrating data from 2G meters in forecast models.

Relative to digitalisation of document processes, in 2019 activities continued to consolidate management of certified email and digital signatures.

The PECMailer system, introduced in 2018, was found to be very effective in handling certified email communications, making it possible to organise the contents of certified email accounts in multi-user mode, managing certified email accounts in a controlled manner with the option to define permissions and user access policies based on the needs of the organisation's structures. The application also has made it possible to exceed the standard memory capacities of certified email accounts, transferring communications and digital receipts to external databases and storage systems in a fully automatic manner.

The certified email management system has also been personalised over time through the development of software by internal resources to meet requirements in certain specific areas, such as certified email communications for sending invoices, exchanging documents for tender procedures and, in 2019, the massive sending of invoices to owners and managers of fuel distribution systems as part of OCSIT's Gasoline Fund activities to collect the balance of contributions.

Currently, PECMailer manages around 30 structural certified email accounts and 80 users who access these accounts with personal credentials.

For some time, digital signatures have been a tool widely used in the company for authorisation processes regarding the payment of invoices, the signing of purchase orders and, more generally, to improve efficiency in managing internal document processes.

In addition to the software products already used for digital signing of documents, in 2019 the eSignAnyWhere system was adopted, an integrated platform to digitalise transactions and document workflow.

The eSignAnyWhere product can implement digital or electronic signature functions based on different methods and handle document flow for an approval process.

Interactive mode is the standard, in which multiple signatories access a web application from which they can view and sign the proposed documents, following a pre-established process.

The document to be signed can be loaded to the system from a local drive or from the cloud (dropbox, One Drive, Google Drive, etc.). Documents to be signed are also protected by an authentication mechanism to ensure that only designated signatories can access them.

Once the relative document has been uploaded, eSignAnyWhere makes it possible to set the sequence for signatures, including defining whether signatures must occur in sequence or can be parallel, to determine whether the documents are set to all signatories or a smaller group and allows displaying of an explanatory message guiding the signers in the operation. It is also possible for signers to insert multiple signatures in the same document or on multiple documents, with a single signature.

A new theme of particular import in the development of IT Systems, which began in 2019, at the time of the renewal of the inter-group service contract, involved analysing the IT services provided by GSE, which could be internalised within AU.

The advantage of independently managing these services is greater clarity with regards to operating responsibilities and greater autonomy in selecting products and services using methods more appropriate to AU's specific requirements.

The objective of the analysis was to identify which services could be transferred to AU and to plan the relative activities.

The IT services provided by the parent company can be associated with three distinct types: basic services, support services and specialised services.

The first category includes local network management services, Internet connectivity, email, file servers and housing of central systems and Disaster Recovery. Support services include the user Help Desk, wired and mobile telephony and assistance for meeting rooms and video conferences. Specialised services include IT security and applications managed by the parent company and also used by AU, such as ERP accounting and invoicing systems, applications for Treasury, Assets, to manage payslips, for employee attendance and the IT protocol.

After internal assessments and meetings with representatives of the parent company, an initial subset of services was identified and a plan for internalisation was developed, to be implemented during 2020. These services include the File Server, housing of the Disaster Recovery (D/R) site and work stations on D/R, Help Desk and technical assistance for users, management of the telephony services and transmission of data on the mobile network.

Additionally, the parent company asked that the current ERP application be separated so it can be independently managed by AU. Given that the project requires an appropriate period of time to prepare the relative infrastructure, internalisation activities will be analysed in detail during 2020.

Of the services cited, File Server management, which allows users to have archiving space for shared documents and files, this was already begun on 15 November 2019 with administrative activities for AU user access transferred from GSE to AU. Physical migration of File Server data from the GSE infrastructure to AU infrastructure is planned for the initial months of 2020, thereby completing internalisation.

The mobile telephony management service, which includes assigning mobile devices to users, activating SIM cards and requested services, configuring devices and user assistance, was taken on by AU as of January 2020.

With regards to the Help Desk service and work station assistance, this also includes the supply and management of shared network printers, located on various floors of the AU offices. As of January 2020 this service was completely internalised through adhesion to a CONSIP agreement titled “Print & Copy Management 2”. One of the best features of the new service involves the possibility of sending copies to any one of the printers installed on each floor of the AU buildings by using a company badge or personal PIN. This function guarantees a user is present during printing and avoids copies being abandoned in the printing areas, which may contain personal information or confidential company data. Another clear advantage involves being able to monitor printer use to contain printing costs.

### ***Consumer and Conciliation Area***

Activities to strengthen and consolidate the Conciliation Platform continued in 2019, to effectively respond to the new regulatory requirements and improve the operations of the Conciliation Service.

In order, the first projects involved the amendments and additions relative to the electricity, gas and water sectors needed to implement the provisions of ARERA resolution 355/2018, known as the new 2019

TICO. The amendments affected the modules used for Customers, Operators and Back Office (Service and Mediator Secretariat) to implement the new requirements for access to conciliation procedures, allow the calling of the Distributor as a technical assistant while complying with pre-established schedules relative to conciliation meetings, and to allow Parties to request a single postponing of the meeting. The system also made it obligatory for Customers to insert a value for the dispute at the time the request is presented, while making the signing of the agreement document optional for technical assistants. Certain changes involved managing “Multisite customers”, that is customers with multiple withdrawal or delivery points who have stipulated one or more supply contracts with the same seller, each of which involves one or more withdrawal or delivery points. Processes used to notify Parties of new communications regarding their cases were also improved to include operators in addition to customers and their proxies. Other later projects were inspired by the need to improve the efficiency of Back Office processes for the selection of mediators to be assigned to cases and planning of meetings in order to comply with pre-established criteria regarding the number of cases to be assigned to each mediator.

Additionally, during the year, the need to implement new functions with the aim of limiting “data breaches” arose, referring to security incidents which may involve the dissemination or unauthorised access to personal information. In the case of the Conciliation Platform, the most frequent incident involved inserting a report in a case not under the responsibility of a given person, with the consequent release of personal information to individuals unrelated to the dispute. The action taken means that, on the meeting management page, a preview of the report to be submitted for signatures is shown and the mediator is asked to confirm the accuracy of the information shown in both the report and the case.

Finally, additional changes were made to ensure the regulatory timeframes were met to begin the mandatory conciliation service for the water sector.

Based on an ARERA request made in 2019, important development projects were analysed for the Conciliation Platform and the Single Portal Help Desk, to be carried out during the period from 2020-2022. Of these, the most significant involve Strong Authentication for access to the Platform, activation of the District Heating Module, the creation of a version of the Conciliation Platform for “mobile” environments and the use of SPID to authenticate users.

The Single Portal Help Desk was involved in a Data Protection Impact Assessment (DPIA) in September 2019, as governed by Regulation EU 2016/679 – GDPR.

The comprehensive evaluation of the residual risk level deriving from the degree of compliance with the fundamental principles of the GDPR and specific risks relative to the security of data processing “did not identify significant non-compliances or lack of respect for the fundamental principles of the Regulation”.

ARERA’s proposal to make use of Strong Authentication for access to Portal services was, in any case, part of the three year project to further increase current security levels.

Strong authentication functions on the basis of two factors: “a thing you know” (the password) and “a thing you have” (the mobile telephone to which the OTP code is sent via text message). A two-factor system is one of the most secure systems at present and offers the same level of security offered by SPID with regards to authentication mechanisms.

Maintenance projects also involved other systems used by the Consumer Area, in particular the Operators/Managers Portal and the CRM.

In particular, with regards to the first the report sent daily via certified email was updated, with the addition of a section which includes collection notices sent to Operators.

Additionally, both systems saw changes in September introduced by the web services providers which, on the basis of that also requested by the Agency for Digital Italy (AgID), activated the new secure transmission protocol “TLS 1.2”, definitively eliminating the now obsolete other protocols. This initiative made it necessary to adapt the communication modules of the CRM and the Operators/Managers Portal to the new security protocol.

### ***Italian Central Stockholding Entity (OCSIT)***

Developments in the OCSIT IT platform based on the Oracle JD Edwards Enterprise One (JDE E1) product continued in 2019, to support digital call for tender procedures and to manage supply contracts for storage capacity and petroleum products used in security stocks.

In particular, the functions needed to adjust systems to Digital Invoicing were completed and began operating. In addition to being a regulatory requirement, the introduction of digital invoicing offered real benefits for the operational management of contracts through automatic linking of invoices payable with purchase and storage orders, through a procedure developed ad hoc.

Developments mostly involved the creation of automatic interfaces for Tax Authority representatives to manage digital invoicing through the Interchange System (IS) and for to the AU accounting systems hosted by the ERP managed by the parent company.

Further improvement projects involved the Tenders module, optimising the procedure used to fill out the documents required for tenders for sales, updates to calculation algorithms used for classification of storage tenders, improvements in the publication of classification lists and adjustments in functions which support procedures for operators to nominate themselves.

As part of management activities for the “i-Sisen” and “Stocks” applications, to support identification of statistics and for sector operators to report required oil stocks to MED, improvement maintenance projects were carried out, in particular relative to the statistics module.

In fact, based on a MED request, in 2019 a Datawarehouse was created to be used for analysis and reporting of statistical data relative to the energy sector.

The IT platform for the datawarehouse was developed on the basis of the i-Sisen system architecture currently used, as well as the data model from the previous version of the system used by MED to analysis energy statistics.

Specifically, the system consists of two main modules, the actual datawarehouse engine and an administration module.

The first serves as the database for reporting and data insertion procedures, starting with the data found in i-Sisen and in the old MED statistics platform no longer used. Procedures extract data in the original format, transform it into the required format and load it in the datawarehouse database.

The administration module serves to authenticate users and implements access security policies, provides functions for data extraction and analysis and implements the rules for publication of results externally and on the internet.

The project began in March 2019 with a call for tenders to identify an IT services provider and was completed in November with successful commissioning with the MED and subsequent release for operations.

Also in 2019, OCSIT, taking over the Cassa Conguaglio GPL as part of its management of the Fund to Rationalise the Fuel Distribution Network, began a campaign to collect the amounts due for the year 2013.

This was a one-time payment required from every owner or manager of a distribution system, to be calculated for every litre of fuel sold (gasoline, gasoil and LPG) on the ordinary network in 2013. The fund is intended to economically indemnify managers and companies whose sales points are definitively removed and is funded in part by amounts paid by oil companies.

In order to properly assign the balance of the contribution to be paid to each entity, internal resources created an IT platform that made it possible to calculate and then use certified email to send a “Collection notice for the contribution relative to Italian Ministerial Decree 19 April 2013”, with the relative summary report and notification annexed to each certified email.

More than 20,000 certified emails were sent through the IT platform in 2019.

### ***Central systems and for IT security***

In the initial months of 2019 the activities to strengthen the Data Center begun in 2018 were completed, including the improvement and technological update of Server, Storage and Switch equipment.

The new configuration for the Primary Data Centre includes 7 HPE physical servers with a total of 14 CPUs, 196 Core and 2,688 GB RAM. The EMC VNX 5300 storage for the application portion has 57 TB available, while the HPE 3PAR storage dedicated to the Oracle Databases hosts 6 TB for high performance and the HPE MSA 2052 storage used for the first level backup has 24 capacitive TB available. The virtualisation infrastructure, based on the VMware product, hosts around 150 virtual servers with a total of 480 virtual CPUs and 900 GB of RAM allocated.

The remote Disaster Recovery location was not updated, as it is included in a wider project to go beyond physical storage infrastructure through virtualisation of storage with an eye to “hyperconverged systems”. With this model, there is an ever increasing need to make use of hardware solutions for IT infrastructure that make it possible to replace systems with those made by other manufacturers without the need to plan for a massive change. Replication of Primary Data Center infrastructure relative to Disaster Recovery infrastructure is an excellent example of this.

Replicating the data from the primary center in the D/R structure using the native storage functions necessary requires the purchase of pairs of identical equipment to ensure maximum compatibility between the two locations and, above all, does not allow the use of hybrid architecture, in that the primary Data Center is physically located at the company offices while the Disaster Recovery is a service received through the Cloud.

AU is also in this situation, as replication of its sites is carried out by the two EMC VNX 5300 storage systems and the producer has indicated that the maintenance service will only be provided through the end of 2020.

In this context, possible solutions include replacing the storage pair or, if the expediency of using the D/R service through the Cloud is assessed positively, to select a virtual storage solution for the Primary Data Center.

Various alternative were assessed in 2019, with technical/economic simulations. The solution deemed the best in terms of reuse of existing technology, flexibility in D/R replication, satisfactory independence relative to hardware manufacturers, ease of use, cost and vendor support was the hyperconverged software platform Nutanix.

A call for tender to supply a hyperconverged Nutanix infrastructure for AU's Primary Data Center was issued in December 2019, with an eye to adopting virtual storage to replace the current system, and to prepare for the subsequent Disaster Recovery revision project which will occur during the course of 2020.

Backup systems will also need to be partially adapted to the new hyperconverged infrastructure.

At present, the first level backup, which contains the most recent copies, makes use of the HPE MSA 2052 storage installed in the Primary Data Center, while the intermediate second level backup uses the EMC Data Domain 2500 equipment located in both Data Centers - the primary one in Rome and Disaster Recovery in Milan. Finally, the third level or long-term backup, used to archive less recent copies and those with a lower probability of needing to be restored quickly, are hosted in the Cloud through an Italian internet provider.

Appropriate software configurations must be set up in the new infrastructure to ensure proper transfer of data, maintaining the current backup software Veeam Backup & Replication.

### ***Prevention of IT risks***

Despite continuous improvements in cybersecurity products as well as the growing awareness in users and IT employees of the risks connected with the use of IT instruments, and the consequent increase in attention paid to these aspects, at present there is no definitive answer to the question of whether there are attack agents within the company network. This question is not merely theoretical, but involves risks

in terms of the loss or theft of information, reputation damage and possible fines for non or delayed communication of Data Breaches to the Privacy Guarantor.

In fact, the aspects which must be monitored are numerous and range from improper or dangerous user practice to updating systems and applications against new vulnerabilities which require appropriate countermeasures. It should suffice to say that an average of more than 16,000 new vulnerabilities are discovered every year, which require patches for applications and operating systems.

The countermeasures adopted can for the most part be divided into two categories: monitoring network traffic in as detailed a manner as possible, to identify possible anomalies associated with malicious actions and controlling actions at terminal network points, i.e. server systems and user work stations - known as endpoints.

In AU, after several attempts to analyse network traffic, the decision was made to prioritise investments in endpoint control. In fact, network traffic, especially that going to the internet which presents the greatest risks, is managed by the parent company, and it is not possible to separately control traffic from AU users and those of GSE users.

To protect endpoints, the traditional anti-virus systems based on identification of known threats are not sufficient on their own to block certain types of IT attacks and to prevent dangerous situations in which information is lost or services are interrupted.

For these threats, which come from outside the company, it is necessary to ensure that user actions do not harm the security of company information through distraction, negligence or malice, in terms of loss of confidentiality, integrity or availability.

In recent years, classic anti-virus products have been accompanied by special work station protection tools known as Endpoint Detection and Response (EDR), with the objective of identifying anomalous situations and notable deviations from “normal” behaviour, in statistical terms, with reference to either the work station or other similar company areas.

In general, the operating principle behind EDRs involves collecting a very high number of behavioural events relative to endpoint use, such as execution of processes, network connections and operations involving files. By using advanced analysis tools, EDRs can quickly analyse the enormous amounts of data collected and identify indicators of attacks or tampering. Additionally, by comparing the data collected with acceptable user actions anomalous situations can be identified.

Various endpoint protection products were analysed in 2019, and in some cases tested for an appropriate period of time. Of these products, the solution proposed by Forcepoint, known as Insider Threat, was found to be particularly interesting.

In addition to the behavioural analysis typically offered by EDRs, Insider Threat is also able to monitor the activity carried out within work stations and determine whether it violates company policies or if a worker is attempting to work around these policies, bypassing protection systems and putting company security at risk.

Insider Threat makes it possible to create personalised policies for various channels, e.g. files, emails, event logs, processes, keyboards, internet, etc. In this way, situations can automatically be identified which may potentially violate company security policies, found in the document “Regulations for use of IT tools”, illustrated in detail to all employees in specific training sessions.

The data identified help to generate an endpoint risk index, while still respecting the principles of protection personal information through full anonymisation of information viewed.

These indicators provide an answer (although not definitive) to the question of whether or not there are situations which may involve an attack or, more generally, the compromising of the security of a work station due to accidental or deliberate harmful actions. Analysis of collected data can also help to establish whether the security incident is classifiable as a Data Breach, requiring notification of the Privacy Guarantor.

In particular, the issue of Data Breaches is dealt with in the Privacy Working Group, with the proposal of a specific Organisational Procedure and the sharing of guidelines to assess security incidents and criteria for Guarantor notification. Additionally, based on instructions from the Data Protection Officer (DPO), internal employees created an IT application to manage the Data Breach Registry.

## Communication Activities

Acquirente Unico continued to strengthen its international activities in 2019, playing an increasingly active role on the energy scene. Communication activities were mainly focussed around the ACOMES event. This is the Annual Coordinating Meeting of Entity Stockholders, which each year gathers representatives from organisations and agencies which hold petroleum security stocks for their relative countries.

The event was held for the first time in Italy and was organised and managed by Acquirente Unico, as the company which holds our country's petroleum security stocks, through the Central Stockholding Entity (OCSIT).

ACOMES, which was created with the aim of promoting cooperation between national storage agencies, is an important occasion to discuss specific issues relative to petroleum stocks, learning more about technical, organisational and financial aspects.

The 2019 edition, which celebrated the forum's thirtieth anniversary, was held from 9 to 11 September in Rome and included representatives from 29 countries throughout the world, with a total of 62 delegates, going beyond Europe with the presence of storage agencies from the United States, China, Japan and Korea.

The most important subjects involving the delegations included “Oil emergency policies in times of energy transition” and “2020: The IMO low sulphur regulation” on the subject of replacing ship engine fuels with less-polluting alternatives in the Mediterranean.

In the European area, another notable AU communication activity involved participation in EU Sustainable Energy Week, the most important European event dedicated to sustainable energy, held from 17 to 21 June in Brussels. During the convention, on the theme of “Digitalisation in Energy: challenges and opportunities for consumers and security of the system”, which saw a large number of international entities participate, Acquirente Unico presented its own contribution to implementing the European directives which are guiding the digital transformation of the energy system. In particular, the Integrated Information System represents an Italian model which is of interest to the rest of Europe, as it anticipates EU legislation.

Domestically, communication activities in 2019 focussed on strengthening Acquirente Unico's position as a public services company which benefits all market actors in an energy scenario undergoing a complete transformation. The pursuit of this objective was made possible thanks to constant interactions with representatives from institutions, consumer associations and businesses, through public meetings and participation in the development of new projects, as well as work to improve existing ones.

Communications activities also supported the Offer Portal and the start-up of the Consumption Portal, the main projects carried out by AU during 2019. These are tools which support competition and contribute to the creation of more active consumers: by acquiring greater knowledge, with detailed information on consumption and contracts at hand, allowing them to determine the best offer for their personal requirements.

The third and final stage in the implementation of the Offer Portal was completed in January 2019, carried out and managed by Acquirente Unico, containing all offers for small customers (households and small enterprises). With the help of this instrument, consumers can compare thousands of electricity and gas offers available on the free market, securely and transparently, in order to select the offer most appropriate to their needs.

Again with the aim of improving the tools available to consumers, as of 1 July 2019 Acquirente Unico launched the Consumption Portal, as established in the 2018 Budget Law. Consumers can access technical and consumption information about the electricity and gas contracts they have signed, as well as having constant access to their contractual situation, simply, securely and free of charge.

Acquirente Unico's commitment to fighting against energy poverty continued in 2019. The European ASSIST project, financed by the European Commission under the Horizon 2020 programme, reached a new milestone in the development of actions intended to more actively support the most disadvantaged consumers. During the "TED Roles and Actions" conference organised by Acquirente Unico, as a partner of the project, the Tutor for Domestic Energy (TED) was introduced, a new professional position with the task of assisting and guiding consumers towards knowledgeable and efficient consumption decisions.

Press work continued with the approach already identified in previous years, providing support in the interpretation and understanding the complex world of energy, making its third party and technically-based point of view available. A contribution which serves to increase the number of "informed voices" included in public debate. More directly, the company worked to ensure that the services AU provides to operators and consumers are well understood. This led to: 73 press releases, 561 online articles, 169 articles in newspapers and magazines, as well as 1 video interview, 4 radio interviews and 7 interviews on national TV - for a total of 815.

