Report on Operations and Financial Statements

2018

Adriatic LNG

Report on Operations and Financial Statements

at 31 December 2018

Adriatic LNG

Courtesy translation

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1. Operating Report

This Operating Report is prepared in compliance with article 2428 of the Italian Civil Code.

Company history and overview

During 1997 and 1998 Edison Gas commenced a feasibility study for the construction of an LNG terminal in the Northern Adriatic Sea. The positive outcome of these studies led the Company to begin the procedures to obtain the necessary authorizations to build and operate it.

On 15 December 2000, the company Edison LNG S.p.A. was incorporated and in Doha – Qatar, on 20 November 2003, the sc. "Participation Agreement" was signed, whereby Edison Gas S.p.A, Qatar Petroleum and ExxonMobil expressed their intent to become Quotaholders of Edison LNG S.p.A.

On 2 May 2005, the various agreements to develop and operate the Terminal were executed and Qatar Terminal Limited and ExxonMobil Italiana Gas S.r.l. became Quotaholders of Edison LNG S.r.l. At the same time the Company changed its name to Terminale GNL Adriatico S.r.l.

Terminale GNL Adriatico S.r.l. (or the "Company") has completed the design and built offshore of Porto Levante (in Rovigo province), about 15 kilometers off the coastline, a liquefied natural gas (LNG) regasification terminal with a nominal capacity of 8 billion cubic meters/year – 775 million cubic feet per day, that can cover about 10% of the national demand for natural gas – the first concrete Gravity Based Structure (GBS) in the world for LNG regasification. The regasification terminal project included construction of a 40 km gas pipeline, part underwater and part onshore, and the Cavarzere Metering Station.

On 2 May 2005, the Company executed with Edison S.p.A. a 25 years regasification service agreement (expiring in 2034) for 80% of the regasification capacity to regasify the LNG imported from Qatar ("Foundation Capacity

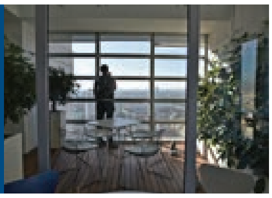
Agreement"). On 20 March 2009 the Company executed with BP Energy Europe Ltd a 10 years regasification services agreement (expiring at the end of 2019) for about 12% of the regasification capacity (also "Non-Foundation Capacity agreement"). The Company commenced commercial operations on 2 November 2009. Few single spot LNG cargoes have been contracted with other companies until year 2011, while the Company allocated one cargo per thermal year within the National Gas Emergency Plan Peak Shaving service in the last five years. By the end of 2018, 644 LNG cargos had been discharged and terminal capacity utilization in 2018 was about 81%, significantly higher than the average utilization factor of LNG terminals in Europe.

Terminale GNL Adriatico S.r.l. is set up to operate until October 2052 under the fifty-year maritime concession issued by the Ministry of Infrastructures and Transport in October 2002.

On 13 October 2017, Edison S.p.A. and Snam S.p.A. announced the respective sale and purchase of the 7,297% equity quota of Terminale GNL Adriatico S.r.l. Current Quotaholders include Snam S.p.A. along with Qatar Terminal Limited and ExxonMobil Italiana Gas S.r.l.

The offshore regasification terminal represents a strategic addition to Italy's energy infrastructure, contributing to diversifying Italy's energy supply sources.

The high standards of management and control implemented by the Company ensure its operations are executed safely, reliably and with care for the environment. Operations include berthing of LNG carriers, LNG unloading, regasification measurement, and the continuous gas supply into the national grid.



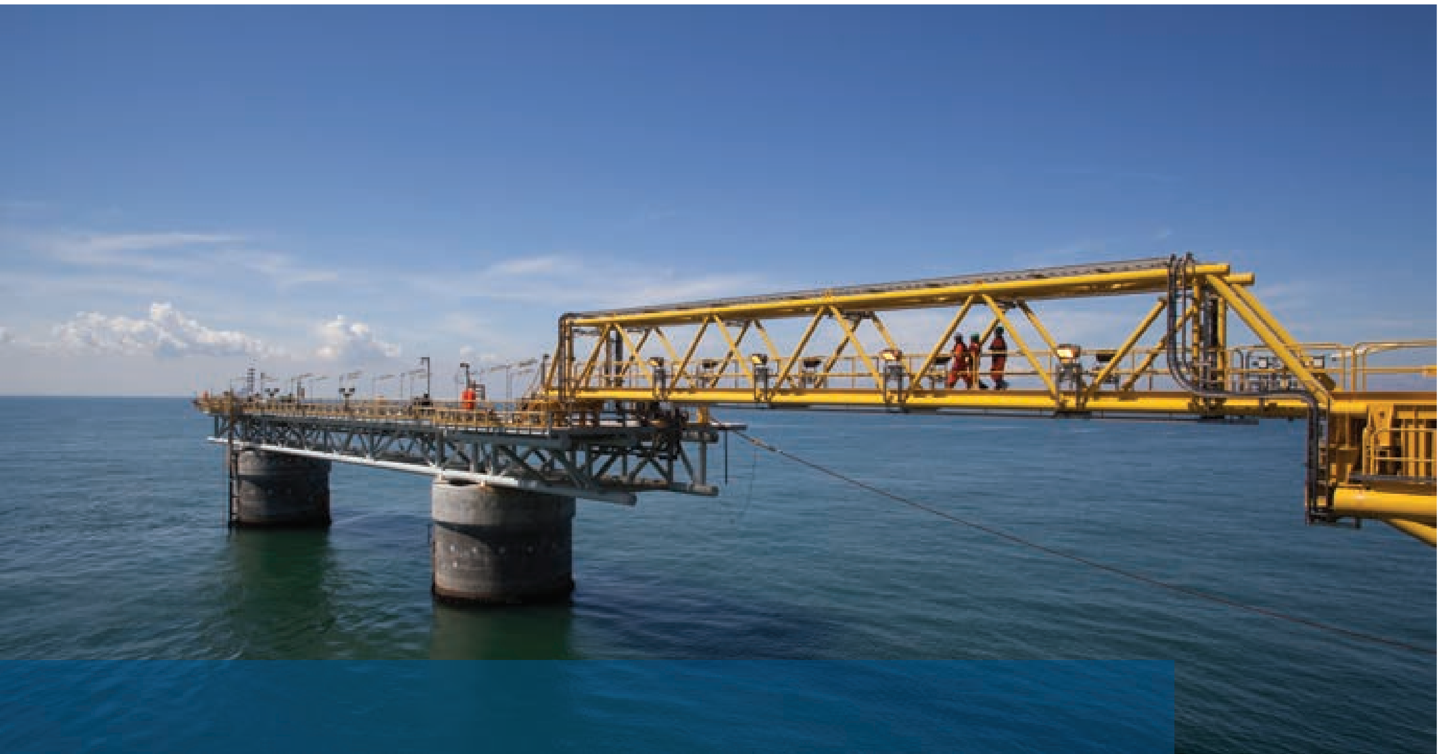
Company Management

Terminale GNL Adriatico S.r.l. is managed pursuant to art. 2475 of the Italian Civil Code and following, and Sections IV and V of the By-Laws, which govern the methods for appointment, duration of office, powers, meetings, and quorums for passing resolutions of the Board of Directors and the Statutory Auditors.

Board of Directors

The members of the Board of Directors, appointed pursuant to Section IV article 20 of the By-Laws and following sections, which approve this Report on Operations and Financial Statements, are the following:

Chairman	Homoud Fahad Homoud Sultan Al-Qahtani
Managing Director	Timothy Kelly
Directors	Ali Khalaf Al-Kaabi
	Rodrigo E. Diaz
	Giovanni Murano
	Alistair G. Routledge
	Joseph Pergler



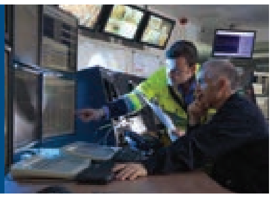
Statutory Auditors

The Statutory acting Auditors, appointed pursuant to Section II article 6.2(b) of the By-Laws, are the following:

Chairman	Maurizio de Magistris
Acting Auditor	Lorenzo De Angelis
Acting Auditor	Piero Gennari

External Auditors

On 26 April 2017, the Quotaholders' Meeting appointed external auditors PricewaterhouseCoopers S.p.A. for the three-year term 2017-2019.



Introduction

Dear Quotaholders,

The year 2018 was the ninth full year of commercial operations. During the year, 77 LNG cargos were received, with unloaded volumes of 10.7 million cubic meters of LNG:

- 75 related to the Foundation Capacity agreement, coming from Ras Laffan Liquefied Natural Gas Company Limited II (RasGas II) in Qatar;
- 1 related to the Non-Foundation Capacity agreement coming from Angola;
- 1 related to the National Gas Emergency Plan Peak Shaving service coming from USA.

The Company delivered into the national distribution grid 6.5 billion cubic meters of gas, representing 9.9% of the gas imports to the Italian market and 9.3% of the total gas supply to Italy.

2018 highlights

The Financial Statements at 31 December 2018 report net profit of 30,864,109.24 Euro. Key operating and financial data are reported in the following table:

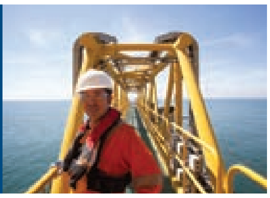
		2018	2017	Abs. Change	%
Safety, environmental and controls highlights					
Total recordable incidents	[Number]	1	1	-	-
Process Safety Incidents	[Number]	-	-	-	n.a.
Spills /Exceedences	[Number]	-	-	-	n.a.
CO2 Emissions	[kTon]	90	89	1	1%
Financial highlights					
Net profit	[kEuro]	30,864	27,480	3,384	12%
Income before taxes	[kEuro]	43,172	38,677	4,495	12%
Gross revenues	[kEuro]	239,769	236,978	2,791	1%
Gross operating margin	[kEuro]	119,694	11,.991	4,703	4%
Net assets addition	[kEuro]	1,192	2,472	(1,280)	(52%
Operations highlights					
LNG Cargos unloaded	[Number]	77	77	-	-
Volumes of gas redelivered	[M Standard cubic meters]	6,453	6,590	(137)	(2%)
Regassification reliability	[%]	99,6%	99,9%	(0,3%)	(0,3%)

Our commitment to safety, environment and community

The Company continues to enhance the integrated Safety, Security, Health and Environmental Management System (SHEMS), which is key to ensure integrity of operations and compliance with applicable regulations and industry standards.

The Company's relentless pursuit of an incident-free workplace continued through 2018. Leadership and guidance is provided through the Company SHEMS Steering Committee and three site Safe Operating Committees (SOCs) at the terminal, shore base, and Milan office. In addition, there are various Work-Site Safety Committee Meetings (WSSCs).

The strong operational performance of 2018 reflects Company values of safety, ethics and integrity. Adriatic LNG has actively built relationships with the local communities based on fairness, transparency, collaboration and ongoing dialogue. Adriatic LNG is recognized as being actively involved in the economic and cultural life of the territory and considered as a reliable partner by local authorities, associations and communities.



1.1 The Adriatic LNG regasification terminal - Main technical characteristics

The Adriatic LNG terminal is the first offshore concrete structure in the world designed for the reception, storage and regasification of liquefied natural gas (LNG). The terminal is located offshore of Porto Levante, in the northern Adriatic Sea, standing on the sea bed at about 15 km offshore of the Veneto coastline. The structure is 375 meters long, 115 meters wide, and the main deck is 18 meters above sea level.

A 30-inch diameter 40-km long pipeline transports the gas to the Cavarzere metering station, in the province of Venice. Here, another pipeline carries the gas a further 84 km to the national transportation grid entry point close to Minerbio, in the province of Bologna. Snam owns, through Snam Rete Gas S.p.A. or Infrastrutture Trasporto Gas S.p.A, the pipeline from the Cavarzere metering station.

The concrete structure

The main element of Adriatic LNG terminal is the large concrete structure (Gravity Based Structure or GBS) built with 90,000 cubic meters of concrete and 30,000 tons of steel frames, resting on the seabed at a depth of about 29 meters.

LNG storage tanks

Inside the GBS there are two LNG storage tanks, each one with an operational capacity of 125,000 cubic meters, made of 9% nickel steel to withstand the extremely low temperatures needed for storage of LNG.

The regasification plant

LNG is liquefied gas composed primarily of methane. After extraction and elimination of impurities, the gas is cooled to -162° C. At this temperature the gas becomes liquid (LNG), reducing its volume 600 times. While in a liquid state, it can be stored in tanks, placed in LNG carriers and transported over long distances to the consumer. The regasification plant is located on top of the GBS, including four LNG Open Rack Vaporizers which use the heat naturally contained in the seawater, a Waste Heat Recovery LNG Vaporizer (WHRV) which uses heat from the gas turbine exhausts, two boil-off gas compressors, four pumps for discharging LNG from the storage tanks and five high-pressure booster pumps to send the gas to the vaporizers with enough pressure for the gas to flow through the pipelines, the metering systems, and into the

national grid.
Special unloading arms are installed to transfer the LNG from the carriers to the storage tanks of the terminal.
The terminal also houses auxiliary equipment, such as the module for generation of electricity with gas turbines and the electrical and instrumental substation.