## Litigation management

### Credit and dispute management with respect to companies that provide the enhanced protection service

With respect to management of AU's trade receivables, in the event of a default on payment at maturity, AU intervenes, preliminarily out of court, with informal contacts and reminders, and then through the courts, with appeals for an injunction.

With respect to the nature of these receivables and the debtors, note the following.

AU's receivables mainly derive from the sale of electricity, on the basis of the standard contract approved by Resolution ARG/elt.76/08. In November 2010, the Authority, with Resolution Arg/elt. 208/10, amended the Standard Contract, introducing the obligation of the issue of a security deposit as an alternative to guarantees. By virtue of that provision, AU may write to the competent judicial authorities to secure the release of the deposit for enhanced protection service by operators/distributors that have defaulted in the release of the collateral required by Article 10 of the Standard Contract.

In the same resolution, the Authority specified that AU could apply the standard contract with respect to its counterparts, regardless of the actual signing of the contract.

The entities from which AU has overdue receivables are mainly municipalities (or public capital entities), holders of a distribution concession issued by the MED, against which there are remedies under the Code of Civil Procedure on the subject of enforcement proceedings.

The risk of non-collection of trade receivables by AU with respect to the enhanced- protection service operators is generally modest, either due to their nature (they are certain, liquid and payable, being regularly invoiced according to the regulatory provisions in force) and the types of legal entities liable, taking into consideration that such credits are backed by adequate guarantees. Budget allocations are always required, in view of the loans past due, in the provision for doubtful accounts, as described in the Notes.

With specific regards to legal actions undertaken to recover its receivables, during the year AU obtained an injunction against a municipality, providing enhanced protection, and began the enforcement procedure for two injunctions.

## Other disputes in progress

In 2019, AU served as the counterparty for certain disputes linked to the former Cassa Conguaglio GPL put forward by entities who were not paid, entirely or partially, indemnities pursuant to the Ministerial Decree of 25 September 2003, or contributions pursuant to the Ministerial Decree of 19 April 2013, or who were not paid, entirely or partially, indemnities or contributions following verifications required to be made by the former Cassa Conguaglio GPL prior to disbursement.

AU undertook certain actions in 2019 to collect sums due to it as the operator of OCSIT. Additionally, AU was involved in a proceeding with the Administrative Court of Lazio/Rome, in which an entity contested a tender awarded. The Administrative Court of Lazio/Rome accepted the counterpart's appeal. Finally, in 2019 there were disputes pending regarding employment issues.

## Tax Assessments

Following a tax audit launched in the month of March 2013 and terminated in the month of July of the same year, on, respectively, 16 October and 4 November 2014, two notices of assessment were delivered to the Company for the years 2009 and 2010. In fact, the Lazio Regional Office of the Italian Revenue found a greater IRAP taxable as a result of the rejection of the tax wedge.

Particularly, with the tax assessment for 2009, the Office settled higher IRAP of € 63,672.00 and imposed fines of the same amount (for an application amounting to € 127,344.00, excluding interest).

Regarding the 2010 tax year, the Italian tax authorities settled an IRAP of € 82,202.00 and imposed fines of the same amount (for an application in total amounting to € 164,404.00, excluding interest).

Against those two notices of assessment, the Company, on 12 December 2014, brought two separate appeals before the Provincial Tax Commission of Rome, also applying for cancellation and giving the arguments already contained in the application in respect of the subsidy pursuant to article 11 of Legislative Decree 446/1997, as AU's activities are not exercised as a concession and, much less, for a "rate".

The Company, in compliance with the legal requirements, also made payments due on a provisional basis, pending the judgement of first instance, equal to one third of the tax paid in the assessment. More specifically, on 12 December 2014, to pay for 2009, it paid € 25,047.27, and for 2010, it paid € 31,238.03.

The first level for both cases ended on 12 October 2016, with the filing of the two judgements 22860/2016 and 22861/2016, with which the Provincial Tax Commission of Rome fully accepted both of the Company's appeals.

The Office put forward two separate appeals on 29 March 2017 against these judgements with the Regional Tax Commission of Lazio. However, at the same time, considering the provisional enforceability of the first level judgements, the Office reimbursed the amounts already paid by the Company.

The appeal verdicts were in the Company's favour. In fact, with its judgements 8721/2018 and 8722/2018, both filed on 11 December 2018, the Regional Tax Commission rejected the Office's appeal and, therefore, confirmed the nullification of the notices of assessment already filed in the first level court.

At present, the terms for the appeal of the two verdicts with the Supreme Court are still pending, considering the suspension of the same established under article 6, paragraph 11 of Decree Law 119/2018.

### **Activities of the Financial Reporting Manager**

The activities carried out by the relevant director, also in relation to issuing of formal certification regarding the 2019 financial statements, can be summarised as follows:

- Updating and maintaining the procedural system and IT applications associated with processes used for accounting and financial reporting, in cooperation with the interested offices;
- Issuing of the internal standard “2019 Financial Statements Circular”, containing specific rules for company departments involved in the process of preparing the annual accounts, together with the request for letters of certification sent to the managers of the various processes (both within AU and the parent company, for the activities carried out under services agreements), relative to their areas of responsibility, to ensure proper processing and representation of the data used to prepare the financial statements and report on operations;

- Execution of sample-based tests on the regularity of administrative/accounting procedures.

## **Activities of the Corruption Prevention and Transparency Manager**

Law no. 190 of 6 November 2012 on “Measures for the prevention and repression of corruption and lawlessness in the public administration”, contains rules to prevent and curb corruption and illegality in the public administration sector, and states that transparency is an essential element for the prevention of corruption itself.

ANAC Decision no. 8 of 17 June 2015, as well as the Ministry of Economy and Finance’s Directive dated 25 August 2015, extended these measures to subsidiaries of the public administration and, therefore, to AU, a publicly held company entirely held by GSE, in turn wholly owned by the Ministry of Economy and Finance.

The 2016 ANAC PNA, approved with Resolution 831 of 3 August 2016, implements the relevant legislative changes which occurred with reference to Legislative Decree 97 of 25 May 2016 “containing the revision and simplification of provisions on prevention of corruption, publicity and transparency, correcting Law 190 of 6 November 2012 and Legislative Decree 33 of 14 March 2013, pursuant to article 7 of Law 124 of 7 August 2015, on the reorganisation of public administrations” and to Legislative Decree 50 of 18 April 2016, the Public Contracts Code.

The changes brought by Legislative Decree 97/2016 relative to transparency clarify the nature, content and approval procedures for the PNA, delimiting the subjective scope of application for the regulations, as well as redefining publication obligations on public administration websites together with the new generalised right to civil access for deeds, documents and information not subject to obligatory publication.

Additionally, Legislative Decree 97/2016 establishes that the Corruption Prevention Manager and Transparency Manager must be combined into a single role, referred to as the Corruption Prevention and Transparency Manager, and prescribes that this role be strengthened, also through organisational changes if needed.

With Resolution ANAC 1134 of 8 November 2017, containing "New guidelines to implement regulations to prevent corruption and for transparency by companies and private entities controlled and invested in

by public administrations and public economic entities", that already contained in Determination 8 of 2015 was substantially confirmed, while the notion of a controlled company was extended for the purposes of the applicability of anti-corruption regulations.

With the 2018 PNA, ANAC, continuing with the previous updates made to the PNA, also provided instructions on how to adopt the PTPC, on requirements regarding preventing corruption and ensuring transparency, while also recognising the roles and powers held by the Corruption Prevention and Transparency Manager, substantially confirming that already established in Resolution 840 of 2 October 2018.

With the 2019 updated to the PNA, approved with resolution 1064 of 13 November 2019, ANAC focussed its attention on indications regarding the general section of the PNA, revising and strengthening in a single guideline document all the instructions given in previous updates and plans, adding additional instructions matured over time which were the subject of specific regulatory deeds.

AU had already complied with these instructions since 2015, when the Corruption Prevention and Transparency Manager position was introduced, selected from among the Board of Directors.

During 2019, the AU Corruption Prevention and Transparency Manager mainly saw to the following:

- preparation of the Three Year Corruption Prevention and Transparency Plan 2020-2022, approved by the BoD on 30 January 2020, published on the company website in the Transparent Company section;
- updating the Transparent Company section on the website, to ensure compliance with applicable legislation on anti-corruption and transparency;
- complying with publication requirements relative to the data and information required under current legislation, with particular reference to the completeness, clarity and updating of the information;
- protecting, through the “Whistleblower protection company procedure”, whistleblowers from any form of retaliation, discrimination or penalisation, also ensuring the confidentiality of the whistleblower’s identity. The Procedure was prepared taking ANAC recommendations and current regulations into account. During 2018 no notifications were received.
- guaranteeing the operation of Civic Access indicating, within AU’s website in the Transparent Company section, the methods and email addresses to exercise this right in terms of Simple Civic Access and Generalised Civic Access. Simple Civic Access allows anyone to request documents, data or information which administrations are required to publish. Generalised Civic Access or

Freedom of Information Act - FOIA access allows anyone to request documents, data or information that go beyond those which administrations are required to publish.

In 2018, no Civic Access request was made, either in the form of Simple Civic Access or Generalised Civic Access.

## Data Protection Manager activities

Established under Regulation (EU) 2016/679 of the European Parliament and Council of 27 April 2016, relative to protection of natural persons with regard to the processing of personal data, and rules related to the free movement of personal data, abrogating Directive 95/46/EC (General Data Protection Regulation or “**GDPR**”), the Data Protection Manager (“**DPM**”) has been functional within AU since 25 May 2018.

The GDPR assigns the following tasks to the DPM (article 39):

1. *inform and provide consulting* to organisations and employees with regards to obligations deriving from the GDPR and domestic and EU regulations;
2. *monitor observance* of the GDPR, European and domestic regulations and internal policies regarding the protection of personal data, including the assignment of responsibilities, increasing awareness, personnel training and relative audits;
3. provide, if requested, a data protection *impact assessment* (“**DPIA**”) and monitor execution of the same;
4. *cooperate* with the personal data protection guarantor (“**Privacy Guarantor**”); and
5. serve as a *contact point* for the authorities relative to questions associated with data processing (e.g. preventive consultation).

In the light of the tasks established in the European regulations, during 2019 the DPM acted to:

- develop and update tools to monitor company compliance with the GDPR, such as the Privacy Dashboard (periodically updated for the Chief Executive Officer) and the annual Report on the activities carried out;
- provide training on security measures and the use of company tools, illustrating the AU Regulations on the use of IT tools. Aimed at all company personnel, this training was carried out in October 2019, in 5 sessions over 3 days, with 236 employees participating. At the end of each session, participants answered a questionnaire to assess their learning;

- inform and raise awareness in company units/departments through information on documents of interest, selected from official websites on personal data protection. 17 informational documents were sent in 2019;
- provide their observations to the legal department with regards to the documents they produced and sent to the DPM, including the Processing Registry and the draft Data Breach Procedure;
- call and/or monitor the minutes prepared for meetings of the Working Group established in 2018 to support the activities needed to comply with privacy regulations and to handle data breaches. The Working Group met 12 times in 2019, of which 7 to assess possible data breaches (extraordinary meetings), on the following dates:

Jan-19	Mar-19	Apr-19	May-19	Jul-19	Sep-19	Nov-19
<b>1</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
ordinary	3 extraordinary	1 ordinary	ordinary	ordinary	ordinary	extraordinary
		2 extraordinary	extraordinary			

- prepare and update the Data Breach Registry and Registry of Requests to Exercise Rights by Interested Parties, received through the dedicated email account (rpd@acquirenteunico.it). 8 data breach events were recorded in 2019, of which 5 communicated to the Privacy Guarantor, and 11 requests were received from interested parties;
- in June 2019, they participated in the DPIA assessment process regarding the processing involved in the new IIS Consumption Portal (operational as of July), the results of which were sent to the Privacy Guarantor.

During the year, the DPM attending conventions and training courses on issues related to personal data protection, favouring those provided or sponsored by institutional entities in the sector, whether Italian or European, for a total of 97.5 hours.

Additionally, they took part in the Network of DPMs from Regulation and Guarantor Authorities, with the goal of reciprocal communication and sharing of know-how and best practices. It meets periodically and the Privacy Guarantor also participates.

## **RELATIONS WITH THE PARENT COMPANY AND ITS SUBSIDIARIES**

Acquirente Unico is a full subsidiary of Gestore dei Servizi Energetici - GSE S.p.A.

During 2019, AU obtained support from GSE through special service contracts, relative to leasing of its headquarters and other associated services, for the provision of IT services and assistance and consulting work on a continuous basis.

With reference to economic relationship with other subsidiaries of GSE S.p.A., in 2019 Gestore dei Mercati Energetici - GME S.p.A. continued to be Acquirente Unico's main trade counterpart.

Below we summarise the relations with the parent GSE and with GME, in terms of the balance sheet and income statement. These schedules compare 2019 with the previous year.

## Relations with GSE

Receivables, totalling € 124 thousand, refer to the reversal of electricity costs relative to the parent company.

Payables, totalling € 75 thousand, refer to ascertainties of costs linked to service contracts. The decrease with respect to the previous year derives almost exclusively from different schedules used for invoicing on the part of the parent company.

The economic cost components are represented, almost entirely, by expense for service contracts and leasing of the property used as the company headquarters.

Further details are explained in the Notes to the Accounts.

**Table 15: Summary of relations between Acquirente Unico and GSE S.p.A. (€ thousand)**

	2019	2018	Changes
<b>Receivables</b>			
Non-trade receivables	124	-	124
<b>Total receivables</b>	<b>124</b>	<b>-</b>	<b>124</b>
<b>Prepayments</b>			
Prepayments	4	-	4
<b>Total prepayments</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Payables</b>			
Payables for loan - intercompany current account	-	-	0
Payables for infra-group VAT	53	290	(237)
Payables for service agreement and other	22	1,684	(1,662)
<b>Total Payables</b>	<b>75</b>	<b>1,974</b>	<b>(1,899)</b>
<b>Revenues</b>			
Other revenues	124	-	124
<b>Total Revenues</b>	<b>124</b>	<b>-</b>	<b>124</b>
<b>Costs</b>			
Costs for service agreement	2,108	2,452	(344)
Interest expense on intercompany bank account	4	43	(39)
<b>Total Costs</b>	<b>2,112</b>	<b>2,495</b>	<b>(383)</b>

Source: Internal processing, Acquirente Unico

## Relations with GME

Relative to relations with GME, shown in Table 16, the main balance sheet item consists of payables relative to electricity purchases and correlated services (€ 79,417 thousand), for the portion not yet financially settled. The decrease in this item amounted to € 64,304 thousand.

The main income statement item is represented by costs for purchases on the spot electricity market, equal to € 2,481,403 thousand, compared to € 3,145,370 thousand the previous year.

**Table 16: Summary of relations between Acquirente Unico and GME S.p.A. (€ thousand)**

	2019	2018	Changes
<b>Prepayments</b>	<i>€ thousands</i>		
Prepaid expenses consideration on Data Reporting Platform	1	1	-
<b>TOTAL PREPAID EXPENSES</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Payables</b>			
Payables for energy purchases and related services	79,417	143,721	(64,304)
<b>TOTAL ENERGY PAYABLES</b>	<b>79,417</b>	<b>143,721</b>	<b>(64,304)</b>
Payables for other services	-	-	-
<b>TOTAL NON-ENERGY PAYABLES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL PAYABLES</b>	<b>79,417</b>	<b>143,721</b>	<b>(64,304)</b>
<b>Revenues</b>			
Revenues for energy sales for scheduled unbalancing	345	-	345
<b>TOTAL REVENUES</b>	<b>345</b>	<b>-</b>	<b>345</b>
<b>Costs</b>			
Costs for energy purchases on spot electricity market	2,481,403	3,145,370	(663,967)
Costs for services on spot electricity market	1,473	1,609	(136)
Costs for data reporting services (REMIT)	1	1	-
<b>TOTAL COSTS</b>	<b>2,482,877</b>	<b>3,146,980</b>	<b>(664,103)</b>

Source: Internal processing, Acquirente Unico

## Information about additional related parties

The Company has multiple relations with direct or indirect subsidiaries of the Ministry of Economy and Finance, which in turn holds 100% of the capital of the Company's parent company GSE. The main transactions are conducted with the major players in the Italian energy industry, such as the Enel Group, ENI and TERNA. All transactions with related parties take place at market prices in accordance with the conditions that would apply to third-party counterparts.

## BUSINESS OUTLOOK

### Energy supply

The demand from the enhanced protection market forecast for 2020 is approximately 42 TWh.

In consideration of the fact that the Reformed Enhanced Protection was introduced as of 1 January 2017, which establishes that Acquirente Unico obtains supplies through the Spot Energy Markets (DAM and MPEG), again no physical forward contract will be stipulated in 2020.

### Activities in support of operators and end users

#### Consumer and Conciliation Area

Resolution 10 December 2019 528/2019/E/com, with the approval of the **2020-2022 Operating Project** (Project) ensures continuity of the services provided by the Help Desk for the three year period in progress. The main activities called for under the Project for **2020** involve the releasing of new services and optimising of support systems, while the elimination of the enhanced protection, which had been set for 1 July 2020 when the Project was drafted, is currently postponed to 1 January 2022.

The above Resolution also extends the availment of Acquirente Unico for the activities of the Help Desk to the sectors of District Heating/Cooling and confirms activities to support ARERA in the Waste sector. Hence, during the first half of 2020 the website, CRM Helpdesk and Conciliation Service platform were updated with specific forms and information necessary for users. Additionally, Help Desk employees involved in managing user requests were trained, including operators on the Toll Free Number 800.166.654, relative to which the phone tree and messages will be updated.

With regards to optimising support systems, protection of the personal data managed by the Help Desk is being improved, with the introduction of “strong authentication” for access to all services obtained through the Single Portal by the end of the first half of 2020. This is based on a One-Time Password (OTP) which combines a second variable and limited time credential sent via text message with basic access credentials. Note that also in this area access via SPID is expected to be activated in 2021, as an alternative to the use of the OTP. Recall that these measures were established despite the positive results seen in the DPIA outlined above, in order to further increase current security levels relative to processing of personal data.

Additionally, in the second half of 2020 users will be able to use smartphones to navigate all of the functions of the Conciliation Service platform via apps, as well as being able to manage conciliation meetings on mobile phones, optimising back office management via mobile.

During the year in course, the Help Desk will also continue its fruitful cooperation with the main actors in the energy and environmental sectors, in particular with consumer and trade associations and with larger operators/managers, as well as in informing the Authority of significant events identified in the management of its business. In particular, it will continue to provide information and training to integrated water service managers in order to ensure a successful switch to obligatory conciliation for users of managers required to participate in the same.

### **Integrated Information System**

The most significant developments in IIS activity expected in 2020 mainly regard:

- **Completion of gas settlement reform through the IIS**

Resolution 72/2018/R/gas, which approved the "Integrated text of provisions for settlement of physical and economic items regarding the natural gas balancing service (TISG)", began the reform of gas settlement regulations. These will take effect in January 2020 and are aimed at ensuring greater efficiency in providing natural gas balancing and transport services, with reference to determining the energy withdrawn relative to each balancing user. The new regulations give the Balancing Manager and the IIS central roles. The first notable deadline for the IIS in 2020 is processing of reading data for monthly balancing, useful for determining physical gas items taken from the transport system on each gas day, broken down by distribution user and balancing user. During the years, calculation rules for annual consumption and standard withdrawal profiles for the IIS will become operational, calculated in 2019 using the simplified formula.

- **Start of the gas transport capacity transfer process**

By the start of the new thermal year in October 2020, applications to manage gas transport capacity will be developed, serving as the fulcrum of the gas settlement reform which assigns allocated capacity to balancing users as a function of the BU/DU/DP relationship, eliminating distorting market effects on capacity attributable to the portfolio effect.

- **Completion, optimisation and development of processes managed in both sectors**

Projects involving existing applications are planned for 2020, involving natural completion activities and fine tuning of the numerous applications released in the last quarter of 2019, activities to comply with regulatory changes in the sector and to improve the management efficiency and efficacy of the IIS.

- **Automatic management of indemnities in the electricity sector**

The Authority has established for 2020 analysis and investigation of issues aimed at automatic and generalised management of indemnities, based on total flows handled by the IIS, in relation to ARERA regulatory processes which involve the application of indemnities in the case on non-fulfilment for required entities (Distributors). Implementation of the applications will be planned downstream from regulation by ARERA.