LNG carrier mooring structures

The terminal includes the LNG carrier mooring structures, the so-called "Mooring Dolphins".
Each mooring structure consists of a base (a concrete box of about 7 meters high) surmounted by two columns of reinforced concrete (about 28 meters high), connected between them by a steel bridge (about 63 meters long and 8.5 meters wide).

Living quarters

The personnel that operate and maintain the terminal reside in living quarters designed to provide a safe and comfortable environment. The facility accommodates up to sixty people to support 24 hours a day, seven days a week operation. The module includes a control room, from which operators can monitor every aspect of the terminal, the pipeline and the gas metering station.

The shore base

The shore base plays a key role in supporting the offshore terminal and coordinates all the activities to support the transport of supplies and of the technical and operational personnel, either from the Company or its contractors, to and from the terminal. This is a building located along the Po di Levante, in the locality of Porto Viro, in the province of Rovigo.
The base is equipped with its own helideck and mooring dock for crew supply vessels and includes a warehouse for supplies and spare parts, and offices and telecommunication systems with connection to the terminal.

1.2 Operating environment and outlook

1.2.1 Market environment

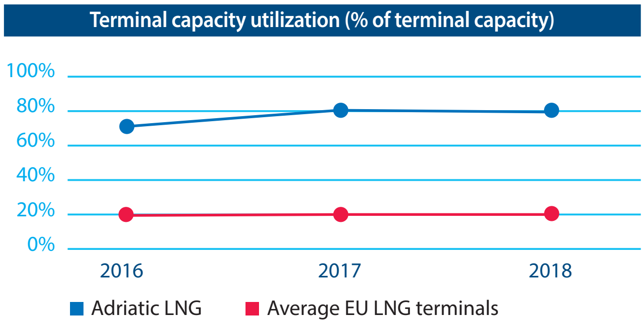
Overview - Access to the Regasification Service

The terminal operates within the rules defined by the Ministry of Economic Development and by the ARERA.

The Non-Foundation Capacity is available for subscription through regulated open processes to third Parties either through auctions for short term capacity or allocation criteria for long term capacity. New rules on capacity allocation have been adopted by ARERA in late 2017. The rules were implemented by Adriatic LNG in April 2018, using a national platform developed by *Gestore dei Mercati Energetici* (GME, the company operating power, gas and environmental markets in Italy).

The Regasification Code regulates access to the regasification services as well as the process of capacity determination and allocation. Users requesting terminal access have the obligation to meet and maintain the requirements listed in the Regasification Code. The code was approved by ARERA with the resolution ARG/gas 57/11 pursuant to art. 24, paragraph 5, of Legislative Decree 164/2000 on 12 May 2011 as subsequently amended. The Regasification Code defines its amendment process, whose modifications are approved by ARERA upon the Company's proposal and open market consultation process. The current version of the Code, updated with ARERA resolution 112/2018/R/Gas dated 01 March 2018, is published on the Company's website.

During 2018, Adriatic LNG terminal utilization, based on send-out, was approximately 81% of its total capacity, in line with previous year and continued to be significantly higher than the average utilization of LNG terminals in Europe, mainly thanks to the commercial agreement between the users and their LNG suppliers. Average utilization of LNG regasification terminals in Europe is estimated at about 23%[1], as shown in the following graph.



[1] Source: Gas Infrastructures Europe (GIE) association

The Peak Shaving service, one of the measures of the "Emergency Plan" set by the Ministry of Economic Development decree to ensure security of supply to the national gas system during the winter to cope with unforeseen peaking demand, fostered the allocation of one spot cargo in October.

In 2018, 77 carriers berthed at the terminal, in line with 2017, from Qatar, USA and Angola.

Market Regulatory context - Tariffs

According to law n. 481 dated 14 November 1995, the ARERA defines the maximum tariff to be applied to all regulated services including the regasification service. It is a two-step process where first a framework is defined and then a tariff per unit (for regasification) or the whole market (for gas transportation or storage) is approved - or defined unilaterally - by ARERA.

With resolution 438/2013/R/Gas ARERA defined the framework of the regulated tariff for the regulatory period 1 January 2014 – 31 December 2017. On 8 May 2014 ARERA, with the resolution 209/2014/R/gas verified positively and subsequently approved the Company proposal for the amendment of the Regasification Code in order to implement resolution 438/2013/R/Gas on regasification tariff for the regulatory period 2014 - 2017. With resolution n. 653/2017/R/Gas ARERA defined the framework of the regulated tariff for the transitional regulatory period 1 January 2018 - 31 December 2019.

The ARERA, as part of its drive to unbundle the businesses in order to promote competition in the energy market, has separated gas measurement activities from those of regasification and transportation[2].

With resolution 877/2017/R/Gas, ARERA approved the regasification and gas measurement services tariffs for the calendar year 2018, including the percentage of gas discharged that terminal users provided in kind to cover the terminal's losses and consumption.

With resolutions 671/2017/R/Gas and 513/2018/R/Gas ARERA approved the tariff for the flexibility services and the temporary storage respectively related to the thermal year 2017/2018 and starting from 2018 onwards.

On 7 April 2016, the Company started the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) reporting of operating fundamental data (i.e. daily send out and tank inventory, planned and unplanned outages) to the Agency for the Cooperation of Energy Regulators (ACER), as required by the Implementing Acts of European Union Regulation no. 1348/2014.

Market Regulatory context - Capacity allocation and use

On 28 September 2017, the ARERA, with the resolution 660/2017/R/Gas, adopted new rules on regasification capacity allocation whereby, among others, the short-term capacity is allocated through competitive auctions. The auctions are carried out by GME on behalf of the regasification terminal companies.

Such resolution does not change the allocation mechanism of long-term (10 years) capacity for terminal companies exempted, even only partially, from regulated third party access such as Adriatic LNG. Therefore the provisions of resolution n. 186/06 dated 31 July 2006 providing, among others, a selection criteria according the kind of user (e.g. end user or not) are still in force.

Amendments to the regasification code have been proposed accordingly by the Company and such proposal has been cleared by ARERA with resolution n. 112/2018/R/Gas.

Security of supply - Peak Shaving

The Ministry of Economic Development with decrees dated 13 September 2013 and 18 October 2013 has modified the National Gas Emergency Plan, which provides a set of actions to be carried out in case of major interruption of gas supply during a period of high demand. This includes the LNG regasification terminals among the assets that can provide support. Such support request is decided year on year by the National Gas Emergency Committee (where the Company is represented) based on the expected market and supply conditions in the coming winter. ARERA is requested to define for each winter season the reserve prices for the Peak Shaving service, which envisage the possibility for a supplier to store its LNG in a LNG regasification terminal for the January – March period and make it available to the Transmission System Operator. The transmission operator can request the stored LNG regasification on short notice in order to cover any gas supply shortage. Adriatic LNG closed its tender in October 2018 and successfully allocated to a new user one spot cargo, which was delivered in November 2018.

[2] Source: ARERA Resolution n. 11/07

Market overview

Italy is the third largest European gas market. Currently about 34% of Italian energy use is covered by natural gas and the country is heavily dependent on imports (92% in 2018) from foreign sources for its energy supply while national production accounts only for 8% of total demand[3]. The gas market is generally seasonal; with peak demand occurring during the first quarter of the year when gas storage fields are almost depleted and household heating system are at maximum.

Italian gas demand in 2018 was at 72.1 bcm (-3.4% vs. previous year) and still significantly lower (about 10 bcm less) than the peak reached in 2005[4]. According to the National Plan for Energy and Climate (PNEC) the total demand is projected to remain flat up to 2030 with gas displacing coal but offset by an increase of renewables and energy efficiency.

The Italian market is currently supplied by: *(i)* five pipelines from North West Europe (Transitgas), Russia (TAG and Gorizia interconnection point), Libya (Greenstream) and Algeria (TTPC), *(ii)* three LNG terminals, including Adriatic LNG, *(iii)* national production. In 2018 Adriatic LNG has delivered 6.5 billion cubic meters of gas into the national transportation grid at the Cavarzere metering station, in line with 2017, contributing for about 10% of the total import and overtaking the national production.

After the implementation of the new capacity allocation rules only a few capacity allocations were registered, due to higher gas prices in other markets that did not justify LNG to land in Italy, while capacity allocations increased starting from October 2018. OLT and GNL Italia have also offered via auction long term capacity for the next 15 years at discounted price for the first 2 years, but resulted in no interest by any parties[5].

Olt Offshore LNG Toscana (OLT) has offered peak shaving and has successfully allocated 13 LNG cargoes by the end of 2018[6]. GNL Italia, the other operating terminal, has instead allocated 22 LNG cargoes up to end of the year, mainly under a long term contract with supply from Algeria[7].

Gas price in 2018 has registered a +30% vs previous year at *Punto di Scambio Virtuale* (virtual OTC market), in line with similar increase in other EU markets. The average Italian premium versus neighboring hubs registered a spread of 1.5 Euro/MWh, due also to a significant maintenance activity in the Trans Europa Naturgas Pipeline (TENP) reducing the available capacity in that pipeline by 50%[8].

Italian gas market continues to be oversupplied with the consequence that several infrastructures projects are on hold and only the Trans Adriatic Pipeline (TAP), despite strong opposition by local communities, is slowly progressing while the ITGI (Interconnector Turkey Greece Italy) Poseidon pipeline project did not start the works[9].

All other LNG terminals projects (e.g. Porto Empedocle, Gioia Tauro, etc.) are looking for new business opportunities like the Small Scale LNG or cost socialization to justify investment but no new final investment decisions have been taken so far. New export capacity through pipeline from Italy to the North of Europe (Transitgas) is expected to be implemented for 40 million cubic meter a day, notwithstanding that the new recently elected Government has disclosed few details[10] of its future strategy yet.

[3] Source: Italian Ministry of Economic development natural gas balance data
[4] Source: Italian Ministry of Economic development natural gas balance data
[5] Source: Gestore dei Mercati Energetici and ARERA Resolution n.308/2018/R/Gas
[6] Source: published on the Olt Offshore LNG Toscana (OLT) website
[7] Source: published on the SNAM website
[8] Source: independent energy consultant provider Alba Soluzioni
[9] Source: energy and gas newspaper Staffetta quotidiana
[10] Source: Ministry of Economic Development - Italy National Energy and Climate Plan

1.2.2 Current year overview

2018 was the ninth year of full commercial operations for the Company. Highlights include:

- the safe berthing and unloading of 77 carriers;
- no spills;
- no security incidents or damage to the facilities;
- zero controls irregularities;
- regasification operations reliability for the year at 99.6%;
- delivery of 6.5 billion cubic meters of gas into the national distribution grid, representing 9.9% of gas imports to the Italian market and 9.3% of the total gas supply;
- positive financial results and cash surplus generated by operating activities allowed the Company to pay 27.5M Euro as dividends to the Quotaholders and to return a total of 77.0M Euro as partial refund of the Equity Reserve "Versamento Soci in Conto Capitale".

Management has regular litigation reviews, including updates from Company Legal Counsel and outside counsels, to assess the need for accounting recognition or disclosure of these litigations and related contingencies. Italian Accounting standard (OIC 31) requires that liabilities for contingencies are recorded when it is probable that a liability has been incurred by the date of the balance sheet and that the amount can be reasonably estimated. Based on assessment by the company's Legal Department and from external attorneys, of which detailed information is provided in section "1.3.4 Risks involved in legal disputes", no reserves have been recorded for litigation contingencies for legal disputes.

The following management discussion and analysis of Company financial results are intended to provide an overview and to highlight the significant business events that occurred during the year. Company statements in this discussion are based on a forward-looking basis. Some of the financial indicators are included with the aim to enhance the description of 2018 performance.

The financial results are commented and explained in the summary tables included in following paragraphs, and are further detailed in the "Notes to the Financial Statements".

1.2.2.1 Investments

During the year, minor project activities were undertaken for approximately 1,390k Euro, mainly related to equipment and spare parts to preserve the reliability of operations and compliance with safety, health and environmental regulations.