- **Development of the Offer Comparison Portal**

Analysis and development of applications will continue in 2020 in order to handle additional types of offers with respect to those already handled. Developments will depend on the size of changes necessary for offers to be acquired, the complexity of the new functions to calculate spending and the detail pages needed to show the additional characteristics of the new types of offers handled.

- **Monitoring of retail electricity and natural gas sales markets**

In 2020, analysis and monitoring activities will be developed for retail markets and for other areas relative to regulation, including prices and services, which are functional to the Authority carrying out its institutional activities. The possibility of extracting information from the IIS will make it possible to expand the number of phenomena newly identified, as well as providing more details about phenomena already monitored in past years. Consequently, reporting will increase in terms of size and frequency. The growing use of the information from the IIS will not only provide more timely and accurate observations, but a progressive reduction in checks on data collected from operators. The project shared with the Authority will be gradually implemented over the course of 2020, which ends certain processes to obtain data from operators, strengthening the central role of the IIS as the informational tool for the sector, while reducing the burden on managers with obligations. Activities will continue to support the Authority in managing the remaining data collected from managers with obligations.

- **Evolution of the Consumption Portal**

Implementing that established in the 2018 Budget Law and following its release in 2019, during 2020 the development of new functions is planned. For example, to allow end users to access an increasing amount of data found in the IIS with a longer timeframe (up to 36 months) and integration with the Offer Portal.

Further, the activities related to process management assigned to the Gestore, the use and development of technological infrastructure and the software for services supply will continue.

### **Italian Central Stockholding Entity - OCSIT**

As established in the Guidelines issued by the Ministry of Economic Development dated January 31, 2014, OCSIT will inform the Director General for security of supply and energy infrastructure of the Ministry of Economic Development of the actual costs incurred by the same during 2019 (or final balance), for determining the amount and adjusting the contribution.

Regarding new stock obligations, the annual Ministerial Decree of 19 March 2020 established the total security stocks and specifications of that which must be held by the system as of 1 July 2020, the new day the stock year begins.

In regards to Gasoline Fund activities, it should be noted that, as of January, OCSIT began additional collection procedures for payment of the mandatory contribution, pursuant to Italian Ministerial Decree of 19 April 2013.

### **Other events**

Starting in January 2020, the domestic and international situation was marked by the rapid spread of COVID-19 and the consequent restrictive measures established globally to contain the virus and manage the crisis. This event and the measures implemented by the Italian government were extraordinary and unforeseeable events, outside of the Company's scope of action. The nature of the regulated activities which are typical of the company's business was not substantially influenced by COVID-19 in terms of financial performance and profit.

The measures adopted by the government and the COVID-19 health crisis did not have a significant impact on the company's operations. In fact, the Company promptly began all necessary actions intended

to protect against contagion, in line with the provisions in effect on workplace health and safety, giving preference to “smart working” methods for its employees.

## OTHER INFORMATION

Concerning the overall provision in Article 2428, paragraph 1 of the Italian Civil Code, for the description of the "principal risks and uncertainties" to which the Company could be exposed, the respective negotiations are described in the specific chapters and sections of the Report on Operations, which sets forth the relevant content relating to the various regulatory, operational and organizational areas dealt with.

We refer, in particular, to the following sections of the report:

- The juridical-legal regulation and its implications, particularly with respect to the regulatory laws and rules applicable, are highlighted among the "key elements of the legislation and reference areas. This section examines, more specifically, the salient regulatory aspects relative to each area of business activity;
- Any element of uncertainty concerning the Company's receivables is summarized in the subsection on "management of credit and disputes with the companies providing the enhanced protection service" in the section "Management of Disputes". The Explanatory Notes also show the amount of receivables, a breakdown by sub-item and provide a comparison with the previous year, as well as changes in the specific Provision for write-downs;
- In the subsection on "management of disputes", under "Other Disputes", there is also a description of the salient facts concerning possible legal disputes (other than those pertaining to the performance of the receivables) and their implications;
- The section "Tax Assessments" provides information about the tax audit done relative to 2008, and the relative consequences. Note that the Explanatory Notes also provide, for the sake of completeness, additional information and data about the audit in question, provided in the section "Information about commitments, guarantees and potential liabilities not recognised in the balance sheet";
- In the sections "Central systems and for IT security" and "IT risk prevention activities", within the chapter on Business Information Systems, the equipment dedicated to physical and logistical security are briefly described, which guarantee the confidentiality, integrity and availability of corporate information, functional to preventing and containing risks that could potentially affect data. In this area, the tools used to address situations of temporary unavailability of one or more systems are briefly described, such as the sites for disaster recovery and business continuity.

With regards to the indications provided in paragraph 3 of article 2428 of the Italian Civil Code, it should be noted that the Company does not hold, nor has it purchased or sold during the year, either through trust companies or nominees/holding companies, any treasury shares or shares of its parent company.

Also note that the Company did not carry out research and development in 2019.

Finally, pursuant to article 2428, paragraph 3, letter 6 bis), Italian Civil Code, information is provided below regarding the use of financial instruments, both assets and liabilities.

In order to invest its liquidity and finance its requirements, the Company also made use of the following methods:

1. Investment of liquidity in insurance/financial policies
2. Issuing of a bond loan to finance the purchase of fixed assets.

In this context, the Company is in general exposed:

- a) to market risk, mainly associated with adverse changes in interest rates and in other financial market variables;
- b) to liquidity risk, with reference to the availability of financial resources adequate to pay financial liabilities taken on and to support its operations;
- c) to counterparty risk, linked to the possibility of default with regards to entities with which financial relationships exist.

These risks are mitigated by:

- policies to diversify both instruments and counterparties;
- selection of counterparties with adequate standing;
- adequate debt capacity, supported when necessary by the possible disposal of assets under neutral conditions, after authorisation by the relevant entities.

The Company's strategy for managing the financial risks indicated is monitored by the Board of Directors and implemented by the Chairman of the Board of Directors, in the context of the powers and proxies assigned to him.

BALANCE SHEET  
FINANCIAL YEAR 2019

**ASSETS**

	Partial	Total	Partial	Total	Changes
		<b>Dec. 31, 2019</b>		<b>Dec. 31, 2018</b>	
		€		€	
<b>A) UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS</b>		-		-	-
<b>B) FIXED ASSETS</b>					
<i>I. Intangible assets</i>					
3) Industrial and intellectual property rights		4,302,126	3,190,891	1,111,235	1,111,235
4) Concessions, licences, trademarks and similar rights		3,949	4,722	(773)	(773)
6) Assets under construction and advances		-	-		
7) Other		566,134	727,719	(161,585)	(161,585)
		4,872,209	3,923,332	948,877	948,877
<i>II. Tangible assets</i>					
4) Other assets		5,228,156	2,937,631	2,290,525	2,290,525
6) Specific stocks of oil products		660,972,598	576,301,354	84,671,244	84,671,244
		666,200,754	579,238,985	86,961,769	86,961,769
<i>III. Financial Assets</i>					
	<i>Due within 12 months</i>		<i>Due within 12 months</i>		
2) Receivables:					
d bis) Due from others	53,385	714,118	61,261	783,792	(69,674)
		714,118	783,792	(69,674)	(69,674)
<b>Total Fixed Assets</b>		<b>671,787,081</b>	<b>583,946,109</b>	<b>87,840,972</b>	<b>87,840,972</b>
	<i>Due after 12 months</i>		<i>Due after 12 months</i>		
<b>C) CURRENT ASSETS</b>					
<i>I. Inventories</i>		-		-	-
<i>II. Receivables</i>					
1) Due from customers		703,509,342	985,218,441	(281,709,099)	(281,709,099)
4) Due from parent company		123,607	-	123,607	123,607
5) Due from subsidiaries of parent companies		-	-		
5 bis) Tax receivables		307,063	386,272	(79,209)	(79,209)
5 ter) Deferred tax assets		899,967	760,628	139,339	139,339
5 quater) Due from others		173,877	158,473	15,404	15,404
6) Due from Energy and Environment Services Fund		60,239	-	60,239	60,239
		705,074,095	986,523,814	(281,449,719)	(281,449,719)
<i>III. Financial assets not held as fixed assets</i>					
6) Other securities		108,972,000	-	108,972,000	108,972,000
		108,972,000	-	108,972,000	108,972,000
<i>IV. Cash and cash equivalents</i>					
1) Bank and postal accounts		52,006,765	52,862,812	(856,047)	(856,047)
3) Cash and cash equivalents		4,431	1,978	2,453	2,453
		52,011,196	52,864,790	(853,594)	(853,594)
<b>Total current assets</b>		<b>866,057,291</b>	<b>1,039,388,604</b>	<b>(173,331,313)</b>	<b>(173,331,313)</b>
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>					
Prepayments		574,204	516,028	58,176	58,176
<b>Total accrued costs and deferrals</b>		<b>574,204</b>	<b>516,028</b>	<b>58,176</b>	<b>58,176</b>
<b>TOTAL ASSETS</b>		<b>1,538,418,576</b>	<b>1,623,850,741</b>	<b>(85,432,165)</b>	<b>(85,432,165)</b>

**LIABILITIES**

	Partial	Total	Partial	Total	Changes
		<b>Dec. 31, 2019</b>		<b>Dec. 31, 2018</b>	
		€		€	
<b>A) SHAREHOLDERS' EQUITY</b>					
I. <i>Capital</i>		7,500,000		7,500,000	-
IV. <i>Legal reserve</i>		1,143,114		1,128,875	14,239
IX. <i>Profit for the year</i>		55,849		284,776	(228,927)
<b>Total shareholders' equity</b>		<b>8,698,963</b>		<b>8,913,651</b>	<b>(214,688)</b>
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>					
2) Taxes including deferred liabilities		101,116		102,499	(1,383)
4) other		1,916,875		1,709,749	207,126
4.a) provision for restoration, Ministerial Decree 2013		11,735,105		10,675,908	1,059,197
4.b) provision for use of future financial residual sums - former Cassa GPL		6,924,296		16,569,622	(9,645,326)
<b>Total provisions for risks and charges</b>		<b>20,677,392</b>		<b>29,057,778</b>	<b>(8,380,386)</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>		<b>378,182</b>		<b>849,977</b>	<b>(471,795)</b>
	<i>Due after 2 months</i>		<i>Due after 2 months</i>		
<b>D) PAYABLES</b>					
1) Bonds	496,714,211	496,714,211		-	496,714,211
4) Due to banks:					
a) short term		224,856,054		598,486,584	(373,630,530)
b) medium and long term	364,123,702	364,123,702	279,333,048	279,333,048	84,790,654
5) Due to other lenders		202,063,641		283,682,983	(81,619,342)
7) Due to suppliers		106,381,854		90,964,088	15,417,766
1f) Due to parent company		75,284		1,974,459	(1,899,175)
1fbis) due to subsidiaries of parent companies		79,417,334		143,720,785	(64,303,451)
12) Tax payables		473,294		424,636	48,658
13) Payables to social security institutions		861,758		794,122	67,636
14) Other payables		11,228,302		15,624,387	(4,396,085)
15) Due to Energy and Environment Services Fund		10,015,950		170,003,876	(159,987,926)
<b>Total payables</b>		<b>1,496,211,384</b>		<b>1,585,008,968</b>	<b>(88,797,584)</b>
<b>E) ACCRUED COSTS AND DEFERRED INCOME</b>					
Accrued costs		12,452,655		20,367	12,432,288
<b>Total accrued costs and deferred income</b>		<b>12,452,655</b>		<b>20,367</b>	<b>12,432,288</b>
<b>Total liabilities</b>		<b>1,529,719,613</b>		<b>1,614,937,090</b>	<b>(85,217,477)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,538,418,576</b>		<b>1,623,850,741</b>	<b>(85,432,165)</b>

INCOME STATEMENT  
FINANCIAL YEAR 2019

	Partial	Total	Partial	Total	Changes
	2019	2019	2018	2018	
	€	€	€	€	
<b>A) PRODUCTION VALUE</b>					
1) Revenues from sales and services:					
a) revenues from the sale of electricity	3,017,918,280		3,600,923,034		(583,004,754)
b) other energy-related revenues	10,471,207		44,400,635		(33,929,428)
c) revenues to cover non-energy operating costs	54,959,551		41,278,475		13,681,076
		3,083,349,038		3,686,602,144	(603,253,106)
5) Other revenues and income:					
a) contingent assets related to energy	149,561,990		99,405,377		50,156,613
b) income and other revenues	368,125		375,913		(7,788)
		149,930,115		99,781,290	50,148,825
<b>Total production value</b>		<b>3,233,279,153</b>		<b>3,786,383,434</b>	<b>(553,104,281)</b>
<b>B) PRODUCTION COSTS</b>					
6) Raw materials, supplies, consumables and goods:					
a) energy purchases on the electricity market	2,481,403,489		3,145,370,229		(663,966,740)
b) unbalancing fees	58,278,266		15,415,092		42,863,174
c) other energy purchases	1,814,114		3,337,665		(1,523,551)
d) other	56,059		50,482		5,577
		2,541,551,928		3,164,173,468	(622,621,540)
7) For services:					
a) dispatching, services related to energy	480,910,842		472,998,932		7,911,910
b) sundry services	11,996,759		10,333,483		1,663,276
		492,907,600		483,332,415	9,575,185
8) Use of third party's assets					
a) storage	24,162,772		18,897,035		5,265,737
b) other	1,341,401		1,268,423		72,978
		25,504,173		20,165,458	5,338,715
9) For personnel:					
a) wages & salaries	12,544,872		10,803,468		1,741,404
b) social security contributions	3,620,741		2,973,383		647,358
c) termination indemnities	826,808		740,920		85,888
e) other costs	626,940		376,812		250,128
		17,619,361		14,894,583	2,724,778
10) Amortisation, depreciation and write-downs:					
a) amortization of intangible assets	2,757,489		2,484,502		272,987
b) depreciation of tangible fixed asset	1,031,217		969,794		61,423
d) write-downs of receivables in current assets and cash and cash equivalents	428,258		304,683		123,575
		4,216,964		3,758,979	457,985
14) Other operating costs:					
a) Contingent liabilities relating to energy	149,561,990		99,405,377		50,156,613
b) other charges	1,838,926		407,307		1,431,619
		151,400,916		99,812,684	51,588,232
<b>Total production costs</b>		<b>3,233,200,942</b>		<b>3,786,137,587</b>	<b>(552,936,645)</b>
<b>Difference between value and production costs (A-B)</b>		<b>78,211</b>		<b>245,847</b>	<b>(167,636)</b>
<b>C) FINANCIAL INCOME AND EXPENSES</b>					
16) Other financial income:					
a) long term receivables	920		1,056		(136)
d) other income	16,701,855		6,285,002		10,416,853
		16,702,775		6,286,058	10,416,717
17) Interest and other financial charges:					
a) to parent company	4,488		42,710		(38,222)
b) other	16,591,912		6,070,344		10,521,568
		16,596,400		6,113,054	10,483,346
<b>Total financial income and charges</b>		<b>106,375</b>		<b>173,004</b>	<b>(66,629)</b>
<b>D) IMPAIRMENT OF FINANCIAL ASSETS</b>					
<b>Total impairment of financial assets</b>		-		-	-
<b>Profit before taxes (A-B+C+D)</b>		<b>184,586</b>		<b>418,851</b>	<b>(234,265)</b>
20) Income taxes, current, deferred and prepaid					
a) current taxes	269,459		277,805		(8,346)
b) taxes relative to previous years	-		-		-
c) deferred tax liabilities and assets	(140,722)		(143,730)		3,008
		128,737		134,075	(5,338)
<b>21) Profit of the year</b>		<b>55,849</b>		<b>284,776</b>	<b>(228,927)</b>

# STATEMENT OF CASH FLOWS

## FINANCIAL YEAR 2019

€	<u>2019</u>	<u>2018</u>
<b>A. Cash flows from operating activities</b>		
Profit (loss) for the year	55,849	284,776
Income taxes	128,737	134,075
Interest expense	16,596,400	6,113,054
(Interest income)	(16,702,775)	(6,286,058)
<b>1. Profit (loss) for the year before income taxes, interest, dividends and capital gain/losses on sale of assets</b>	<b>78,211</b>	<b>245,847</b>
<i>Adjustments for non-cash items that had no counterpart in the net working capital</i>		
Allocations to provisions	1,916,875	1,641,835
Employee termination benefits	826,808	740,920
Depreciation of fixed assets	3,788,706	3,454,296
Other adjustments to non-cash elements	(8,841,156)	27,533,606
<i>Total adjustment to non-cash items</i>	<b>(2,308,768)</b>	<b>33,370,657</b>
<b>2. Cash flows before changes in net working capital</b>	<b>(2,230,557)</b>	<b>33,616,504</b>
<i>Change in net working capital</i>		
- Decrease (increase) in amounts due from customers	281,714,449	(219,208,829)
- Decrease (increase) in amounts due from parent company	(123,607)	30,134
- Decrease (increase) in amounts due from subsidiaries of parent companies	-	2,375
- Decrease (increase) in amounts due from Electricity Sector Adjustment Fund	(60,239)	948,851
- Decrease (increase) in prepayments and accrued income	(58,176)	(175,184)
- Increase (decrease) in amounts due to suppliers	15,046,041	8,868,707
- Increase (decrease) in amounts due to parent company	(1,899,175)	1,194,585
- Increase (decrease) in amounts due to subsidiaries of parent companies	(64,303,451)	(20,879,805)
- Increase (decrease) in amounts due to Energy and Environment Services Fund	12,074	(38,143)
- Increase (decrease) in accrued costs and deferred income	388,452	3,095
- Other changes in net working capital	(4,303,540)	5,219,739
<i>Total changes in net working capital</i>	<b>226,412,828</b>	<b>(224,034,475)</b>
<b>3. Cash flows after changes in net working capital</b>	<b>224,182,271</b>	<b>(190,417,971)</b>
<i>Other adjustments</i>		
Interest received	16,697,425	6,333,869
(Interest paid)	(4,687,859)	(6,335,625)
(Income tax paid)	(181,905)	(46,263)
(Use of provisions)	(2,753,324)	(2,188,629)
<i>Total other adjustments (other receipts/payments)</i>	<b>9,074,338</b>	<b>(2,236,648)</b>
<b>Cash flows from operating activities (A)</b>	<b>233,256,608</b>	<b>(192,654,619)</b>
<b>B. Cash flows from investment</b>		
- (Investments) divestments in tangible assets	(87,992,986)	(103,265,526)
- Increase/(decrease) in amounts due to suppliers for tangible assets	(33,151)	(230,698)
- (Investments) divestments in intangible assets	(3,706,366)	(2,464,488)
- Increase/(decrease) in amounts due to suppliers for intangible assets	404,875	(86,672)
- (Investments) divestments in financial fixed assets	69,674	21,425
- (Investments) divestments in financial assets not held as fixed assets	(108,972,000)	-
<b>Cash flows from investments (B)</b>	<b>(200,229,953)</b>	<b>(106,025,959)</b>
<b>C. Cash flows from financing</b>		
<i>Third-party funding</i>		
Increase (decrease) for bond loan	496,714,211	-
Increase (decrease) in short-term borrowing from banks and other financial institutions	(455,114,577)	693,095,823
Increase (decrease) in short-term amounts due to Energy and Environment Services Fund	(160,000,000)	30,000,000
Increase (decrease) in short-term borrowing from parent companies	-	(200,000,000)
Receipt (repayment) of medium-long term loans from banks	84,790,654	(193,961,321)
<i>Own funds</i>		
(Dividends paid)	(270,537)	(235,301)
<b>Cash flows from financing activities (C)</b>	<b>(33,880,249)</b>	<b>328,899,201</b>
<b>Increase (decrease) in cash (A+B+C)</b>	<b>(853,594)</b>	<b>30,218,623</b>
<b>Cash at January 1</b>	<b>52,864,790</b>	<b>22,646,167</b>
of which:		
bank and postal accounts	52,862,812	22,641,271
cheques		
cash and cash equivalents	1,978	4,896
<b>Cash at December 31</b>	<b>52,011,196</b>	<b>52,864,790</b>
of which:		
bank and postal accounts	52,006,765	52,862,812
cheques		
cash and cash equivalents	4,431	1,978
<b>Total cash flows (A+B+C)</b>	<b>(853,594)</b>	<b>30,218,623</b>

EXPLANATORY NOTES  
TO THE 2019 FINANCIAL STATEMENTS

## STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The structure and content, as well as the classification of items in the balance sheet, income statement, statement of cash flows and explanatory notes, are compliant with the provisions of Articles 2424, 2424-*bis*, 2425, 2425-*bis* and 2425-*ter* of the Italian Civil Code, as well as the accounting standards issued by the OIC (Italian Accounting Body).