1.2.2.2 Summary financial information

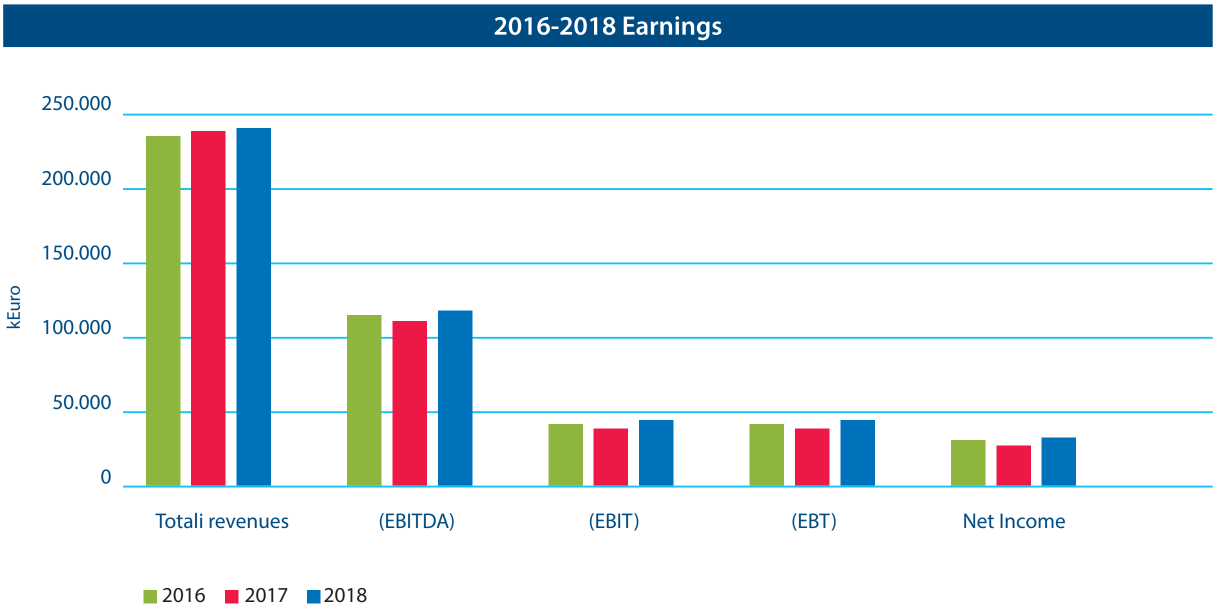
Summary Income Statement

The Income Statement is reclassified following the value added approach.

Reclassified income statement (thousands of euro)	2018	2017	Abs, change	% Change
A, Sales Revenue				
Revenue from sales and services	239,376	236,797	2,579	1%
Other revenue	393	181	212	117%
Net revenue	**239,769**	**236,978**	**2,791**	**1%**
Inventory change for raw materials, semi-finished and finished goods	-	-	-	-
Increase in capitalized expenses for internal works	-	-	-	-
Total Revenues	239,769	236,978	2,791	1%
B, Cost of goods sold				
Material and services consumption (-)	(107,411)	(105,644)	(1,767)	2%
Other Expenses (-)	(2,665)	(1,580)	(1,085)	69%
Risk and charges provision allocation (-)	-	(800)	800	-
Inventory change	2,543	(1,851)	4,394	(237%)
Total Cost of goods sold	**(107,533)**	**(109,875)**	**2,342**	**(2%)**
C, Added value	**132,236**	**127,103**	**5,133**	**4%**
Labor costs (-)	(12,542)	(12,112)	(430)	4%
D, Gross operating margin (EBITDA)	**119,694**	**114,991**	**4,703**	**4%**
Depreciation and amortisation (-)	(76,567)	(76,324)	(243)	0%
E, Net operating income (EBIT)	**43,127**	**38,667**	**4,460**	**12%**
Net financial income (expenses)	45	10	35	350%
Dividends	-	-	-	0%
Revaluation (devaluation) of financial assets	-	-	-	0%
F, Earnings before taxes (EBT)	**43,172**	**38,677**	**4,495**	**12%**
Income tax for the period	(12,308)	(11,197)	(1,111)	10%
G, Profit (loss) for the period	**30,864**	**27,480**	**3,384**	**12%**

2018 Net Operating Income (EBIT) – 43,127k Euro - and Net Profit – 30,864k Euro - were higher versus prior year by 12%, mainly due to inventory variation, as detailed in the cost breakdown table in the following paragraphs.

The 2018 financial performance is compared with the previous two years; despite continued challenging market conditions over the period, EBITDA shows continued efficient and effective management of the Company's costs.



Revenues

Gross revenues were 239,769k Euro, up by 2,791k Euro with respect to 2017. While regasification and marine services revenues are stable with respect to previous year, there has been some variation for in kind regasification and national grid revenues, both netting a corresponding cost.

Revenues are recognized on the basis of actual services rendered and in line with contractual obligations.

Revenues (thousands of Euro)	2018	2017	Ab. change	Relative change
A. Revenue from sales				
Revenues from the regasification service	162,430	162,008	422	0%
Regasification revenues in kind	13,467	7,684	5,783	75%
Revenues related to balancing regime OBA	2,625	2,305	320	14%
Revenues from marine services	13,769	13,769	-	-
Subtotal Regasification and Marine Services	**192,291**	**185,766**	**6,525**	**4%**
National Grid Revenues	43,239	50,930	(7,691)	(15%)
National Grid - own consumption	3,845	101	3,744	
Subtotal National Grid	**47,084**	**51,031**	**(3,947)**	**(8%)**
Revenues from ordinary operations	**239,375**	**236,797**	**2,578**	**1%**
Other revenues and income	**394**	**181**	**213**	**118%**
Total production value	**239,769**	**236,978**	**2,791**	**1%**

Costs

In 2018, production costs were 196,643k Euro, down by 1,668k Euro from 2017.

As shown in the table below, the net decrease of 2018 costs was mainly due to inventory variation (-4.4M Euro), decrease of costs related to services rendered by Quotaholders (-0.3M Euro) and third party costs for materials (-0.1M Euro). Lower costs were partially offset by an increase in labor cost (+0.4M Euro) and other costs (+0.3M Euro) mostly related to increase in CO_2 emission allowances price.

Inventory variation was triggered by lower than anticipated terminal losses and consumption that, as per current regulation, is covered by a quota of LNG provided in kind by users.