As established under Article 2423, paragraph 6 of the Italian Civil Code, the financial statements were prepared in euro units, without decimal places, while in the explanatory notes, in compliance with current regulations, values are expressed in thousands of euro.

All asset and liability items at 31 December 2019 are presented alongside the corresponding amounts for the previous year, in accordance with Article 2423-*ter*, paragraph 5 of the Italian Civil Code.

Evaluation of these items is done in accordance with the general principles of prudence and accrual and with an eye to the business as a going concern, while also taking the substance of the operations into account.

During the year, no exceptional cases occurred which made it necessary to make use of derogations pursuant to article 2423, paragraph 5 of the Civil Code. Financial statement items were measured in compliance with the provisions of Article 2426 of the Civil Code.

For a better representation of the equity, financial and economic status of the Company, the reclassified balance sheet and income statement have been prepared in summary form accompanying the report on operations. All the information deemed necessary to give a true and fair representation is also provided, even if not specifically required by law. In compliance with the provisions of Article 2423-*ter* (Structure of the balance sheet and income statement), some items in the accounts have been appropriately adapted and added.

The most significant accounting standards adopted for preparing the financial statements at 31 December 2019, as well as with regards to the content and changes in the relative individual items are outlined below.

## ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

For the preparation of annual accounts for 2019, the measurement criteria set forth in Article 2426 of the Italian Civil Code have been adopted, interpreted and supplemented by the accounting standards prepared and issued by the Italian Accounting Body (OIC).

Note that at the time of first time application of the changes introduced to the statutory regulations, following the issuing of Italian Legislative Decree 139 of 18 August 2015, the Company exercised the right not to apply the amortised cost criteria and discounting of receivables and payables arising prior to 1 January 2016 which had not yet exhausted their effects within the financial statements (OIC 15 and 19).

### Intangible assets

Fixed assets are recognised at purchase cost, including any accessory charges, pursuant to article 2426, paragraph 1 of the Italian Civil Code, and systematically amortised in each year on a straight line basis.

The item “Industrial patent and intellectual property rights” is amortized over an estimated useful life of three years.

Concessions, licenses, trademarks and similar rights are amortized over a period of ten years.

The item “other intangible assets” is amortized over the period of expected future use of three years, except for the sub-item represented by the so-called up-front fee on the loan granted in 2014, intended for the purchase of OCSIT stock products. This fee, paid in a lump sum, is amortised on a straight-line basis over the duration of the loan (five years).

In the event that, regardless of previously recorded amortization, there is an impairment loss, the asset is written down correspondingly. If in subsequent years the reasons that justified the write-down cease to apply, the asset is returned to its original value, up to the value that the asset would have had if the impairment loss had never taken place.

### Tangible assets

Specific OCSIT stock products are classified as tangible assets as they are held on a long-term basis.

They are recognised at purchase cost, including any directly attributable accessory costs, net of any write-downs for impairment loss. In the presence of a drop in current oil prices, the loss of value is generally assumed not to be permanent, in that the possible realization of the stocks would presumably arise only

in situations of extreme severity and, in particular, in the event of serious shortage of oil resources, which suggests a reasonably presumed related rise in prices. In the event that the realizable value of OCSIT stocks are lower than the value shown in the accounts, the negative difference would, in any case, be fully covered, in accordance with Article 1, paragraph 8 of MED Decree of 31 January 2014 (so called Official Guideline).

Tangible assets relating to Other assets are stated at acquisition cost, also including accessory charges directly attributable, and are depreciated on a straight-line basis each year using rates that are determined in relation to their possible residual utility. In particular:

- Fixed client PCs and laptops are depreciated over a three-year period;
- Other assets are depreciated over a five-year period.

If there is an impairment loss, regardless of the previously recorded depreciation, the asset is written down correspondingly. If in subsequent years the reasons that justified the write-down cease to apply, the asset will be restored to its original value up to the value that the asset would have had if the impairment loss had never taken place.

The costs of ordinary maintenance, as not affecting the level or the potential use of the assets, are charged to the income statement in the year they are incurred. However, maintenance costs with an incremental value are allocated to the related assets and depreciated over the residual useful life of the assets.

## Financial assets

Financial assets include receivables due from employees for amounts loaned in accordance with the current contractual regulation in force. The item is recognised at its nominal value, in that effects deriving from the application of the amortised cost criteria are irrelevant, taking the time factor into account.

## Receivables and payables

Receivables are recognised using the amortised cost criteria, taking the time factor into account, as well as the presumable realisable value.

Receivables are shown net of any provision for write-downs on receivables, appropriate determined to express their presumable realisable value. These receivables are classified according to their nature and purpose, under “financial assets” or “current assets”.

Payables are recognised using the amortised cost criteria, taking the time factor into account, that coincides with the nominal value in the absence of transaction costs and implicit financial components. Bond loans are recognised at the time of subscription in accordance with the amortised cost criteria, taking temporal factors into account. The cost includes transaction costs, including expenses to issue bond loans and the issue discounts.

### **Short-term securities**

Securities which are not acquired for long-term holding are recognised among current assets. These short-term securities are recognised at purchase cost and measured on the basis of the lesser between cost and the realisable value presumable from market performance.

### **Cash and cash equivalents**

Cash and cash equivalents at the end of the year are indicated at their nominal value.

### **Accruals and deferrals**

They are determined according to the accrual basis.

### **Provisions for risks and charges**

Provisions for risks and charges include costs and charges of a specific nature, certain or likely, but for which, at year end, the amount and/or the date of occurrence are undetermined. The provisions reflect the best possible estimate based on the information available. Risks for which the emergence of a liability appears merely possible are indicated in specific notes.

Provisions for risks and charges also include the Provision for use of future financial residual sums - former Cassa GPL, established the previous year after the Gasoline Funds were transferred to the company, contained within the Cassa Conguaglio GPL. As part of the operation, the assets and liabilities transferred were identified, as well as the relative criteria for initial recognition. More specifically, in the absence of a fee for said transfer, the assets were recognised at their presumable realisable value, the liabilities at their repayment value, and the difference between the asset and liability values at the initial recognition date was recognised in a specific provision for charges, referred to as the Provision for use of future financial residual sums - former Cassa GPL. The reason for this is that the difference cannot

affect the Company's equity given the impossibility of Acquirente Unico benefiting or suffering from any residual excess or deficits deriving from management of the Gasoline Fund, even in the extreme case of an early dissolution of the Gasoline Fund, and given that the Company has no requirement, following the elimination of the financial resources, to liquidate any repayment requests accepted relative to the contributions required for environmental costs to restore locations following rationalisation of the fuel distribution network. This structure makes it so AU's income statement relative to management of the Gasoline Fund can only end up breaking even and classifies the positive difference between the assets and liabilities recognised as a certain and determined liability, even if the amount is estimated and the date of attribution uncertain, which led to its classification within provisions for risks and charges.

### **Employee severance indemnity**

The provision for employee severance indemnities is established in compliance with laws and labour contracts in force and reflects the liabilities accrued in respect of all employees at the balance sheet date, net of advances paid under the law, as well as amounts paid in supplementary pensions. Following the entry into force of Law 296 of 27 December 2006 (2007 Financial Law), employee severance indemnity is also reduced for the amounts transferred to the Treasury Fund set up with INPS (Italian State Social Security Entity) and other additional social security funds.

### **Revenues and Costs**

They are recognised in accordance with the principle of prudence and economic attribution and are net of rebates and discounts. Revenues from services and the sale of goods is recognised when the service is supplied or on transfer of ownership of the goods.

Revenues and costs relating to the purchase and sale of electricity are supplemented with appropriate accounting estimates, based on the provisions of the law and the Authority in force during the period in question. These estimates, which are typical of the activities carried out by the Company, are the result of calculations performed by the technical and commercial departments based on available information, including by comparison with the main counterparts.

With reference to the purchase and sale of electricity and related services, the application of the legislation referable to AU, as well as the general principles of proper accounting for accruals and correlation between revenues and expenses, involving the achievement of equivalence, by means of appropriate

accounting estimates, between revenues and corresponding costs. The coverage of the costs of the purchase and sale of energy complies, in particular, with the provisions of the following standards:

- Article 4, paragraph 6, of Legislative Decree No. 79/99, which provides that the balance of the accounts is ensured by AU. AU's principle of balancing has been, among other things, referred to by Article 4 of the Decree of the Minister of Productive Activities of 19 December 2003;
- Article 18.4 of the Integrated text on the provision of enhanced protection electricity sales and protection of end users - TIV, annexed to AEEGSI Resolution 301/2012 - which, in stipulating that the criteria for determining the price of electricity sold to operators of the enhanced protection service, establishes, essentially, that AU should cover its own operational costs in terms of managing energy related activities.

As regards revenues covering operating costs, accounting is done:

- Assuming accounting equilibrium between revenues covering costs and related costs, in accordance with the applicable laws on the matter;
- Assuming the existence of official acts of the supervisory authorities that enable the recognition of the fees and their amount on an accrual basis, based on the principle of reasonable certainty of the maturation of these fees (on a case by case, they may be the acts that approve the final statements or, pending these, the acts which formally authorize the budget for the year, as long as the final balance is kept within the limits of the budget itself).

## **Income taxes for the year**

Current taxes on income are recognised with a balancing of payables/tax receivables, net of advanced payments and withholdings, based on the estimated taxable income, determined in accordance with the provisions in force and taking into account the applicable tax benefits and credits.

In application of OIC document no. 25, if the requirements are met, deferred and prepaid taxes are recorded based on temporary differences between gross statutory profit and taxable income.

If the recalculation shows a prepaid tax charge, it is registered among deferred tax assets only to the extent that there is reasonable certainty of its future recovery.

## Conversion criteria for items in other currencies

Assets and liabilities originally expressed in another currency are converted in the financial statements at the exchange rate in effect at the time of the transaction. Effects of any conversions to exchange rates at the end of the year are entirely irrelevant.

## System for keeping separate accounting records for economic and equity items relative to the Integrated Information System (IIS), the Italian Central Stockholding Entity (OCSIT) and the Gasoline Fund

As established in the Authority's Resolution Arg/com/201/10, in reference to the IIS, in Legislative Decree 249 of 31/12/2012, relative to OCSIT, and in Italian Law 124 of 4 August 2017, with regards to the Gasoline Fund, AU has adopted specific systems to ensure distinct accounting for the economic and equity items relative to the IIS, OCSIT and Gasoline Fund, as if their business was performed by a separate entity.

More specifically, based on appropriate methodological models approved by senior management, AU prepares special separate annual accounts for the IIS, OCSIT and the Gasoline Fund, to be submitted to the regulators (ARERA and MED), respectively, for IIS within 60 days of the approval of the annual financial statements, for OCSIT within 90 days of the approval of the annual financial statements and for the Gasoline Fund within 150 days of the approval of the annual financial statements.

The separate annual accounts comprise, in summary, the following reports:

- Balance sheet;
- Income statement;
- Accounting details and comments in the notes on the criteria and methodologies adopted.

Regarding the financial reporting information that pertains to AU S.p.A., the following points are noted:

- In specific chapters of the Report on Operations, there is summary information regarding the development and management of the IIS, OCSIT and Gasoline Fund;
- In one table, which is also included in the Report on Operations, the operating costs of AU S.p.A. are broken down by macro-area of activities. This table specifically records operating costs economically assigned to the IIS, OCSIT and Gasoline Fund;

- An analysis of the respective tables of the notes to these annual accounts shows separately, where relevant and significant, the amounts of the balance sheet and income items relating to business under accounting separation.

Specifically, amounts must be reported for the stocks belonging to OCSIT, recorded within tangible assets, for the related financing granted for the purchase of the same stocks, recorded in "Due to banks" and the bond loan.

### **Information about commitments, guarantees and potential liabilities not recognised in the balance sheet**

Pursuant to that established in article 2427, point 9 of the Civil Code, below is the total amount of commitments, guarantees and potential liabilities not recognised in the balance sheet.

#### **Commitments - € 92,929 thousand**

This item shows future commitments deriving from the stipulation of contracts to store oil products owned by OCSIT, relative to the 2020-2024 period.

#### **Collateral and personal guarantees received – € 1,288,609 thousand**

The item mainly refers to the sureties, totalling a guaranteed amount of € 1,287,365 thousand, issued in favour of AU, by banks or parent companies, in the interest of the companies providing the enhanced protection service for which the Company invoices energy.

These sureties, issued pursuant to article 10 of the contract for the sale of electricity between AU and the companies operating the enhanced protection service, as updated by the Authority's Resolution ARG/n. 208/10, guarantee AU's receivables due from the companies operating the enhanced protection service, for an amount of no less than 1/6 of the annual cost, including VAT, sustained by each operator in the previous calendar year to supply energy to its customers on the protected market.

In this context, the surety for € 1,150,000 thousand at 31 December 2019, issued in favour of AU by Servizio Elettrico Nazionale S.p.A., guaranteeing the obligations arising from the contract for the sale of electricity, is notable.

The item also includes the guarantees provided by the suppliers of goods and services other than energy, amounting to € 7 thousand, to guarantee payment of the obligations defined in the contracts with AU. Finally, it also includes mortgages on real estate, with a secured total of € 1,237 thousand, issued by employees against the provision of loans by the Company for purchase of their first home.

### **Potential liabilities - € 394 thousand**

As also described in the Report on Operations, as a result of the tax audit initiated in March 2013, ending at the end of July the same year, on 16 October and 4 November 2014, the Company received two notices of assessment for the years 2009 and 2010, with which the Lazio Regional Directorate of the Revenue Agency determined greater IRAP tax, denying that the tax wedge subsidy was applicable.

Specifically, with these assessments pertaining to 2009 and 2010, the Office dismissed a higher IRAP and penalties totalling approximately € 300 thousand (excluding interest) for the two years.

Against those two notices of assessment, on 12 December 2014, the Company brought two separate appeals before the Provincial Tax Commission of Rome, also applying for dismissal and giving the arguments already contained in the request submitted in 2014 on the subject in question, in respect of the subsidy pursuant to Article 11 of Italian Legislative Decree 446/1997, as AU's activities are not exercised as a concession and, much less, for a "rate".

The Company, in compliance with the legal requirements, also made payments due on a provisional basis, equal to one third of the tax levied in the notice of assessment.

With the two rulings 22860/2016 and 22861/2016, both filed on 12 October 2016, the Provincial Tax Commission of Rome upheld the Company's appeals.

The Office put forward two separate appeals on 29 March 2017 against these judgements with the Regional Tax Commission of Lazio. However, at the same time, considering the provisional enforceability of the first level judgements, the Office reimbursed the amounts already paid by the Company.

The appeal judgements, relative to which the Company filed specific arguments were resolved in the Company's favour. In fact, with its judgements 8721/2018 and 8722/2018, both filed on 11 December 2018, the Regional Tax Commission rejected the Office's appeal and, therefore, confirmed the

nullification of the notices of assessment already filed in the first level court. At present, the terms for the appeal of the two verdicts with the Supreme Court are still pending, considering the suspension of the same established under article 6, paragraph 11 of Decree Law 119/2018.

Total risk, which can be expressed as a potential liability at 31 December 2019, amounts to around € 339 thousand, in terms of maximum amounts due. This amount has not been accounted for as a provision to the specific risk provision given that the risk of tax in question was recently reiterated by the Company's tax advisers as being possible, but not probable.

Additionally, note the presence of certain appeals filed by the company relative to statutory matters, the risk of which can be classified as only possible, not probable.

The potential impact of this risk can be quantified at around € 55 thousand but, without the required aspect of probability, cannot lead to provisions in the financial statements.

More specifically, the decision not to establish a special provision for risks derives from that established in article 2424-bis, paragraph 3 of Civil Code, interpreted in the light of the reference accounting standards.

### **Information pursuant to Article 2423, paragraph 4**

Below the criteria used by the Company to implement the provision contained in Article 2423, paragraph 4 are illustrated, with particular regards to the definition of irrelevance of the effects of any deformity.

In particular, the significance of the relevance of the fundamental qualitative characteristics necessary to guarantee the utility of the information provided in the annual financial statements is explained.

Given that relevance is understood to be a specification of the concept of significance, information is relevant if its omission or imprecise representation is able to influence the decisions that potential users make on the basis of the annual financial statements, whether they are internal (company bodies, management) or external (stakeholders). More specifically, relevance is an aspect that must be related to the specific company providing accounting information, based upon the nature or size (or both) of the element to which the information refers, in the context of the specific annual financial statements for the individual company. Therefore, relevance depends upon the amount and nature of the omission or error based upon the specific circumstances. The amount or nature of the information, or a combination of both, may be the determining factor.

Given that it is for the most part quantitative, the determination of relevance is expressed through specific threshold parameters, in order to determine whether, in relation to a financial statement element, an error or omission has enough influence on the level of information and news provided by the financial statements, considering their nature and the circumstances in question. This determination requires that parameters be determined in a relativistic manner, looking at the size of the company and its characteristics.

The operating situation of Acquirente Unico (AU) is outlined in relation to the following variables:

- compliance with legal operational conditions, in the light of the fact that legal and regulatory provisions do not allow for “free” determination of profit for the year;
- the characteristics of the business performed and operating dimensions;
- the interests of the stakeholders most worthy of attention and protection.

In this context and in the light of the current management conditions, the following threshold parameters are identified:

- total operating revenues (for energy sales to operators within the enhanced protection service, etc.): reference value 0.1%;
- operating costs (personnel expense; external services, such as consulting or similar; expenses relative to company bodies; general expenses and for company logistics, etc.): reference value 2.5%;
- Balance sheet value of technical fixed assets consisting of stocks of petroleum products: reference value 0.5%;
- gross financial debt: reference value 0.5%;
- shareholders’ equity: reference value 1%.

In order to identify the acceptable margin of error, in terms of irrelevance, two types of factors are considered:

- the amount of the individual error (measurement of tolerable non-compliance for an individual case);
- the amount of the cumulative error, that is the maximum acceptable distortion of the sum, or simultaneous presence of multiple errors, provided that they relate to different cases (sum of the

amount of all the events/cases of non-compliance).

In the first case (specific margin of error), the maximum amount is equal to the average of the values achieved in a given year of the 5 parameters proposed. In the second case (total margin of error), the maximum tolerance is equal to the sum of the values achieved in each of the parameters considered.

### **Proposed allocation of profits**

The proposed allocation of the profits for 2019 (€ 56 thousand), to be submitted to the attention of the Company's Shareholders' Meeting for approval, is as follows:

- 5% of profits to the Legal Reserve, in the amount of € 3 thousand;
- 95% of profits as dividends to be paid to the Shareholder, in the amount of € 53 thousand.

### **Subsequent events**

Starting in January 2020, the domestic and international situation was marked by the rapid spread of COVID-19 and the consequent restrictive measures established globally to contain the virus. These circumstances, which were extraordinary both in their nature and in their extent, have created a situation of generalised and significant uncertainty in economic and market terms, which is being constantly monitored. The nature of the regulated activities which are typical of the company's business was not influenced by COVID-19 in terms of financial performance and profit.

The Directors of the Company are monitoring developments in the situation in order to promptly deal with any financial or non-financial impacts which may arise.

## BALANCE SHEET

### ASSETS:

#### FIXED ASSETS – € 671,787 thousand

#### Intangible assets – € 4,872 thousand

The analysis of this item and changes during the year are as follows:

€ thousands

	Industrial patent and intellectual property rights	Concessions, licences, trademarks and similar rights	Other	Total
<b>Position as at Dec. 31, 2018</b>				
Original cost	12,115	12	4,466	16,593
Accumulated amortisation	(8,924)	(8)	(3,738)	(12,670)
<b>Balance as at Dec. 31, 2018</b>	<b>3,191</b>	<b>4</b>	<b>728</b>	<b>3,923</b>
<b>Movements of year 2019</b>				
Increases	3,343	-	363	3,706
Entering services	-	-	-	-
Amortisation	(2,232)	-	(525)	(2,757)
<b>Balance of changes in 2019</b>	<b>1,111</b>	<b>-</b>	<b>(162)</b>	<b>949</b>
<b>Position as at Dec. 31, 2019</b>				
Original cost	15,458	12	4,829	20,299
Accumulated amortisation	(11,156)	(8)	(4,263)	(15,427)
<b>Balance as at Dec. 31, 2019</b>	<b>4,302</b>	<b>4</b>	<b>566</b>	<b>4,872</b>

The item “Industrial patents and intellectual property rights” for € 4,302 thousand relates to basic and specific software application packages, with the related evolutionary maintenance.

Increases registered during the year (€ 3,343 thousand) are mainly due to investments made by the Integrated Information System, to develop new functions associated with the implementation of the System itself and for the software component associated with the extension and development of the technological platform.

Further increases during the year are due to the purchase of software licenses for database management and virtualisation of systems and, finally, for licenses for various software products, mainly used to manage IT infrastructure, IT security and for system monitoring.

Concessions, licenses, trademarks and similar rights (€ 4 thousand) mainly include the costs incurred by the Company for registration of the OCSIT trademark.

The item Other intangible assets, equal to € 566 thousand, refers to application software for the operating system, developed for the specific needs of AU and related customisation, mainly for the following features:

- demands prediction;
- calculation and prediction of sales prices;
- Operators/Managers Portal, Customers Portal and Conciliation Platform systems to manage requests presented by consumers;
- Stocks and i-Sisen platform to manage energy statistics and monitor petroleum stock requirements;
- the Oracle JD Edwards system for managing OCSIT operating processes.

Increases during the year to the item “Other intangible assets” (€ 363 thousand) mainly refer to the following activities:

- strengthening the integrated IT platform for managing arbitration cases, developing new functions, the obligatory extension to the water sector and additions necessary to implement the new 2019 TICO;
- personalising the Oracle JD Edwards system to manage online tenders to sell oil products and to adapt to Digital Invoicing;
- evolutionary maintenance of the Stocks and i-Sisen applications and developing a Datawarehouse for statistical reporting;
- strengthening of the consumption and price forecasting systems with new forecast models.

### **Tangible assets - € 666,201 thousand**

The breakdown of the item and changes occurring during the year are summarised in the table below:

<i>€ thousands</i>	OCSIT specific stocks	Other assets	Total
<b>Position as at Dec. 31, 2018</b>			
Original cost	576,301	6,633	582,934
Accumulated depreciation	-	(3,695)	(3,695)
<b>Balance as at Dec. 31, 2018</b>	<b>576,301</b>	<b>2,938</b>	<b>579,239</b>
<b>Movements of year 2019</b>			
Increases	84,672	3,321	87,993
Depreciation	-	(1,031)	(1,031)
<b>Balance of changes in 2019</b>	<b>84,672</b>	<b>2,290</b>	<b>86,962</b>
<b>Position as at Dec. 31, 2019</b>			
Original cost	660,973	9,954	670,927
Accumulated depreciation	-	(4,726)	(4,726)
<b>Balance as at Dec. 31, 2019</b>	<b>660,973</b>	<b>5,228</b>	<b>666,201</b>

The item primarily relates to year-end stocks of oil products for OCSIT, considered as a long-term investment (€ 660,973 thousand).

With reference to OCSIT stocks, increases, which totalled € 84,672 thousand, consist of purchases made during the year in the amount of an additional two stock days.

Again during 2019, no decreases in the value of stocks was seen, consequent to natural declines in that, as of 1 January 2016, the Company decided to make use of a different type of contract option, as a consequence of which these declines were treated as costs for accessory storage services (declines fee), so as to not create stock changes.

Considering the loan agreements granted to acquire OCSIT stocks, in compliance with Article 2447-*decies* of the Italian Civil Code, that income deriving from the sale of the stocks in question, corresponding to collections deriving from the possible sale of specific stocks, is restricted for use exclusively to repay the loans, as established in Article 2447-*bis*, paragraph 1, letter b) of the Italian Civil Code. Under these same loan contracts, the beneficiary AU has undertaken not to create or permit the existence of any encumbrance on the stocks in question.

The sale of OCSIT stocks can occur only with the prior authorisation decision made to that end by the government authority and the proceeds deriving from the sale will be granted, as a priority, to the proportional repayment—*pari passu* based on capital—of the debt contractually taken on by OCSIT to purchase oil products and hence debt taken on either by making use of bank loans or issuing bonds.

In any case, the sale of OCSIT stocks requires the prior authorization by the governing Authority; should the realization value of said stocks be different from the value recorded in the accounts, the positive difference shall be used to cover OCSIT costs and expenses, while the negative difference will be fully covered by the contribution under article 7, para. 4 and 5 of Legislative Decree 249/2012, in accordance with article 1, paragraph 8 of MED Decree dated 31 January 2014 (Official Guideline).

The valuation at 31 December 2019 of the stocks in question, analysed by type of product and with the indication of their quantities, is set forth in a separate table of the Report on Operations.

In compliance with the provisions of Article 2426, point 10 of the Civil Code, the difference is set forth in the following table between the budgeted cost of stocks in question, by category of goods, and value at the end of the year.

### OCSIT PRODUCT STOCKS - DIFFERENCES BETWEEN THE BOOK VALUE AT 31 DECEMBER 2019 AND MARKET PRICE VALUE

*€ thousands*

	Carrying cost	Values at market prices at Dec. 31, 2019	Differences
Gasoline – Super Unleaded	135,354	133,311	(2,043)
- Automotive gasoil	439,330	504,195	64,865
- Jet fuel	77,414	86,900	9,486
- BTZ fuel oil	8,875	13,399	4,524
<b>Total</b>	<b>660,973</b>	<b>737,805</b>	<b>76,832</b>

The difference which can be obtained from the table between the book value of stocks and the market price is € 76,832 thousand, attributable to the trend in prices for petroleum products.

In any case, it is held that these differences, even in the case of a negative difference, that is a value at market prices less than the amount recognised in the financial statements, do not have a permanent character, such as to give rise to write-downs, as given their peculiar nature of "strategic" stocks any sale would be expected only in situations of extreme need, for lack of oil supplies, which therefore makes it reasonable to assume that the realizable value would be not less than the historic value.

In any case, as previously indicated, note that in the case of the sale of the stocks in question, if the realisation value is different from the value recognised in the financial statements, the negative difference will be fully covered by the contribution under Article 7, paragraphs 4 and 5 of Italian Legislative Decree 249/2012, in accordance with Article 1, paragraph 8 of MED Decree dated 31 January 2014 (Official Guideline).

The item Other assets, equal to € 5,228 thousand, mainly refers to the extension and development of the IIS technological platform and other hardware assets associated with the Integrated Information System. This also includes the cost of hardware for user workstations (desktop PCs, mobile PCs and accessories) composing the AU's IT infrastructure, which is mainly composed of server systems, storage equipment, security systems and network devices.

The increases in 2019, equal to € 3,321 thousand, are for the most part associated with investments made by the IIS and, to a lesser degree, to strengthen AU's IT infrastructure.

### **Financial fixed assets – € 714 thousand**

#### **Receivables due from others – € 714 thousand**

This item includes loans made to employees in accordance with the applicable contractual provisions (first home purchase, important family needs, etc.), for an amount of € 714 thousand.

The detailed table, inserted to complete the presentation of the assets, shows the amount of receivables collectible within and beyond five years.

### **CURRENT ASSETS – € 866,057 thousand**

#### **RECEIVABLES– € 705,074 thousand**

The indication of amounts due within and beyond 5 years is shown in the schedule, to complete analysis of assets.

#### **Receivables due from customers – € 703,509 thousand**

The breakdown of this item is shown in the following table:

€ thousands

	Dec. 31, 2019	Dec. 31, 2018	Changes
Receivables for selling electricity to enhanced protection service operators	672,617	931,811	(259,194)
Receivables from enhanced protection operators for Integrated Information System fees (IIS) - protected electricity market	654	735	(81)
Receivables due from enhanced protection operators for Integrated Information System fees (IIS) - open market	872	740	132
Receivables from gas operators for Integrated Information system fees	1,039	1,012	27
Receivables from gas operators for Integrated Information system fees for management of RAI fees	34	127	(93)
Receivables due from operators for fees to cover OCSIT costs	23,808	24,474	(666)
Receivables, Gasoline Fund Ministerial Decree 2013	18,380	28,905	(10,525)
Receivables, Gasoline Fund Legislative Decree 98	2,897	3,717	(820)
Receivables, National reserve stocks fund	25	25	-
Receivables for interest pursuant to Ministerial Decree 2013 - Gasoline Fund	304	304	-
Accrued interest on arrears	498	492	6
Other energy-related receivables	130	12,032	(11,902)
<b>Total receivables due from customers</b>	<b>721,258</b>	<b>1,004,374</b>	<b>(283,116)</b>
Provision for write-downs on receivables - energy	(1,035)	(756)	(279)
Provision for write-downs on receivables Ministerial Decree 2013	(13,461)	(14,508)	1,047
Provision for write-downs on receivables Gasoline Fund Legislative Decree 98	(2,782)	(3,570)	788
Provision for write-downs on receivables National reserve stocks fund	(17)	(17)	-
Provision for write-downs on receivables for interest pursuant to Ministerial Decree 2013 - Gasoline Fund	(304)	(304)	-
Provision for write-downs on receivables - OCSIT	(150)	-	(150)
<b>Total</b>	<b>703,509</b>	<b>985,219</b>	<b>(281,710)</b>

The decrease in the item as a whole, relative to the previous year, is mainly due to the decrease in receivables due from enhanced protection service operators and, to a lesser degree, the decrease in receivables relative to the Gasoline Fund MD 2013 and other energy receivables.

The change in receivables for electricity sales, down with respect to 2018 (by € 259,194 thousand) is due to the decrease in consumption after larger switches from the enhanced protection market to the free market.

The item mainly refers to the receivable for the sale of electricity to companies providing the enhanced protection service (€ 672,617 thousand). This amount is mainly due to the establishment of the credit for attribution to November and December 2019. In relation to this credit, invoices are issued respectively

in the months of January and February 2020. Almost all invoices have been collected at the date these Notes were prepared.

The amount of receivables for sales of electricity to enhanced protection service operators is shown is net of the specific provision for write-downs on receivables (€ 1,035 thousand), to align them with the presumed realisable value. This alignment follows an examination of the positions with regard to the enhanced protection service operators overdue at the end of the year, taking into account the extent to which they are overdue, issuing of guarantees, instigation of lawsuits, etc. Compared to the end of the previous year, the Provision in question, with regards to receivables accrued for the enhanced protection service, saw the following changes:

#### Provision for write-downs on receivables - energy

<u>€ thousands</u>	<u>Amount</u>
<b>Provision as at Dec. 31, 2018</b>	<b>756</b>
Used	-
Provisions	278
<b>Provision as at Dec. 31, 2019</b>	<b>1,035</b>

The item also includes receivables deriving from the transfer of the assets/liabilities of the eliminated Cassa Conguaglio GPL to Acquirente Unico SpA. In particular, this included:

- a) receivables due from those holding "oil" authorisation and managers of roadside fuel distribution systems within the ordinary network deriving from the refinancing of the Fund to rationalise the fuel distribution network pursuant to article 6 of Ministerial Decree 19/04/2013. As discussed thoroughly in the previous financial statements, these receivables were not recognised in the accounts by the previous management of the eliminated Cassa Conguaglio GPL – Gasoline Fund Management, and therefore the AU/Gasoline Fund Offices first reconstructed the nominal value of the same prior to initial recognition in the financial statements. During the year, the amount of receivables relative to Italian Ministerial Decree 2013 decreased by € 10,525 thousand with respect to 2018. This decline is mainly due to collection of creditor positions totalling € 8,417

thousand, after requests for payment sent to individual counterparties by the Gasoline Fund. Additionally, again in 2019, the nominal value of the receivable was redetermined, leading to a writedown of € 2,108 thousand. Against this, the respective Provision for Write-Downs was also decrease with the release of € 1,047 thousand, to return to the initial percentage for the Provision.

- b) the residual receivables to be collected relative to contributions due pursuant to Italian Legislative Decree 32/1998, deriving from financing of the Fund to Rationalise the Fuel Distribution Network for the years 1998, 1999 and 2000 had already been recognised in the 2018 financial statements, written down for around 96% of the initial value, in order to take their presumable realisable value into account. During 2019, certain credit positions with a value of € 788 thousand were written off. This involved using the Provision for Write-Downs on Receivables for the same amount. Finally, a small portion of the receivable was collected, € 32 thousand, following out-of-court collection requests carried out during the year.

The item also includes receivables due from petroleum operators for contributions to cover OCSIT expenses (€ 23,808 thousand), against which a provision for write-downs was established during the year for € 150 thousand to cover the risk of non-collection; receivables for fees to cover the costs of the Integrated Information System, for the portion relative to enhanced protection operators in the electricity sector (€ 654 thousand), the portion relative to users of electricity dispatching (€ 872 thousand) and the portion relative to gas sector operators (€ 1,039 thousand).

### **Receivables due from parent company – € 124 thousand**

The item includes the receivable due from the parent company due to the attribution of a portion of electricity costs invoiced to AU but relative to GSE.

### **Tax receivables – € 307 thousand**

The item is entered net of current tax liabilities, which amount to € 269 thousand. It also includes IRAP receivables for taxes paid in previous years for € 233 thousand.

### **Deferred tax assets – € 900 thousand**

The item includes receivables for deferred tax assets against temporary differences deductible in future years, associated with directors' fees unpaid (for solely IRES), to amortisation/depreciation exceeding

the fiscally deductible portion (for solely IRES) and to provisions for redundancy incentives (both for IRES and IRAP).

This item is recognised to the extent that future recovery is reasonably certain. It increased over the previous year by € 139 thousand.

Changes in receivables for prepaid taxes are shown in the table below:

<i>€ thousands</i>	<b>IRES</b>	<b>IRAP</b>	<b>Total</b>
<b>Deferred tax assets at Dec. 31, 2018</b>	<b>677</b>	<b>84</b>	<b>761</b>
Decreases	(419)	(82)	(501)
Increases	548	92	640
<b>Deferred tax assets at Dec. 31, 2019</b>	<b>806</b>	<b>94</b>	<b>900</b>

The decreases refer to the reversal of prepaid taxes:

- for the portion of fees to directors paid during the year (€ 7 thousand, solely for IRES purposes);
- to recover amortisation/depreciation not deducted in previous years (€ 2 thousand, solely for IRES purposes);
- to pay personnel bonuses, against allocations not deducted in 2018 (€ 410 thousand for IRES purposes and € 82 thousand for IRAP purposes).

The increases refer to temporary differences that can be deducted in future years, relative:

- to the portion of directors' fees not paid during the year (€ 7 thousand, solely for IRES purposes);
- to the portion of amortisation/depreciation exceeding the portion deductible for tax purposes (€ 82 thousand, solely for IRES purposes);
- the provision for employee bonuses not paid during 2019 (€ 460 thousand for IRES purposes and € 92 thousand for IRAP purposes).

The schedule below shows amounts and changes in temporary differences deductible during the year to which prepaid taxes refer, broken down by macrotype. These latter are calculated using the rates in effect

(24% for IRES, 4.82% for IRAP, as foreseeable for the period in which said differences will presumably be passed on), to the extent provided by law (see article 2427, point 14, Italian Civil Code).

*€ thousands*

<b>Deductible temporary differences</b>	<b>Taxes</b>	<b>2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>2019</b>
Directors' fees	IRES	41	28	(28)	41
Excess amortisation	IRES	1046	341	(9)	1,378
Employee bonuses and redundancy incentives	IRES/IRAP	1,667	1,917	(1,710)	1,874
<b>Total</b>		<b>2,754</b>	<b>2,286</b>	<b>(1,747)</b>	<b>3,293</b>

### Receivables due from others – € 174 thousand

The following is a detailed breakdown of the item and changes over the previous year:

*€ thousands*

	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>	<b>Changes</b>
Advances to suppliers	9	4	5
Receivables from seconded personnel - ARERA	6	6	-
Due from others - Gasoline Fund	76	76	-
Other	83	72	11
<b>Total</b>	<b>174</b>	<b>158</b>	<b>16</b>

### Receivables due from Energy and Environment Services Fund (CSEA) – € 60 thousand

The item refers to the amount to be paid by CSEA, as an adjustment for the sale price for the year.

### FINANCIAL ASSETS NOT HELD AS FIXED ASSETS - € 108,972 thousand

#### Other securities - € 108,972 thousand

To reduce the impact of financial expenses relative to the bond loan issued to cover OCSIT's requirements, Acquirente Unico deemed it expedient to invest part of the liquidity generated by the issue in question, which was not being used to purchase petroleum product stocks (€ 199 million).

The investment in question used around 55% of the available liquidity, equal to € 109 million. The remaining 45% was kept available to the Company, with the aim of guaranteeing coverage of financial

requirements linked to current activities and, as an effect, limit financial expense relative to short-term exposures.

After specific research, which indicated that money market returns were very low or even negative, the investment was directed towards insurance policies offered by two major companies in the sector. The underlying assets for these, in line with a prudential approach aimed at achieving greater returns than those offered on the money market, are identified below:

<b>Lines</b>	<b>Amount (€/000)</b>
Separate management	53,977
UCITS management	54,995
<b>Total</b>	<b>108,972</b>

The operation described was carried out on the basis of the powers granted to the Chairman and CEO by the Board of Directors.

Pursuant to article 2426, Civil Code and accounting standard OIC 20, these financial assets were measured at the initial purchase cost given that the presumed realisable value based on market trends at 31 December 2019, as communicated by the insurance companies, is greater than the cost of the same.

## **CASH AND CASH EQUIVALENTS - € 52,011 thousand**

The breakdown of the item is shown in the following schedule:

<i>€ thousands</i>			
	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>	<b>Changes</b>
Bank deposits	52,007	52,863	(856)
Cash and cash equivalents	4	2	2
<b>Total</b>	<b>52,011</b>	<b>52,865</b>	<b>(854)</b>

The item “Bank accounts” refers to the sums held by AU at the end of the year for various reasons in current accounts held with credit institutions. The amount remains substantially unchanged from the previous year. Most cash and cash equivalents are linked as at 31 December 2019 to amounts attributable to OCSIT, totalling € 33,997 thousand, of which € 21,749 thousand attributable to the Gasoline Fund and € 12,248 thousand to management relative to the purchase and holding of specific stocks, of which

€ 1,973 thousand issued as security deposits by certain operators for prequalification for tenders, as an alternative to a bank surety.

For other cash and cash equivalents, most of these, totalling € 16,576 thousand, are attributable to the energy area, in relation to the Enhanced Protection service, which also include security deposits of € 891 thousand, issued as security deposits by certain operators as an alternative to bank sureties.

Residual amounts, of € 1,434 thousand, include bank account sums specifically belonging to the IIS, as well as receivables for interest to accrue on bank current accounts.

### ACCRUED INCOME AND PREPAID EXPENSES – € 574 thousand

This item consists of prepaid expenses relative to insurance, postage, fees for technical support for software, hardware maintenance, etc.

Compared to 2018, this item increased by € 58 thousand.

Article 2427 of the Civil Code, in paragraph 6, includes the indication for each item, in the amount of the receivables with a residual duration exceeding five years, broken down by geographical area.

The table below provides a breakdown of receivables in relation to the maturity period:

<i>€ thousands</i>				
	Within 12 months	From 2 to 5 years	Over 5 years	Total
<b>Receivables under financial assets</b>				
Due from others	53	213	448	714
<b>Total financial receivables</b>	<b>53</b>	<b>213</b>	<b>448</b>	<b>714</b>
<b>Current receivables</b>				
Due from customers	703,509	-	-	703,509
Due from parent company	124	-	-	124
Tax receivables	307	-	-	307
Deferred tax assets	900	-	-	900
Due from others	174	-	-	174
Due from CSEA	60	-	-	60
<b>Total current receivables</b>	<b>705,074</b>	<b>-</b>	<b>-</b>	<b>705,074</b>
<b>TOTAL</b>	<b>705,127</b>	<b>213</b>	<b>448</b>	<b>705,788</b>

Amounts due after a year relate to the portion of loans disbursed to employees, recognised under the item financial fixed assets.

It should be noted that all claims due are from national counterparts.