Costs (thousands of Euro)	2018	2017	Abs. change	Relative change
B. Costs of production				
Consumption of raw materials and services	(107,412)	(105,644)	1,768	2%
of which:				
Third Party Costs of raw materials	(3,588)	(3,682)	(94)	(3%)
Third Party Costs of services	(27,772)	(27,769)	3	0%
Quotaholder Services	(3,841)	(4,173)	(332)	(8%)
Use & Loss gas in kind from Users	(13,467)	(7,684)	5,783	75%
National Grid Costs	(43,239)	(50,930)	(7,691)	(15%)
National Grid - own consumption	(3,845)	(101)	3,744	
Marine Services Costs	(9,191)	(9,228)	(37)	(0%)
Costs related to balancing regime OBA	(2,469)	(2,077)	392	19%
Labour costs	(12,542)	(12,112)	430	4%
Other costs	(2,665)	(2,380)	285	12%
Depreciation and amortisation	(76,567)	(76,324)	243	0%
Inventory variation	2,543	(1,851)	(4,394)	(237%)
Total production costs	**(196,643)**	**(198,311)**	**(1,668)**	**(1%)**

Summary Balance Sheet

The Company Balance Sheet is reclassified following the "functional criteria". This approach applies the concept that the Company solvency is based on its ability to generate the necessary and sufficient resources, in quantity, quality and time to meet its financial needs. The reclassified balance sheet compares the net investments against total of Equity and net financial position.

Net invested capital as of 31 December 2018 was 1,937,115k Euro, down by 81,598k Euro from previous year. Decrease is mainly due to *(i)* the reduction in Fixed Assets Net Book Value (75,375k Euro), reflecting the yearly depreciation and *(ii)* the reduction of net working capital, mainly due to higher tax payables.

Summary Balance Sheet (thousands of Euro)	2018	2017	Abs. change
A. Capital Assets			
Intangible	2,593	3,108	(515)
Tangible	1,918,570	1,993,430	(74,860)
Financial	-	-	-
	1,921,163	1,996,538	(75,375)
B. Net working capital			
Inventory	15,548	13,006	2,542
Receivables	21,289	22,253	(964)
Other assets	5,775	8,961	(3,186)
Payables (-)	(20,215)	(17,105)	(3,110)
Other liabilities (-)	(5,931)	(3,679)	(2,252)
Provision for risks and charges (-)	-	(800)	800
	16,466	22,636	(6,170)
C. Invested capital excluded liabilities for the period (A+B)	**1,937,629**	**2,019,174**	**(81,545)**
D. Provision for staff severance indemnity (-)	**(514)**	**(461)**	**(53)**
E. Net capital invested (C-D)	**1,937,115**	**2,018,713**	**(81,598)**
Financed by:			
F. Net Equity	**1,957,960**	**2,031,577**	**(73,617)**
G. Net financial borrowing (availabilities):			
Mid and long-term loans	-	-	-
Short-terms loans (-)	-	-	-
Cash (-)	(20,845)	(12,864)	(7,981)
	(20,845)	**(12,864)**	**(7,981)**
H. Total sources of funding (F+G)	**1,937,115**	**2,018,713**	**(81,598)**

Equity

Quotaholders' Equity was 1,957,960k Euro, down by 73.6M Euro from 2017. Equity reduction is due to the partial refund to Quotaholders of the Equity Reserve "Versamento Soci in Conto Capitale" totaling 77.0M Euro, partially offset by 2018 Net Profit increase.

Partial refund of the Equity Reserve, without prejudice to creditors, and dividends payment were in line with Quotaholders' resolutions passed on 24 January 2018 and 24 April 2018 and as detailed in the 2018 Financial Plan for refunding form and timing, approved by Board of Directors' resolutions of 25 September 2017, 24 April 2018 and 27 September 2018.

Equity (thousands of Euro)	2018	2017	Abs. change
Capital stock	200,000	200,000	-
Legal Reserve	40,000	40,000	-
Reserve for Quotaholders capital contributions	1,676,302	1,753,302	(77,000)
Other Reserves	10,794	10,795	(1)
Retained Earnings / (Losses)	-	-	-
Gain / (Loss) for the period	30,864	27,480	3,384
Total	**1,957,960**	**2,031,577**	**(73,617)**

Tax matters

The overall taxes and levies balance at year-end shows a debit of 2,504k Euro and it is included in the Balance Sheet section B. Other Liabilities.

With regards to direct taxes, 2018 tax expense provisions equal to 12,308k Euro of which 10,514k Euro for Corporate Income Tax (IRES), 1,759k Euro related to regional tax on productive activities (IRAP), and 35k Euro related to previous years' adjustments. As of 31 December 2018 tax advances equal to 9,575k Euro for IRES and 1,598k Euro for IRAP.

With regards to indirect taxes, in December 2018 the Customs office approved the refund of the excise tax on self-consumption of diesel for year 2017 and first half of 2018.

The 2017 provisions for tax related risk and charges was fully utilized in 2018 to settle the terminal's property tax (ICI/IMU) claim with the Porto Viro (Rovigo) municipality for years 2010 to 2017, while the 2017 IRES assessment issued by the Revenue Agency on tax losses carried forward from prior years used in 2010 and 2011, was withdrawn in 2018.

1.2.3 Safety, Security, Health and Environment

The goal of Company management is to operate with zero injuries or occupational illnesses, zero spills, no regulatory non-compliance, no loss of containment, and no equipment damage or business loss. Management's first priority is to systematically control risk by ensuring the effectiveness of the Company's integrated Safety, Security, Health & Environmental Management System (SHEMS).

Year 2018 started with a revised SHEMS Steering Committee Charter in which a more comprehensive approach better satisfies the purpose of driving continuous improvement of SHEMS related performance. A Key Performance Indicators (KPI) dashboard was implemented with 21 key indicators across all SHEMS systems, out of the circa 150 Verifications and Measurements KPIs that are in SHEMS as per systems design. The frequent reviews of the 21 indicators ensure the right support to make improvements.

In the revised SHEMS Steering Committee Charter, there are also more formal ties with the regulatory framework established in order to guarantee health and safety of the company's personnel.

Prioritizing improvement items and allocating resources accordingly are still a key mission of the Committee. As follow-up to the 2017 SHEMS Assessment, 2017 Verifications and Measurement Annual Analysis and Collective Annual Incident Analysis and Safe Start considerations, the following four Top SHEMS Priorities have been established for 2018-2019:

- enhance effectiveness of operations integrity training and competency assurance;
- enhance critical contractor management oversight and pre-qualification;
- implement effective consultation of dedicated safety team in place;
- raise awareness on risks related to routine activities.

Substantial progress has been made in 2018 and according to the continuous improvement plan developed as an outcome of the 2017 Full SHEMS Assessment, 95% of the suggested improvement items are closed. Special focus was dedicated to raise awareness on regulatory requirements embedded in SHEMS.