**TOTAL ASSETS – €1,538,418 thousand**

## LIABILITIES:

### SHAREHOLDERS' EQUITY – € 8,699 thousand

Changes in Shareholders' equity during 2019 are shown in the following table:

*€ thousands*

	Share capital	Legal reserve reserves	Profit for the year	Total
<b>Balance as at Dec. 31, 2017</b>	<b>7,500</b>	<b>1,116</b>	<b>248</b>	<b>8,864</b>
<b>Destination of profits 2017:</b>				
- legal reserve	-	13	(13)	-
- dividend distribution	-	-	(235)	(235)
<b>Result of the year 2018</b>				
- Profit for the year	-	-	285	285
<b>Balance as at Dec. 31, 2018</b>	<b>7,500</b>	<b>1,129</b>	<b>285</b>	<b>8,914</b>
<b>Destination of profits 2018:</b>				
- legal reserve	-	14	(14)	-
- dividend distribution	-	-	(271)	(271)
<b>Result of the year 2019</b>				
- Profit for the year	-	-	56	56
<b>Balance as at Dec. 31, 2019</b>	<b>7,500</b>	<b>1,143</b>	<b>56</b>	<b>8,699</b>

With respect to the individual components of shareholders' equity, there is also an analysis by origin, the possibility of utilization and the distribution of reserves:

*€ thousands*

Nature/Description	Amount	Possibility of use	Portion available
Share Capital	7,500		
Legal Reserve	1,143	B	1,143
<b>Total</b>	<b>8,643</b>		<b>1,143</b>

Key: A) for share capital increase; B) to cover losses; C) for distribution to shareholders

### Share capital – € 7,500 thousand

The value of the share capital, which is fully paid, equals € 7,500,000 and is represented by 7,500,000 ordinary shares of nominal value of € 1.

### Legal reserve – € 1,143 thousand

### Profit for the year – € 56 thousand

The item represents the net profit for 2019.

### PROVISIONS FOR RISKS AND CHARGES – € 20,677 thousand

#### Provision for taxes, including deferred liabilities – € 101 thousand

The provision includes the allocation for taxes, including deferred, against temporary differences taxable for IRES purposes correlated with interest on arrears.

Changes in the provision for deferred taxes are shown in the following table:

<i>€ thousands</i>	<b>Amount</b>
<b>Provision as at Dec. 31, 2018</b>	<b>102</b>
Provisions	16
Used	(17)
<b>Provision as at Dec. 31, 2019</b>	<b>101</b>

Provisions refer to temporary differences taxable in subsequent years, relative to interest on arrears accruing during the year but not yet received (€ 16 thousand).

Utilisations refer to the reversal of deferred taxes relative to the portion of interest on arrears received during the year (€ 17 thousand).

The table below shows the changes (increases and decreases) of temporary differences taxable during the year, relative to deferred taxes. These latter are calculated using the rates in effect (24% - IRES, as foreseeable for the period in which said differences will presumably be passed on), to the extent provided for under current law (see Article 2427, paragraph 14, Italian Civil Code).

*€ thousands*

<b>Taxable temporary differences</b>	<b>Taxes</b>	<b>2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>2019</b>
Late Interest on arrears	IRES	428	67	(72)	423
<b>Total</b>		<b>428</b>	<b>67</b>	<b>(72)</b>	<b>423</b>

### Other provisions – € 1,917 thousand

The item refers to the Provision for bonuses (€ 1,917 thousand), which includes charges for variable bonuses (MBO) for Company top management and employees (senior and middle managers). It also relates to the estimated cost for the corporate performance bonus (PRA) and the one-time bonuses for employees.

The changes in the provision in question are represented in the following table:

<i>€ thousands</i>	<b>Amount</b>
<b>Provision as at Dec. 31, 2018</b>	<b>1,642</b>
Used	(1,642)
Provisions	1,917
<b>Provision as at Dec. 31, 2019</b>	<b>1,917</b>

The Provision for redundancy incentives, which at 31 December 2018 amounted to € 68 thousand, was fully used for the early consensual termination of the employment relationship with a manager.

### - Provision for restoration, Italian Ministerial Decree 2013 – € 11,735 thousand

The item includes amounts for cases still being decided upon, that is those which are being investigated but have not yet been definitively concluded, relative to contributions for the environmental costs to restore locations to be paid by the owners of fuel distribution systems pursuant to the Ministerial Decree of 2013. The amounts requested have been recognised within this provision and not recognised as payables given that, following the subsequent investigations, they could be recognised for different amounts.

During the year, following the instructions issued by the MED Technical Committee and the AU-Gasoline Fund Management Committee, the Provision was used against liquidations of cases in the amount of **€ 6,188 thousand** and was increased following the reclassification of the Provision for use of future financial residual sums in the amount of **€ 7,247 thousand**, due to the increase in cash and cash equivalents which involved the inclusion of new cases during the year, which had previously been classified among those approved but with reservations for availability of funds (known as cases with reservations).

### - Provision for use of future financial residual sums - former Cassa GPL - € 6,924 thousand

The provision in question also derives from the transfer of the liabilities of the Gasoline Fund provided for under Law 124 of 2 August 2017 and mainly includes amounts for cases approved with reservations by the Gasoline Fund Technical Committee. In this case, they refer to cases for which a positive opinion has been issued by the Technical Committee but for which the availability of cash or cash equivalents has not yet been determined (known as cases with reservations). During the year, the provision was used for € 12,255 thousand, mainly following the admission for investigation of cases pursuant to the 2013 Italian Ministerial Decree, previously approved with reservations (€ 7,247 thousand), determination of the effective contribution to be paid after completion of the Technical Committee's work (€ 2,356 thousand) for cases relative to contributions for indemnities pursuant to Italian Legislative Decree 32/98, adjustment of the nominal amount of the 2013 Ministerial Decree receivables (€ 2,108 thousand) and for the release to the income statement of € 517 thousand to cover the operating costs of the Gasoline Fund. The provision was increased during the year as an effect of the adjustment of the Provision for write-downs on receivables Ministerial Decree 2013 (€ 1,046 thousand) and for € 1,564 thousand as the difference between the amount of effective allocations and that of liquidations, as well as the release of

cases due to renunciation, inadmissibility and expiration which had already been provisioned, and which had been reclassified by the Provision for restoration, Ministerial Decree 2013, determining new financial resources for subsequent case liquidations.

## EMPLOYEE SEVERANCE INDEMNITY – € 378 thousand

The changes during the year 2019 are detailed in the table below:

<i>€ thousands</i>	
<b>Balance as at Dec. 31, 2018</b>	<b>850</b>
Provisions	827
Used	(463)
Other movements	(836)
<b>Total as at Dec. 31, 2019</b>	<b>378</b>

The fund covers all entitlements to severance benefits accrued through 31 December 2019 for employees, due by law.

The item Uses mainly refers to the disbursement of severance indemnities due to the termination of the employment relationship with three managers during the year.

Other changes include the portion of the additional contribution of 0.50% under article 3 of Law 297/82, for the employees' share of Severance Indemnity pay transferred to supplementary pension funds (FONDENEL and FOPEN), and the amount accrued in the year and transferred to the Treasury Fund set up with INPS.

## PAYABLES – € 1,496,211 thousand

### Bonds - € 496,714 thousand

The item includes the payable for the bond loan of a nominal € 500,000 thousand, with a 7 year duration, maturing on 20 February 2026 and with an annual 2.8% coupon, issued on 20 February 2019 by Acquirente Unico to cover OCSIT's financial requirements, above all the repayment of a bank loan

coming due in the first half of 2019. The value of the bond issue, ISIN code XS1953929608, listed on the Luxembourg stock market, is recognised in the financial statements using the amortised cost criteria, taking into account the value of the discount for issuing, given that the bond was issued at the price of 99.506% (re-offer price), and other accessory costs directly attributable to the operation.

## Payables due to banks– € 588,980 thousand

The breakdown is as follows:

<i>€ thousands</i>	<b>Dec. 31, 2019 c. 31, 2018</b>		<b>Changes</b>
Payables due to banks:			
- short term	224,856	598,487	(373,631)
- medium and long term	364,124	279,333	84,791
<b>Total</b>	<b>588,980</b>	<b>877,820</b>	<b>(288,840)</b>

The item “short-term payables”, equal to € 224,856 thousand, shows a decrease of € 373,631 thousand with respect to 31 December 2018, broken down into the following components:

- Fixed-maturity financing ("hot money" operations), for € 210,000 thousand, open with bank counterparties as of the reporting date to cover requirements associated with purchases of electricity for enhanced protection;
- Bank overdrafts for € 14,801 thousand, attributable to the OCSIT;
- payables for interest expense to be paid, accrued on bank current accounts, for € 55 thousand.

The decrease seen in short-term payables reflects the repayment during the year of the first bank loan granted to OCSIT, equal to around € 300,000 thousand, as well as lower financial requirements to cover purchases on the energy market with respect to the previous year.

The item medium and long-term payables, of € 364,124 thousand, increased by € 84,791 thousand and can be attributed to outflows made by OCSIT to purchase specific stocks for stock year 2019/2020, financed with funds associated with the second special purpose loan taken out in March 2017, in the original amount of € 400 million and with a duration of 5 years. Uses during the year, which made it

possible to increase security stocks for oil products in Italy from 12 to 14 days, brought the percentage of the financing used up to 91%.

It should be specified that these special purpose loans were not subject to personal or real guarantees in favour of the financial institute, with the exception of the establishment of an escrow account, to which any proceeds deriving from the sales of the stocks in question will be transferred.

### **Payables due to other lenders– € 202,064 thousand**

The item includes payables due to factoring institutions for € 202,064 thousand, following the transfer of December 2019 invoices to a major factoring company relative to two companies providing enhanced protection which made a request to AU to extend the payment deadline to the first few days of 2020. The granting of the extension and the transfer operations were shared with and agreed upon between Acquirente Unico and the Authority for Energy, Networks and the Environment. It should be noted that the collection of the invoices, which occurred regularly in the initial days of 2020, allowed the company to repay the factoring company the advanced sums. Costs suffered for the operation were charged to the two enhanced protection companies, in line with that requested by the Authority.

### **Payables due to suppliers - € 106,382 thousand**

The item, which shows an increase of € 15,418 thousand with respect to the previous year, is broken down into three sub-items. The classification shown below is intended to provide separate representation, in terms of the debtor profile, of electricity supply activities (to which must be added payables due to GME), with respect to OCSIT operations and other payables due to suppliers, as well as other payables due to suppliers.

#### **- Debts for purchases of energy and related services – € 89,886 thousand**

The item includes payables due against invoices already received or to be received at 31 December 2019, as a whole relating to the purchase of energy and related services, through the various supply channels used by the Company. The same item includes all payables due to energy, with the exception of those relative to GME, a subsidiary of the parent company.

The details of the various components are summarized in the table below, providing a comparison with the corresponding figures from 2018.

<i>€ thousands</i>	Dec. 31, 2019	Dec. 31, 2018	Changes
Payables for extra grid purchases of electricity and other	98	81	17
Payables to Terna for dispatching and other energy-related services	89,788	76,749	13,039
<b>Total</b>	<b>89,886</b>	<b>76,830</b>	<b>13,056</b>

Thus, the payables recorded mainly relate to costs incurred attributable to November and December 2019.

The item shows an increase of € 13,056 thousand, mainly associated with the item of amounts due to Terna for dispatching and other energy-related services (€ 13,039 thousand).

**- Payables for purchases of oil products and storage services – € 5,433 thousand**

This item refers to the amount to be settled relative to invoices received and to be received, relative to petroleum product stock storage services provided by depots, accruing during the year and maturing in months after 31 December 2019. The item also includes the payable due to insurance companies relative to policy management costs. The item increased from the previous year by € 3,308 thousand.

**- Payables - Gasoline Fund - € 7,611 thousand**

The item the amount recognised as payable relative to restoration cases under Ministerial Decree 2013 for which liquidation by the Technical Committee took place. Following the completion of the work, the Technical Committee issues a compliance opinion indicating the effective contribution to be paid, on the basis of the expenses effectively suffered by the requesting party. Hence there are no uncertainties relative either to the existence of the obligation or the amount of the same.

During the course of 2019, the account saw changes both due to the payment of cases already approved and finalised, for **€ 7,593 thousand**, and due to the recognition of additional cases approved by the most recent MED Technical Committee, equal to **€ 4,625 thousand**.

The item also includes payables for the contribution to be paid relative to requests pursuant to the Italian Ministerial Decree of 7 August 2003. With respect to the previous year, the item saw a change following the payment of the contribution for indemnities, pursuant to Italian Legislative Decree 32/98, of

€ 571,000, as well as to register new cases in compliance with the opinion issued by the MED Technical Committee, for a total of € 2,356 thousand.

- Other - € 3,451 thousand

€ thousands

	Dec. 31, 2019	Dec. 31, 2018	Changes
Payables due to advisers and suppliers for invoices to be settled	1,222	792	430
Payables due to advisers and suppliers for invoices to be received	2,229	2,423	(194)
<b>Total</b>	<b>3,451</b>	<b>3,215</b>	<b>236</b>

The item includes the amounts of payables due to other suppliers and consultants, for invoices already received and to be settled, as well with respect to invoices to be received at the reporting date. This item increased with respect to the previous year by € 236 thousand.

### Payables due to parent companies – € 75 thousand

The breakdown is as follows:

€ thousands

	Dec. 31, 2019	Dec. 31, 2018	Changes
<b>Payables due to parent companies:</b>			
- for VAT due	53	290	(237)
- for sundry services	22	1,684	(1,662)
<b>Total</b>	<b>75</b>	<b>1,974</b>	<b>(1,899)</b>

The item fell by € 1,899 thousand with respect to the previous year, mainly due to different invoicing method schedules.

### Payables due to subsidiaries of parent companies - € 79,417 thousand

€ thousands

	Dec. 31, 2019	Dec. 31, 2018	Changes
Payables due to GME for purchases of energy and related services	79,417	143,721	(64,304)
<b>Total</b>	<b>79,417</b>	<b>143,721</b>	<b>(64,304)</b>

The item refers to existing payables due to GME, entirely consisting of payables relative to purchases of electricity and correlated services.

To adequately represent the overall phenomenon of current payables associated with energy industry transactions (also for services), below is a reconciliation table, not relative to a specific Balance Sheet item. The table indicates total payables relative to energy components which, in the obligatory statutory schedule, are broken down into two distinct items.

## Payables due to suppliers for energy components

<i>€ thousands</i>			
	Dec. 31, 2019	Dec. 31, 2018	Changes
Payables for extra grid purchases of electricity and other	98	81	17
Payables to Terna for dispatching and other energy-related services	89,788	76,749	13,039
Payables due to GME for purchases of energy and related services	79,417	143,721	(64,304)
<b>Total</b>	<b>169,303</b>	<b>220,551</b>	<b>(51,248)</b>

## Tax payables – € 473 thousand

The item, which consists primarily of amounts due to the tax authorities for withholdings on employee wages, increased by € 49 thousand with respect to 31 December 2018. Note that current tax liabilities, totalling € 269 thousand, have been deducted from the tax credits.

## Payables due to social security institutions – € 862 thousand

The item is detailed in the following table:

<i>€ thousands</i>			
	Dec. 31, 2019	ec. 31, 2018	Changes
Payables due to INPS	669	593	76
Other payables	193	201	(8)
<b>Total</b>	<b>862</b>	<b>794</b>	<b>68</b>

The item includes liabilities relating to contributions paid by the Company, levied on wages paid, on charges that accrued and were not paid to personnel for holidays accrued but not taken, overtime and other allowances, as well as deductions from employees.

## Other payables – € 11,228 thousand

The breakdown is as follows:

€ thousands

	Dec. 31, 2019	Dec. 31, 2018	Changes
Advance payments for operating fees subsequent years - Energy area	-	588	(588)
Advance payments for operating fees subsequent years - Institutional activities in availment	1,614	3,603	(1,989)
Advance payments for operating fees subsequent years - OCSIT	323	2,028	(1,705)
Advance payments for operating fees subsequent years - IIS	5,859	6,266	(407)
Non-interest-bearing deposits released by enhanced protection service operators and for participation in OCSIT tenders	2,653	2,609	44
Payables to employees and assimilated	674	439	235
Other payables - Gasoline Fund	77	60	17
Other minor payables	28	31	(3)
<b>Total</b>	<b>11,228</b>	<b>15,624</b>	<b>(4,396)</b>

This item, which decreased by € 4,396 thousand as compared to the previous year, pertains to the share of the fees to cover operating costs, already invoiced or approved in 2019 but pertaining to future years. Advance payments for operating fees relative to institutional activities in availment refer to the difference between the amount of fees received through 31 December 2019 against costs for activities provided in availment (Energy and Environment Consumer Help Desk, Retail Monitoring and, within the IIS, for the Offer Portal) and the corresponding amount of final costs accruing during the same year. This amount, correlated to payments made by CSEA and authorised by ARERA, against the institutional activities carried out by AU, pursuant to the regulations in effect, is also represented, when appropriate, for the purposes of that established under Law 124/2017.

Additionally, the item includes payables recognised against non-interest-bearing security deposits issued in favour of AU by certain enhanced protection service operators (€ 892 thousand) and the security deposit guaranteeing participation in OCSIT tenders (€ 1,761 thousand) and payables due to employees (€ 674 thousand).

### **Payables due to the Energy and Environment Services Fund (CSEA) – € 10,016 thousand**

The item *Payables to the Fund for Energy and Environment Services* (CSEA) can be broken down as follows:

- *Advances paid by CSEA for DAM electricity purchases* equal to € 10 million. These refer to advances paid by CSEA, following an agreement which saw its structure approved by the Authority with a specific resolution (822/2016/R/EEL of 29 December 2016). This advance was necessary to

allow AU to deal with the temporal misalignment between incoming and outgoing cash flows following amendments made to the payment terms on the Day Ahead Market which took effect as of 1 December 2016;

- *Other payables due to the Fund for Energy and Environment Services (CSEA)* for € 8 thousand against amounts to be recognised, in the *Account for equalisation of costs to buy and dispatch electricity for the enhanced protection service* and € 8 thousand for the amount to be returned following the completion of availment for Retail Monitoring.

As a whole, the item decreased by € 159,988 thousand due to AU making lower use of the CSEA advance, thanks to decreased financial needs to cover purchases on the energy market with respect to the previous year, as already commented on previously.

The above item is also represented, as appropriate, for the purposes of that established under Law 124/2017.

## ACCRUED COSTS AND DEFERRED INCOME – € 12,453 thousand

The item refers to accrued costs of € 26 thousand, related to costs for solidarity contributions to FISDE. The item increased by € 6 thousand with respect to the previous year relative to these accruals and for € 12,426 thousand due to the accrued costs for interest on the bond loan, which will mature on 20 February 2020.

Regarding the breakdown of debts in relation to their residual maturity, it is specified that all liabilities listed on the balance sheet will expire within a year, except for the bond loan equal to € 496,714 thousand, which will mature on 20 February 2026, and the special purpose loan of € 364,124, with an original duration of 5 years, taken out in March 2017 for OCSIT, which reaches maturity on 31 March 2022.

The following table shows the model with the breakdown of the debts of the Company by geographic area.

€ thousands

Payables by geographic area	ITALY	OTHER EU COUNTRIES	REST OF EUROPE	TOTAL
Bonds	496,714	-	-	496,714
Due to banks	588,980	-	-	588,980
Due to other lenders	202,064	-	-	202,064
Due to suppliers	106,284	-	98	106,382
Due to parent companies	75	-	-	75
Due to subsidiaries of parent companies	79,417	-	-	79,417
Tax payables	473	-	-	473
Payables due to social security institutions	862	-	-	862
Other payables	11,228	-	-	11,228
Payables to CSEA	10,016	-	-	10,016
<b>TOTAL PAYABLES</b>	<b>1,496,113</b>	<b>-</b>	<b>98</b>	<b>1,496,211</b>

## TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES - €1,538,418 thousand

## INCOME STATEMENT

### PRODUCTION VALUE – € 3,233,279 thousand

Production value comes to € 3,233,279 thousand (€ 3,786,383 thousand the previous year).

### Revenues from sales and services – € 3,083,349 thousand

The item includes the sub-items described below.

It should be noted that revenues earned are recorded exclusively against national counterparts.

#### a) Revenues from the sale of electricity - € 3,017,918 thousand

This item pertains to revenues from the sale of energy for companies providing the enhanced protection service, attributable to 2019, inclusive of the findings for the amounts invoiced in the first two months of 2020, attributable to November and December 2019. The amount is adjusted and supplemented by accruals for adjustment components. A decrease of € 583,005 thousand was seen with respect to 2018, due to the increasing switch from the enhanced protection market to the free market.

#### b) Other energy-related revenues – € 10,471 thousand

The item pertains to the components listed in the following table, which shows the changes relative to the previous year.

<i>€ thousands</i>	2019	2018	Changes
- Revenues for unbalancing fees	7,164	42,323	(35,159)
- Revenues for non arbitrage fees	2,416	1,442	974
- Revenue from so called “extra grid” sales	546	636	(90)
- Revenues for energy sales to GME for scheduled unbalancing	345	-	345
<b>Total</b>	<b>10,471</b>	<b>44,401</b>	<b>(33,930)</b>

Compared to the previous year, the item as a whole saw a decrease of € 33,930 thousand.

#### c) Revenues to cover non-energy operating costs- € 54,959 thousand

The item includes the fees to cover the costs of operation of the various types of institutional activities, governed by the current relevant regulations in effect. In particular, this means, based on the case, fees paid by the Energy and Environment Services Fund, or invoiced directly to operators who are debtors, in relation to the type of activities performed.

It is noted that the amount invoiced to the enhanced protection service providers, to cover operating costs in the area of energy, is included under revenues from the sale of electricity, as it is not separately charged from the economic components of the cost for the purchase of energy and related services.

€ thousands

	2019	2018	Changes
<b>Revenues to cover costs of institutional activities in availment:</b>			
- Revenues to cover costs - Reformed Authority Protective System - STAR (former Consumer Help Desk at	10,633	8,573	2,060
- Revenues to cover costs - Retail monitoring	115	215	(100)
- Revenues to cover costs - Water	559	236	323
- Revenues to cover costs - Offer Portal	1,004	544	460
<b>Total revenues to cover costs of institutional activities in availment</b>	<b>12,311</b>	<b>9,568</b>	<b>2,743</b>
- Revenues to cover costs - IIS	13,430	9,964	3,466
- Revenues to cover costs - OCSIT	28,701	21,261	7,440
- Revenues to cover costs - Gasoline Fund	517	485	32
<b>Total</b>	<b>54,959</b>	<b>41,278</b>	<b>13,681</b>

This item increased by € 13,681 thousand over that of the previous year, mainly due to the increase in fees for coverage of the OCSIT, IIS and the STAR Project.

Revenues deriving from fees paid by CSEA relative to institutional activities performed in availment and the Offer Portal are represented in the table, when appropriate, also for the purposes of that established under Law 124/2017.

## Other revenues and income – € 149,930 thousand

The item pertains to the sub-items described below.

### a) Contingent assets related to energy – € 149,562 thousand

The item pertains to the economic effects of adjustments related to energy, for the period 2013 (and earlier) - 2018, defined on the basis of assessments made by the technical departments of the Company, based on the information available.

€ thousands

	2019	2018	Changes
<b><u>Year 2013 and earlier</u></b>			
- load profiling adjustment and various TERNA	3,337	2,747	590
- load profiling adjustment and various - enhanced protection operators	-	299	(299)
- general adjustment	-	-	-
<b>Total</b>	<b>3,337</b>	<b>3,046</b>	<b>291</b>
<b><u>2014</u></b>			
- load profiling adjustment and various TERNA	5,340	2,071	3,269
<b>Total</b>	<b>5,340</b>	<b>2,071</b>	<b>3,269</b>
<b><u>2015</u></b>			
- load profiling adjustment and various TERNA	9,980	5,595	4,385
- load profiling adjustment and various - enhanced protection operators	-	-	-
<b>Total</b>	<b>9,980</b>	<b>5,595</b>	<b>4,385</b>
<b><u>2016</u></b>			
- load profiling adjustment, dispatching, imbalance, etc. - TERNA	4,137	3,316	821
- load profiling adjustment operators additional safeguards	-	-	-
<b>Total</b>	<b>4,137</b>	<b>3,316</b>	<b>821</b>
<b><u>2017</u></b>			
- load profiling adjustment, dispatching, imbalance, etc. - TERNA	5,611	10,337	(4,726)
- load profiling adjustment operators additional safeguards	13,840	75,037	(61,197)
- general adjustment	-	3	(3)
<b>Total</b>	<b>19,451</b>	<b>85,377</b>	<b>(65,926)</b>
<b><u>2018</u></b>			
- load profiling adjustment, dispatching, imbalance, etc. - TERNA	28,855	-	28,855
- load profiling adjustment operators additional safeguards	78,460	-	78,460
- general adjustment	2	-	2
<b>Total</b>	<b>107,317</b>	<b>-</b>	<b>107,317</b>
<b>Total</b>	<b>149,562</b>	<b>99,405</b>	<b>50,157</b>

### b) Income and other revenues – € 368 thousand

The item includes the components listed in the table below, with evidence of the relevant changes that occurred relative to 2018.

€ thousands

	2019	2018	Changes
Reimbursement costs seconded personnel	25	25	-
Other Income and revenue	172	30	142
Contingent assets - sundry, relative to energy management	171	321	(150)
<b>Total</b>	<b>368</b>	<b>376</b>	<b>(8)</b>

### PRODUCTION COSTS – € 3,233,201 thousand

Production costs totalled € 3,233,201 thousand (€ 3,786,137 thousand the previous year).

### Costs for raw materials, supplies, consumables and goods – € 2,541,552 thousand

The item essentially refers to costs for the purchase of energy through the various channels of supply that AU uses, in compliance with the reference regulatory framework (€ 2,541,496 thousand).

The item also includes purchases not related to energy (consumables, stationery, etc.) for a residual amount of € 56 thousand.

The schedule below shows a more detailed breakdown of costs for the purchase of electricity by type of supply, indicating specific changes relative to the previous year. Details pertaining to the amount of energy transacted are fully described in the related sections of the report.

€ thousands

	2019	2018	Changes
<b>Cost purchase of energy</b>			
Purchase of energy on the electricity market	2,481,404	3,145,370	(663,966)
Balancing fees for consumption units TERNA	58,278	15,415	42,863
<b>Other purchases of energy</b>			
So called "extra grid" purchases and other	546	636	(90)
Non arbitrage fees	1,268	2,702	(1,434)
<b>Total</b>	<b>2,541,496</b>	<b>3,164,123</b>	<b>(622,627)</b>

Costs for the purchase of electricity decreased by € 663,966 thousand with respect to 2018. Note that the counterparty is GME, for purchases of energy on the spot electricity market, for a total amount of € 2,481,404 thousand.

## Costs for services – € 492,908 thousand

The item primarily includes charges for services related to energy (dispatching and others), amounting to € 480,911 thousand, plus costs for various services, which amounted to € 11,997 thousand.

Charges for services pertaining to energy have been mainly charged by Terna S.p.A. (€ 478,239 thousand). Details on individual items in the cost of services related to energy are set forth in the following prospectus, with comparison with the previous year. These services saw a total increase of € 7,912 thousand with respect to the previous year, mainly due to a decrease in uplift charges of € 9,282 thousand, and for € 21,842 thousand the increase in the cost of remuneration for the load interruptibility service (*int*).

€ thousands

	2019	2018	Changes
<b>Cost of dispatching:</b>	<b>475,694</b>	<b>467,789</b>	<b>7,905</b>
Consideration Procurement Resources Service in the Market for Dispatching - UPLIFT	308,842	318,124	(9,282)
Consideration Coverage of costs of the Essential Units for Security System - EUSS	67,429	67,986	(557)
Consideration Coverage of Costs entered for Operation DIS	16,820	19,040	(2,220)
Availability of the Production Capacity CD	31,447	33,284	(1,837)
Consideration cover costs Remuneration of Service Load Interruptibility - INT	49,958	28,116	21,842
Contribution to AEEGSI Decision 232/2015/A	1,198	1,239	(41)
<b>Other services related to energy:</b>	<b>5,217</b>	<b>5,210</b>	<b>7</b>
Consideration to cover costs for wind production Modulation Res. 5/10 AEEG - TERNA	2,374	1,969	405
Costs for aggregate measures for withdrawal TERNA	1,369	1,631	(262)
Costs for GME operations	1,473	1,485	(12)
Costs for services from GME on forward electricity market	-	124	(124)
Costs for services from GME for data reporting pursuant to REMIT regulation	1	1	-
<b>Total</b>	<b>480,911</b>	<b>472,999</b>	<b>7,912</b>

With reference to the trend for total costs to purchase electricity and related services, the decrease of € 614,715 thousand seen in the tables below, can be attributed to the combined effect of the reduction in transactions of physical quantities (- 3,239,700 MWh, -6.62% with respect to the previous year) and the decrease in the average unit purchase cost, including services (€ 8.18/MWh, corresponding to a 6.72% change with respect to 2018).

**Table 3: Costs for supplying Electricity (€ thousands)**

	2019	2018	Change	% Change
Costs for supplying energy	3,022,407	3,637,122	(614,715)	-16.90%

Source: Internal processing, Acquirente Unico.

**Table 4: Change in benchmark purchase costs**

	2019	2018	Change	% Change
Quantity in MWh	45,707,200	48,946,900	(3,239,700)	-6.62%
Unit cost (€/MWh)	66.13	74.31	(8.2)	-11.01%

Source: Internal processing, Acquirente Unico.

Costs for other services, amounting to € 11,997 thousand, may be summarized as follows:

<i>€ thousands</i>	2019	2018	Changes
Service contracts with parent company	1,022	1,361	(339)
Services managed through parent company	1,391	1,183	208
Directors fees	174	174	-
Statutory auditors fees	43	43	-
Supervisory board IT Lgs. Decr. 231/01 fee	34	34	-
Compensation for auditors	29	47	(18)
Fees for technical, legal and notarial and administrative consulting	945	667	278
Maintenance and IT services	3,931	3,185	746
Communication fees	271	371	(100)
Fees for project contracts	41	87	(46)
Employees costs	224	237	(13)
Costs for administration of work	438	651	(213)
Expenses for external services, call centre activities	820	626	194
Technical committee to rationalise fuel networks - Gasoline Fund	68	88	(20)
Postal fees	12	147	(135)
Transportation costs and rent	84	92	(8)
Additional costs for OCSIT stock storage	921	526	395
Telephonic	673	290	383
Bank and insurance services expenses	465	6	459
Other services	323	426	(103)
Other minor	88	93	(5)
<b>Total</b>	<b>11,997</b>	<b>10,334</b>	<b>1,663</b>

With respect to the previous year, the item increased by € 1,663 thousand. The most significant changes involve the following costs: maintenance and IT services (€ 746 thousand), telephone expenses (€ 383 thousand), accessory costs for OCSIT stock storage (€ 395 thousand), external call center services (€ 194 thousand) and expenses for bank and insurance services (€ 459 thousand), mainly attributable to insurance policy management fees.

### Costs for use of third-party assets – € 25,504 thousand

The item consists of the following two sub-items:

- **fees for oil products storage services - € 24,163 thousand.** These refer to the cost of the fees paid to third parties to lease storage depots for OCSIT product stocks. Note that this item increased by € 5,266 thousand relative to 2018, in relation to the increase in the average number of stock days stored.
- **Other – € 1,341 thousand.** The sub-item consists mainly of the rent paid to lease the properties used as the Company's offices (€ 1,053 thousand). The item increased by € 73 thousand with respect to 2018.

### Personnel costs – € 17,619 thousand

The items that make up overall personnel costs are summarised in the table below, with shows changes with respect to 2018.

<i>€ thousands</i>			
	<b>2019</b>	<b>2018</b>	<b>Changes</b>
Salaries and wages	12,545	10,804	1,741
Social security contributions	3,620	2,973	647
Termination indemnities	827	741	86
Other costs	627	377	250
<b>Total</b>	<b>17,619</b>	<b>14,895</b>	<b>2,724</b>

The item includes the amounts allocated, as noted in the schedules and comments for the corresponding liability items in the balance sheet, for variable remuneration components, on the basis of the economic accrual principle.

The following tables show, for the last two years and for each contractual category, monthly changes in the workforce, the level at year-end and the average level:

	January 1-December 31, 2019													Workforce at 31 December 2019	Average Workforce 2019	
	Workforce at 31 December 2018	January	February	March	April	May	June	July	August	September	October	November	December			
<i>Senior Managers</i>	13	13	13	12	12	14	14	13	13	13	12	12	12	12	12	12.75
<i>Middle Managers</i>	28	28	28	27	28	25	25	25	25	25	26	26	26	26	26	26.17
<i>Administrative Personnel</i>	193	201	202	209	211	210	210	211	211	212	219	221	223	223	211.67	
<b>TTL</b>	<b>234</b>	<b>242</b>	<b>243</b>	<b>248</b>	<b>251</b>	<b>249</b>	<b>249</b>	<b>249</b>	<b>249</b>	<b>250</b>	<b>257</b>	<b>259</b>	<b>261</b>	<b>261</b>	<b>250.58</b>	

Average personnel cost 2019: € 70,314.32 Average work force 2019 no. 250.58 Personnel cost 2019 € 17,619,361.43

	January 1-December 31, 2018													Workforce at 31 December 2018	Average Workforce 2018	
	Workforce at 31 December 2017	January	February	March	April	May	June	July	August	September	October	November	December			
<i>Senior Managers</i>	12	12	13	13	13	13	13	13	13	13	13	13	13	13	13	12.92
<i>Middle Managers</i>	26	27	26	26	26	26	26	26	26	26	26	28	28	28	28	26.42
<i>Administrative Personnel</i>	176	177	177	177	177	177	177	177	182	182	182	185	193	193	180.25	
<b>TTL</b>	<b>214</b>	<b>216</b>	<b>221</b>	<b>221</b>	<b>221</b>	<b>226</b>	<b>234</b>	<b>234</b>	<b>219.58</b>							

Average personnel cost 2018: € 67,832.15 Average work force 2018 no. 219.58 Personnel cost 2018 € 14,894,583.14

The item increased by € 2,724 thousand with respect to the previous year, due to changes in the workforce and the average cost.

### Amortisation, depreciation and write-downs - € 4,217 thousand

The item consisted of amortisation/depreciation for € 3,789 thousand and write-downs on current receivables for € 428 thousand.

Amortisation/depreciation, calculated as already noted in regards to fixed assets, refers to intangible assets for € 2,757 thousand and to tangible assets for € 1,031 thousand. The item increased, relative to the previous year, by € 458 thousand.

### Other operating costs – € 151,401 thousand

The item is divided into sub-items analysed below.

### a) Contingent liabilities related to energy – € 149,562 thousand

The table shown below details the contingent liabilities pertaining to energy. These items are matched, in terms of amounts, by similar revenue items recorded in non-recurring income related to energy, as a consequence of the effect of institutional management, mentioned in the section on accounting standards.

The table below records sub-items of detail regarding the various types existing, separately for the timing of the generation of the contingent liabilities for the period 2013 (and earlier) and 2018.

€ thousands

	2019	2018	Changes
<b><u>Year 2013 and earlier:</u></b>			
- load profiling adjustment and various TERNA	68	2,212	(2,144)
- load profiling adjustment and various - enhanced protection operators	3,268	834	2,434
<b>Total</b>	<b>3,336</b>	<b>3,046</b>	<b>291</b>
<b><u>Year 2014:</u></b>			
- load profiling adjustment and various TERNA	100	1,661	(1,561)
- load profiling adjustment and various - enhanced protection operators	5,240	410	4,830
<b>Total</b>	<b>5,340</b>	<b>2,071</b>	<b>3,269</b>
<b><u>Year 2015:</u></b>			
- load profiling adjustment and various TERNA	406	778	(372)
- load profiling adjustment and various - enhanced protection operators	9,575	4,817	4,758
<b>Total</b>	<b>9,981</b>	<b>5,595</b>	<b>4,386</b>
<b><u>Year 2016:</u></b>			
- load profiling adjustment and various TERNA	472	1,177	(705)
- load profiling adjustment and various - enhanced protection operators	3,665	2,139	1,526
<b>Total</b>	<b>4,137</b>	<b>3,316</b>	<b>821</b>
<b><u>Year 2017:</u></b>			
- load profiling adjustment and various TERNA	19,451	85,376	(65,925)
- load profiling adjustment and various - enhanced protection operators	-	1	(1)
<b>Total</b>	<b>19,451</b>	<b>85,377</b>	<b>(65,926)</b>
<b><u>Year 2018:</u></b>			
- load profiling adjustment and various TERNA	107,317	-	107,317
- load profiling adjustment and various - enhanced protection operators	-	-	-
<b>Total</b>	<b>107,317</b>	<b>-</b>	<b>107,317</b>
<b>Total</b>	<b>149,562</b>	<b>99,405</b>	<b>50,158</b>

### b) Other charges – € 1,839 thousand

The breakdown is as follows:

<i>€ thousands</i>	<b>2019</b>	<b>2018</b>	<b>Changes</b>
- Entertainment costs	72	33	39
- Other contingencies, non-energy management	1,284	132	1,152
- Taxes	85	86	(1)
- Internship expenses	64	54	10
- Association fees	76	74	2
- Other	258	28	230
<b>Total</b>	<b>1,839</b>	<b>407</b>	<b>1,432</b>

The item increased by € 1,432 with respect to the previous year. The increase is mainly due to recognition of a contingency against amounts relative to the decrease in petroleum products accruing in previous years (€ 1,065 thousand).

## **FINANCIAL INCOME AND EXPENSES – € 106 thousand**

Net financial income and expenses, equal to € 106 thousand, comprises gross income of € 16,703 thousand, against gross expense of € 16,596 thousand. The analysis of individual items follows.

### **Other financial income – € 16,703 thousand**

The breakdown is as follows:

- **long-term receivables - € 1 thousand**

The item consists of accrued interest on loans to employees.

- **other income - € 16,702 thousand**

This item consists mainly of the portion of the OCSIT contribution charged to petroleum operators, equal to € 15,407 thousand, associated with the coverage of financial charges relative to OCSIT's operations.

The remaining income mainly includes income from fees invoiced to operators to cover financial expense from the energy area for € 631 thousand, € 335 thousand for interest income accrued on factoring operations and bank accounts held by the Company and € 328 thousand for interest on arrears and penalties charged to enhanced protection service operators for late payment and interest on extensions on payables due from customers.

### **Interest and other financial expenses – € 16,596 thousand**

#### **- Interest due to parent companies - € 4 thousand**

The item consists of interest expense paid to the parent company on the basis of the intercompany current account agreement.

#### **- Other - € 16,592 thousand**

The amount is mainly attributable to financial expense and fees accruing during the year, relative to payables due by OCSIT. The expenses, totalling € 15,639 thousand, include both interest expense relative to two medium/long-term financing contracts for use in purchasing specific stocks for € 3,021 thousand, and the fee for non use (so called commitment fee) of € 131 thousand which accrued during the year on sums available but not yet used from the 400 million loan taken out in March 2017, as well as interest on the bond loan for € 12,467 thousand. The item also includes for € 19 thousand, amounts charged to OCSIT by banks for interest on short-term overdrafts.

The balance is also associated with short term debt associated with purchases of electricity on the DAM for enhanced protection. Among the most significant items are:

- interest payable due to CSEA, for € 470 thousand, in relation to an advance provided following an agreement which saw its structure approved by the Authority with a specific resolution (822/2016/R/EEL of 29 December 2016);
- fees relative to the factoring operation for the monthly with recourse transfer of receivables deriving from enhanced protection operators, for € 253 thousand;
- interest and charges associated with the use of short-term hot money operations and bank overdrafts, for € 229 thousand.

### INCOME TAXES – € 129 thousand

Details of these costs, together with the changes relative to the previous year, are summarized in the following table:

<i>€ thousands</i>			
	2019	2018	Changes
<b>- Current taxes:</b>	<b>269</b>	<b>278</b>	<b>(9)</b>
IRAP	165	95	70
IRES	104	183	(79)
<b>- Deferred tax liabilities and assets:</b>	<b>(140)</b>	<b>(144)</b>	<b>4</b>
IRES - deferred tax liabilities	(1)	(12)	11
IRES - deferred tax assets	(129)	(120)	(9)
IRAP - deferred tax assets	(10)	(12)	2
<b>Total</b>	<b>129</b>	<b>134</b>	<b>(5)</b>

#### a) Current taxes - € 269 thousand

The balance of current taxes refers to IRAP for € 165 thousand and to IRES for € 104 thousand accruing during the year.

#### b) Deferred tax liabilities and assets - € 140 thousand

The balance of this item is as follows:

- € 139 thousand for prepaid taxes, of which € 129 thousand relative to IRES and € 10 thousand for IRAP. The amount is related to deductible temporary differences accruing in 2019, on the

assumption of their future recovery. Future recoverability is evaluated on the basis of estimates made, including through analysis of tax legislation and forecasts of consequent effects on future taxable bases;

- € 1 thousand for deferred taxes, the balance determined through the use of the provision for deferred taxes, for the portion of interest on arrears accruing in previous years, received during the year, net of provisions, relative to interest on arrears ascertained during the year in question but not yet received.