In 2018, in accordance with Seveso Law (Law Decree n. 105/15) requirements, the regulator audited the Company Safety Management System (SHEMS) as system in place to control major-accidents hazards. While a very limited number of prescription items were raised and all addressed in a timely manner, the Commission was overall complimentary about the Company SHEMS implementation with respect to Seveso requirements and reported the audit outcome as very positive.

Safety

Safety Leadership and guidance is provided through the Company SHEMS Steering Committee meeting held monthly, site Safe Operating Committees (SOCs) at the terminal, shore base and Milan office and various Work-Site Safety Committee Meetings (WSSCs).

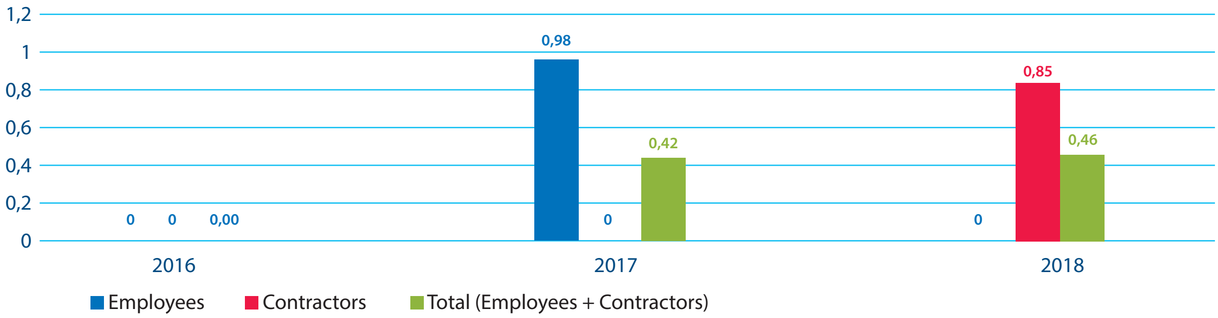
During 2018, no Lost Time Incident recorded during the year while the Company experienced 1 low severity Medical Treatment Incident (MTI) at the terminal, and 2 First Aid Incidents at the terminal. Total Recordable Incident Rate (TRIR) through December 2018 is therefore 0.46.

Contributing to manage the safe performance of contractors continued to be a key focus area of Adriatic LNG during 2018. A structured approach was used to better enhance the risk of the routine activities in the work places. The Company successfully organized a Senior Contractor Safety Forum together with critical key contractors sharing experience, lessons learned, and knowledge

of best practices from other industries. A Contractors Safety Award program, launched in 2017, awarded contracting companies who have been engaged with the Company for 12 months or more and achieved at least one Hurt-Free year.
Lessons learned from incidents continued through 2018. This was enhanced by the active participation in the SHE Network Quarterly Terminals conference calls (managed with the support of ExxonMobil Qatar). Participants, in addition to Adriatic LNG, included South Hook LNG and Golden Pass LNG Terminals.
As part of the Loss Prevention System (LPS) Behavior Based Safety System, an annual collective incident analysis was conducted during the first quarter of 2018, with the main objective of identifying improvement opportunities for prioritizing programs, selecting initiatives, and deciding where resources can be most effectively allocated for loss prevention activities.
Incident Analysis performed on incidents or near losses has improved, also due to a more effective use of Incident Risk Assessment Tool (IRAT) and Potential Hurt Level (PHL) tools. Incident Analysis includes the review of the types of injuries, equipment types, root causes, and impacted SHEMS systems. The resultant analysis is cascaded to all levels of the organization through Safety Meetings and Safety Boards. An analysis module is in place as part of the LPS database, which supports sustainment and multi-year time range for a wider perspective.
The graph and table below show an overview of safety performance achieved by the Company during 2018 and report the number of exposure hours, safety incidents (Lost Time Incidents and Total Recordable Incidents) and resulting rate.

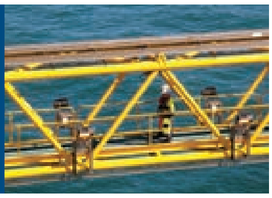
Total Recordable Incident Rate (TRIR)

(Total Recordable Incident / Exposure Hours * 200,000)



	Exposure Hours	LTI	TRI	LTIR (/200kh)	TRIR (/200kh)
Direct Hires	201,359	0	0	0,00	0,00
Contractors	236,199	0	1	0,00	0,85
Total	**437,558**	**0**	**1**	**0,00**	**0,46**

Key:
LTI – Lost Time Incidents – Incidents causing the injured party to be unfit to return to work the following work day
TRI – Total Recordable Incidents – the sum of LTIs, Restricted Work Incidents (RWI) and Medical Treatment Incidents (MTI)
LTIR – Lost Time Incidents Rate
TRIR – Total Recordable Incident Rate



Security

The Company sustained its systematic approach to security through application of its *Security Manual and Plans,* which describe the security responsibilities, and counter measures and procedures. No security incidents occurred at Company sites during 2018, and the company will continue to monitor the security environment and threat level.

Health

Legislative Decree n. 81/2008 provides for the general safety and health protection measures of workers at work. Main health-related measures and activities undertaken in 2018 were:

- health exposure monitoring campaigns;
- health surveillance plan for employees continued in 2018, with medical examinations carried out periodically by Company's doctor, to check the workers' fitness for duty.

Training and information to workers will continue to be an ongoing activity at all locations over the coming years.

Environment

The Company's operations from an environmental perspective are strictly regulated. The overall impact of terminal operations on the environment was assessed and environmental monitoring plans are established in accordance with Environmental Impact Assessment (EIA) decrees, dated 30 December 1999 and dated 12 October 2004. All air emissions and water discharges, as well as waste management, are regulated by the Integrated Pollution Prevention & Control (IPPC) Permit (*Autorizzazione Integrata Ambientale, AIA*) issued in 2009 and renewed with Decree n. 265 dated 6 October 2016, for a ten-year period. The Company monitors environmental parameters according to the IPPC permit.

The Company is required to participate in the European Union Emissions Trading System (ETS) which sets strict measurement requirements for CO_2 emissions and necessitates CO_2 allowances to surrender to the regulator to cover all CO_2 emissions.