### Reconciliation between the theoretical tax rate with the effective tax rate

In accordance with document OIC 25, the schedules below provide, for IRES, the detail of the reconciliation between income tax from the accounts and the theoretical charge and for IRAP, determination of the taxable amount.

*€ thousands*

<b>Reconciliation IRES</b>	<b>Taxable</b>	<b>IRES</b>
Result before current, deferred tax assets and liabilities	185	
<i>Theoretical tax charge (24.00 %)</i>		44
Temporary differences taxable in future years	(66)	
Temporary differences deductible in future years	2,286	
Reversal of taxable temporary differences from previous years	72	
Reversal of temporary differences from previous years	(1,746)	
Differences that will not be reversed in subsequent years	(294)	
<b>TAXABLE INCOME</b>	<b>437</b>	
<b>CURRENT IRES ON PROFIT FOR THE YEAR</b>		<b>105</b>

The temporary differences relative to IRES (taxable and deductible in subsequent years) are analysed with reference to the items to which they refer (deferred tax assets and deferred tax liabilities).

The differences which will not be reversed in subsequent years (€ 294 thousand) are mainly due to non-deductible contingent liabilities, expenses relative to cars, telephones and decreases, consisting of the additional employee severance indemnity deduction, the IRAP deduction and the increase due to depreciation of tangible assets.

€ thousand

<b>IRAP</b>	<b>Taxable</b>	<b>IRAP</b>
Difference between value and cost of production	78	
Costs not relevant for IRAP	16,131	
Deductions	(14,280)	
<b>TOTAL</b>	<b>1,929</b>	
<i>Theoretical tax (rate 4.82%)</i>		<b>93</b>
Temporary differences taxable in future years	-	
Temporary differences deductible in future years	1,917	
Reversal of temporary differences from previous years	(1,710)	
Differences that will not be reversed in subsequent years	1,281	
<b>TAXABLE IRAP</b>	<b>3,417</b>	
<b>IRAP current year</b>		<b>165</b>

The temporary differences deductible in subsequent years are analysed with reference to the items to which they refer (deferred tax assets).

The differences that will not reverse in subsequent years are essentially due to the balance between costs for employee services and costs for services non-deductible for IRAP purposes and to contingent assets not taxable for IRAP purposes; deductions refer to items envisaged under IRAP regulations (article 11, Legislative Decree 446/97).

## **PROFIT FOR THE YEAR – € 56 thousand**

The net income for 2019 is given by the difference between pre-tax profit (€ 185 thousand) and the tax charge for the year (€ 129 thousand), in turn represented by the algebraic sum of the amount of current taxes and deferred tax assets and liabilities.

The result before taxes, in more detail, is quantified as such as a result of the effects of a rate of return before tax burdens, in accordance with ARERA regulations.

## STATEMENT OF CASH FLOWS

The Company prepared the statement of cash flows following the structure established under accounting standard OIC 10.

Below are brief comments on the main items.

### **Cash flows from operating activities - € 233,257 thousand**

This item comes to € 233,257 thousand, compared to the € -192,655 thousand recorded the previous year.

The flow in effect, more specifically, consists of profits “adjusted” for income tax, interest (€ 78 thousand), adjustments for non-monetary elements (€ -2,309 thousand), changes in net working capital (€ 226,413 thousand) and other adjustments (€ 9,074 thousand).

### **Cash flows deriving from investments - € (200,230) thousand**

This item shows outgoing flows correlated with investments in fixed assets, net of payables due to suppliers for the fixed assets themselves. The most significant cash flow refers to the value of the investment in insurance policies made during the year.

### **Cash flows from financing activities - € (33,880) thousand**

The cash flow in question is correlated to the increase due to the issue of the bond loan during the year, the repayment of the initial loan taken out to purchase petroleum product stocks, the decrease in the financing granted by CSEA and new disbursements relative to the medium-term loan.

### **Decrease in cash and cash equivalents - € (854) thousand**

The amount in question, equal to the sum of cash flows specifically identified amounted to € -854 thousand, against the € 30,219 thousand generated the previous year. This led to a total amount of cash and cash equivalents of € 52,011 thousand at 31 December 2019, of which € 52,007 thousand consisting of bank deposits and € 4 thousand from cash and cash equivalents.

## OTHER INFORMATION

With reference to Article 2497-bis, paragraph 4, there is a summary of significant financial data from the last approved financial statements (financial year 2018) for the parent company which provides management and coordination of Acquirente Unico. Gestore dei Servizi Energetici – GSE S.p.A., with its registered office in Rome, in Viale Maresciallo Pilsudski, 92, prepares the consolidated financial statements.

### BALANCE SHEET

	<b>AMOUNT</b>
<b>ASSETS</b>	
UNPAID SHARE CAPITAL DUE FROM SHAREHOLDERS	-
FIXED ASSETS	110,402,516
CURRENT ASSETS	6,175,768,494
ACCRUALS AND DEFERRALS	635,265
<b>Total Assets</b>	<b>6,286,806,275</b>
<b>LIABILITIES</b>	
SHAREHOLDERS' EQUITY:	52,012,523
Share Capital	26,000,000
Reserves	17,034,991
Profit for the year	8,977,532
PROVISIONS FOR RISKS AND CHARGES	36,912,743
EMPLOYEE SEVERANCE INDEMNITY	2,383,568
PAYABLES	6,161,611,990
ACCRUALS AND DEFERRALS	33,885,451
<b>Total liabilities</b>	<b>6,286,806,275</b>

### INCOME STATEMENT

PRODUCTION VALUE	14,370,276,447
PRODUCTION COSTS	14,380,415,174
FINANCIAL INCOME & EXPENSE	20,056,049
ADJUSTMENTS	-
INCOME TAXES	(939,790)
<b>PROFIT FOR THE YEAR</b>	<b>8,977,532</b>

The absence of the following circumstances are also noted:

- equity investments, held directly or through a trust company or third parties, in subsidiaries and associates;
- trade receivables and payables due after more than five years and debts secured by collateral on corporate assets;
- financial charges recorded in the year to assets entered in the balance sheet;
- income from equity investments;
- revenue or cost elements of an exceptional amount or impact. To that end, we note that both contingent assets and liabilities associated with electricity management, duly analysed in terms of amounts and commented upon in this document, are not of an exceptional nature, in that they are the consequence of management of adjustments and similar phenomena, the latter of which are recurring, natural and subject to specific technical rules, within the context of the electricity system;
- recognition of deferred tax assets, for the portion recognised in the financial statements relative to losses during the year or in previous years;
- advances and loans granted to directors and statutory auditors;
- issuing of bonus shares, bonds convertible to shares, warrants, options and securities or similar items;
- financial leasing transactions that involve the transfer to the lessor of the larger part of the risks and benefits inherent to the assets which involved in the lease.

With reference to point 22-*bis* of Article 2427 of the Italian Civil Code, transactions with related parties are carried out under normal market conditions, in compliance with the conditions that would apply to independent counterparts.

Finally, note that on the basis of that established in article 26 of Italian Legislative Decree 33 of 2013, applying to Acquirente Unico, as of financial year 2018, following the methods established in article 1, paragraph 126 of Italian Law 124 of 2017, contributions and indemnities disbursed by the Company during financial year 2019 following the transfer to it of the

functions and responsibilities of the former Cassa Conguaglio GLP, pursuant to article 1, paragraph 106 of the cited Italian Law 124 of 2017, amount to a total of € 8,164,004.

# REPORT OF THE BOARD OF STATUTORY AUDITORS AND THE INDEPENDENT AUDITORS

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ACQUIRENTE UNICO S.p.A.

## ACQUIRENTE UNICO S.p.A.

Registered offices in Via Guidobaldo Del Monte, 45 - 00197 Rome  
Share capital € 7,500,000 fully paid-in  
Rome Registry of Companies, VAT and Tax ID no. 05877611003  
Economic and Administrative Registry of Rome no. 932346  
Sole shareholder Gestore dei Servizi Energetici - GSE S.p.A. Legislative Decree 79/99  
Company subject to management and coordination by GSE S.p.A.

### Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Article 2429 of the Civil Code

Amounts are expressed in euro

To the Shareholders' Meeting of ACQUIRENTE UNICO S.p.A.

Dear Shareholder,

during the year ending on 31 December 2019, the Board of Statutory Auditors carried out the functions established in Articles 2403 and subsequent of the Civil Code, its activities inspired also by the Board of Statutory Auditors Behavioural Guidelines issued by the Italian National Council of Chartered Accountants and Accounting Experts.

The Board of Statutory Auditors in office for the period from 2017 - 2019 was appointed by the Ordinary Shareholders' Meeting on 26 October 2017.

In 2019, the Board of Statutory Auditors:

- monitored compliance with the law and the Bylaws and respect for the standards of proper administration, participating in the Shareholders' Meetings and those of the Board of Directors. To that end, the Board of Statutory Auditors notes that it obtained information from the administrative body on the general trend of management and its foreseeable outlook, as well as on the most important transactions carried out by the Company in terms of size and characteristics. The Board of Statutory Auditors can reasonably affirm that the actions carried out are compliant with the law and the Bylaws and are not manifestly imprudent, do not involve potential conflicts of interest and are not in contrast with the resolutions made by the Shareholders' Meeting or such as to compromise the integrity of the company's equity;
- monitored - for the areas under its responsibility - the adequacy of the administrative and

accounting system, as well as the reliability of the latter in terms of properly representing management events, by obtaining information from the entity responsible for independent auditing and examining company documents. To that end, it has no particular observations to make. We also note that pursuant to Article 26 of the Bylaws, which introduced the Financial Reporting Manager pursuant to Article 154-bis of Italian Legislative Decree 58/98, as amended, the Chief Executive Officer and Financial Reporting Manager have attested to, with a specific certification, issued 25 May 2020 *“the adequacy and effective application of the administrative and accounting procedures used to prepare the annual financial statements at 31 December 2019 in relation to the company’s characteristics”*, as well as the correspondence of the 2019 annual financial statements *“to the entries in the accounting books and registries”* and that these *“are prepared in compliance with the norms of the Italian Civil Code, as well as the accounting standards prepared by the OIC and, as formed, is suitable to provide a true and accurate representation of the equity, economic and financial position of Acquirente Unico S.p.A.”*, it finally certifies that *“the report on operations includes a reliable analysis of the trend and results of operations, as well as the situation of Acquirente Unico S.p.A., together with a description of the main risks and uncertainties to which the Company is exposed”*;

- maintained systematic exchanges of communication with the independent auditor and no significant data or information which required indication in this report was identified;
- learned about and monitored the adequacy of the Company’s organisational structure, also through obtaining information from the managers of the relative company structures and, to that end, has no particular observations to make;
- determined that there were no appointments for services that could compromise the independence of the auditing firm Deloitte & Touche S.p.A., assigned to perform the independent auditing of the accounts and certify the financial statements; the same auditing firm was also appointed to examine the separate accounts (unbundling) of the Integrated Information System (IIS) established as part of the Company pursuant to Decree Law 105 of 8 July 2010, converted with amendments by Law 129 of 13 August 2010, and of the Italian Central Stockholding Entity (OCSIT) attributed to the Company pursuant to Italian Legislative Decree 249 of 31 December 2012;
- relative to implementation of the regulations regarding corporate liability, note that the Oversight Committee, during 2019, monitored application of the Model and Code of Ethics by the company structures which monitor processes at risk for the commission of crimes, to guarantee observance and application of the organisational procedures and

- safeguards; the Board of Statutory Auditors, also during the meetings held with the Oversight Committee, did not receive any notifications of particular relevance from the latter;
- in 2019, in addition to electricity supply activities for the protected market, additional Company activities also continued, including those relative to OCSIT and the IIS. The Board of Statutory Auditors notes that the report on operations contains an exhaustive description of all the activities of Acquirente Unico S.p.A.
  - in compliance with that established in the Ministry of Economic Development Official Guideline and in Annex B to resolution ARG/com/201/2010, relative to the IIS, the Company is required to send the annual separate financial statements for the IIS and OCSIT to the relevant Institutions, following approval of the 2019 financial statements, in line with the schedules established in the relative regulations;
  - with reference to financial year 2019, the Company's Board of Statutory Auditors, also in its previous form, issued the following favourable opinions as requested and in line with its responsibilities:
    - on 27 February 2020, with regards to determining objectives for the year 2019 associated with the variable part of compensation paid, pursuant to article 2389, paragraph 3 of the Italian Civil Code, to the Company's Director with proxy powers;
    - on 22 May 2020, in regards to the policy adopted by the Company relative to fees paid to Directors with powers, also in terms of the achievement of objectives assigned to Directors with reference to the variable portion, pursuant to article 4 of Ministry of Economy and Finance Decree 166/13; consequently, it deemed the process of determining the achievement of the objectives in line with said policy, as indicated in the report on fees paid to Directors with powers pursuant to the same legislation, prepared for the previous year;
  - during these supervisory activities, as described above, no additional significant events were identified such as to require mention in this report;
  - during 2019 and until the date this report was issued, no complaints were received pursuant to article 2408 of the Civil Code;
  - the Board of Statutory Auditors therefore examined the draft financial statements for the Company at 31 December 2019, prepared by the Directors pursuant to the law and communicated by them to the Board of Statutory Auditors, together with the detailed

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schedules and annexes, at the Board of Directors meeting on 22 May 2020.

The accounting document in question, prepared in compliance with the provisions of Article 2423 and subsequent of the Civil Code, also as amended by Legislative Decree 139/2015, shows profits of € 55,849 thousand. The Board of Statutory Auditors did not identify any elements in contrast with the Directors' proposal to distribute profits, in that these are distributed to the parent company consolidating the results.

Below we provide a summary of the balance sheet and income statement.

*ASSETS*

<i>Amounts shown in euro</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Unpaid share capital due from shareholders	-	-
Fixed assets	671,787,081	583,946,109
Current assets	866,057,291	1,039,388,604
Accruals and deferrals	574,204	516,028
<b>TOTAL ASSETS</b>	<b>1,538,418,576</b>	<b>1,623,850,741</b>

*SHAREHOLDERS' EQUITY AND LIABILITIES*

<i>Amounts shown in euro</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
<b>Shareholders' equity</b>		
<i>I Capital</i>	7,500,000	7,500,000
<i>IV Legal reserve</i>	1,143,114	1,128,875
<i>VII Other reserves (extraordinary reserve)</i>	-	-
<i>IX Profit (loss) for the year</i>	55,849	284,776
<b>Total shareholders' equity</b>	<b>8,698,963</b>	<b>8,913,651</b>
Provisions for risks and charges	20,677,392	29,057,778
Employee severance indemnity	378,182	849,977
Payables	1,496,211,384	1,585,008,968
Accruals and deferrals	12,452,655	20,367
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,538,418,576</b>	<b>1,623,850,741</b>

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INCOME STATEMENT

<i>Amounts shown in euro</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Production value	3,233,279,153	3,786,383,434
Production costs	3,233,200,942	3,786,137,587
<b>Difference between value and cost of production</b>	<b>78,211</b>	<b>245,847</b>
Financial income and expenses	106,375	173,004
<b>Income before taxes</b>	<b>184,586</b>	<b>418,851</b>
Income taxes for the period	128,737	134,075
<b>PROFIT FOR THE YEAR</b>	<b>55,849</b>	<b>284,776</b>

With regards to the examination of the 2019 annual financial statements, we report the following:

- as the Board of Statutory Auditors is not responsible for independent auditing of the accounts, it monitored the general structure given to these and its general compliance with the law in regards to its content and structure and, to that end, has no special observations to make;
- the Board of Statutory Auditors verified observance with the norms under the law relative to preparation of the report on operations and notes to the statements, and to that end has no special observations to make;
- in its report on the financial statements, issued on 3 June 2020, the independent auditing firm certified that, in its opinion, the annual financial statements *“provide a true and accurate representation of the Company’s equity and financial situation at 31 December 2019, on the economic result and cash flows for the year ending on said date, in compliance with the Italian regulations which govern the preparation criteria”*; it also certified that the report on operations *“is consistent with the annual financial statements of Acquirente Unico S.p.A. at 31 December 2019 and was prepared in compliance with the norms of the law”*; additionally, it issued the declaration pursuant to article 14, paragraph 2, letter e of Italian Legislative Decree 39/10, declaring that it had nothing to report;
- the Board of Statutory Auditors has not identified any obstacles to the Board of Directors’ proposal to distribute the profits to the shareholder in the amount of € 53,057 thousand, as distributable net profit;
- to the best of its knowledge, the Directors, in preparing the financial statements, did not

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derogate from the norms of the law pursuant to Article 2423, paragraph 4 of the Italian Civil Code;

- no atypical or unusual transactions were identified and the Directors, in the report on operations and in the illustrative notes, illustrated the financial relations, commercial exchanges and services provided between the companies of the Group;
- the Board of Statutory Auditors verified the correspondence of the financial statements with the events and information which it was made aware of as a consequence of carrying out its responsibilities and has no observations to that end.

Given the national and international situation characterised by the rapid spread of COVID-19 and the consequent restrictive measures established, globally, to contain the virus and manage the crisis and, given the nature of the regulated activities which typify the management provided by Acquirente Unico, it acknowledges what is indicated in the Illustrative Notes, relative to the fact that the activities performed by the company have not been sufficiently influenced by impacts from COVID-19 with regards to income and financial performance. The Illustrative Notes indicate that the Directors of the Company are monitoring developments in the situation, in order to promptly deal with any financial or non-financial impacts which may arise.

Acquirente Unico has indicated that it promptly began all necessary actions intended to protect against contagion, in line with the provisions in effect on workplace health and safety, giving preference to “smart working” methods for its employees.

Also considering the results of the activities performed by the independent auditing firm, illustrated in the auditing firm's report, the Board of Statutory Auditors expresses its opinion in favour of approving the financial statements for the year ending on 31 December 2019, in compliance with that provided for by the Board of Directors.

Rome, 3 June 2020

The Chairperson  
ALESSANDRA D'ONOFRIO

Statutory Auditor  
PIERLUIGI CARABELLI

Statutory Auditor  
ROBERTO NICOLO

## INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Shareholder of  
Acquirente Unico S.p.A.**

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Acquirente Unico S.p.A. ("Company"), which comprise the balance sheet as at December 31, 2019, the income statement and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Company's Directors are responsible for the preparation of the report on operations of Acquirente Unico S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of the Company as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Acquirente Unico S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Domenico Falcone**  
Partner

Rome, Italy  
June 3, 2020

*This report has been translated into the English language solely for the convenience of international readers.*

**CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ARTICLE 26 OF THE BYLAWS**

1. *We the undersigned, Andrea Pèruzy, as Chairman and Chief Executive Officer and Paolo Lisi, as Financial Reporting Manager of Acquirente Unico S.p.A.,*

**CERTIFY**

- *the adequacy in relation to the company's characteristics and*
- *the effective application*

*of the administrative and accounting procedures used to prepare the annual financial statements at 31 December 2019.*

2. To that end, we note that this certification was prepared on the basis of the activities carried out by the Financial Reporting Manager during the year, as well as a system of certifications issued by the managers of the various organisational units and, in reference to the processes carried out, on the basis of service contracts with the parent company GSE, by the managers of the related organisational departments within the parent company.

Additionally, a specific office which supports the Financial Reporting Manager performed technical/administrative checks on the various administrative/accounting processes used to supply information for the annual financial statements, including accounts receivable, accounts payable, personnel costs and others, the results of which attest to the compliance of the operations performed.

In turn, the Audit function, at the Financial Reporting Manager's request, carried out checks on the processes which provide accounting data, implemented by organisational departments not falling within the Financial Reporting Manager's area of responsibility. These checks did not identify any problems with or differences in existing procedures.

Relative to the attribution of tax charges accruing for 2019, the Company's tax expert issued a specific certification regarding the accuracy of the calculations.

3. We also certify that the 2019 annual financial statements, which show net profit of € 55,849 and shareholders' equity of € 8,698,963:
- a) are consistent with the entries in the accounting books and registries;*
  - b) are prepared in compliance with the rules of the Civil Code, as well as the accounting standards prepared by the OIC and, to the best of our knowledge, are suitable to provide a true and accurate representation of the equity, economic and financial situation of Acquirente Unico S.p.A.*
4. Lastly, we certify that the report on operations contains a reliable analysis of the trends and results of operations, as well as of Acquirente Unico S.p.A.'s situation, together with a description of the main risks and uncertainties to which the Company is exposed.

*Rome, 25 May 2020*  
*Chairman and Chief Executive Officer*

*Financial Reporting Manager*



[www.acquirenteunico.it](http://www.acquirenteunico.it)