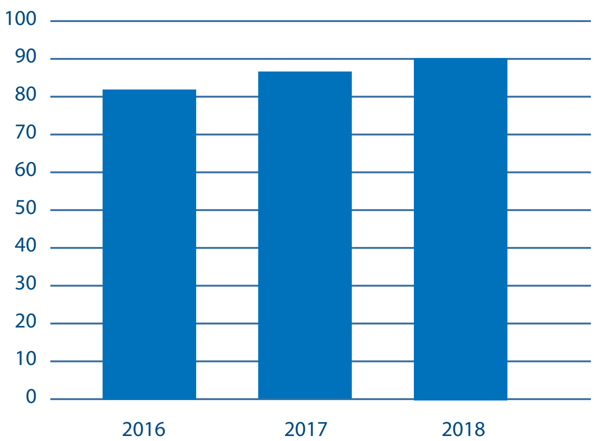
The primary source of CO_2 emissions for the Company is the fuel gas consumed by the turbine generators, representing more than 98% of total CO_2 emissions. The rate of emissions is therefore linked to the demand for power mainly driven by LNG regasification activities. The secondary source of CO_2 emissions is flaring, the majority of which occurs during shutdown events. 2018 fuel gas and flare volumes are shown in the table below.

Volumes (MSm3)	Fuel gas	Flaring	Total
2018	45,21	0,09	45,30

The European Union Emissions Trading System (ETS) Phase III covers the period 2013-2020; for this period the Company has been granted free allowances, as per MoE deliberation n. 29/2013 dated 20 December 2013, that decreases the free allowance allocation for the Company each year until reaching 33% of the 2013 level in 2020. The application submitted in 2015 for CO_2 credits reimbursement to the Ministry of Economic Development, as per ministerial decree dated 21 February 2014, is still pending resolution with the authorities.

The CO2 emission trend for ETS Phase III is detailed in the graph below (2018 actual CO2 emission data represents the best estimate and will be verified by External Auditor prior to CO2 allowances surrender by 30 April 2019 as per law decree 216/06). Stable CO_2 emissions in 2018 are mainly due to stable number of LNG carriers received.

CO_2 Emissions (kTon)



The Company is pursuing the waste management principles of Reduce, Reuse and Recycle. Regulations control the identification, transportation and disposal of waste. The Company has established waste collection, segregation, transportation and disposal procedures and controls in compliance with the applicable legal requirements and IPPC permit.

Since 2010, an extensive marine environment monitoring campaign was implemented by the environmental national watchdog *Istituto Superiore per la Protezione e la Ricerca Ambientale* (ISPRA) around the terminal and along the pipeline in order to sample and test the impacts of terminal operations on marine ecosystems as per the EIA decree requirements. In 2017, a new 5-year environmental impact monitoring plan was issued by ISPRA.

Currently plans for new organizational arrangements within ISPRA and between ISPRA and other environmental agencies pursuant to new law dated 28 June 2016 prevent ISPRA from renewing the contract with the Company for environmental monitoring. Execution of the environmental monitoring plan was awarded to the Istituto Nazionale di Oceanografia e di Geofisica Sperimentale (OGS), a public institute specialized in marine and ecosystems monitoring, particularly of the Adriatic Sea.

The Company will maintain a strong and constant focus on environmental regulatory compliance, operations integrity, and surveillance in order to prevent nonconformities, spills and exceedances.

1.2.4 Human resources and industrial relations

As of 31 December 2018 the Company had 122 employees, of which one has been seconded to SARPOM Refinery in Trecate (in Novara province) during 3Q 2018. The progressive plan of secondees replacement with direct hires has been continued with the reduction of one secondee at the terminal.

Training plans, as well as systematic performance assessments and job rotations, will ensure that direct hires are gradually exposed and equipped with the professional skills and experience required for assuming positions of increasing supervisory and managerial responsibility. During 4Q 2018, dedicated sessions for Supervisors were organized to present the “Supervisor Handbook” specific for each site.

The Company headcount at year-end 2018 had the following composition:

- 3 managers;
- 21 supervisors;
- 78 professional employees;
- 12 technicians/wage workers;
- 7 resources seconded from the Quotaholders or their affiliates (2 foreigners and 5 Italians) among which 4 in managerial positions;
- 1 resource seconded to Quotaholders or their affiliates.

2018 employee movements are shown in below table.

Employment contracts applied to managers is the Managers of Producers of Goods and Services Companies National Labor Collective Agreement, and for other employees, the Energy and Petroleum National Labor Collective Agreement.

A new Company Agreement has introduced two significant improvements for the employees’ work-life balance: the Welfare program and the Smart Working initiative. Specifically, the Smart Working, after a full year pilot period and positive feedback received by both Employees and Managers, has been confirmed and formalized with shore base and Milan office employees.

On training, the safety law decree 81/08 training program has been applied, covering new hires and personnel in new roles. The soft skills training program and the collaboration with the ExxonMobil Corporate Learning organization has continued.

	31/12/17	Incoming	Outgoing	Reclassified	31/12/18
Managers	3	0	0	0	3
Supervisors	19	0	0	2	21
Professional employees	82	0	(1)	(3)	78
Technicians/wage workers	11	1	0	0	12
Secondees from Quotaholders or their affiliates	8	3	(4)	0	7
Secondees to Quotaholders or their affiliates	0	1	0	0	1
Total*	**123**	**4**	**(4)**	**(1)**	**122**

**Hat contractors not included in the total*

1.3 Risk management and controls environment

Management is regularly monitoring those areas of risk to which the Company could be exposed and specific committees or internal control bodies have been appointed for this purpose.

The Company established a set of standards and policies and continues to develop strategies and specific goals and expectations at different organizational levels, while, at the same time, providing the necessary resources to operate in an environment of integrity, security and control.

The Company operating and financial results as well as efficiency and controls are constantly stewarded by the Management Team, which is led by the Managing Director and includes all department managers.

The Controls Integrity Management System (CIMS) has been implemented to provide a structured, common process for conducting business in a well-controlled manner. This includes establishing effective controls, monitoring and enforcing compliance continuously, and resolving control weaknesses in a timely manner.

The sustainability of Adriatic LNG's sound controls environment is supported by:

- strong leadership and personnel commitment on controls;
- policies, guidelines and procedures in-place;
- Controls Integrity Management System (CIMS) permanent control activities and interim assessments functioning as expected;
- governance established to provide effective compliance oversight and to ensure controls weaknesses are addressed timely, stewarded and sustained;
- stable organization with low turnover levels.

Based on current information, it is planned that Quotaholders will exercise their audit rights by conducting audits on a triennial frequency with each audit covering all Adriatic LNG's activities and processes. The next Quotaholders audit is scheduled to have fieldwork in June 2019.

During May 2018, a team of employees with an adequate expertise in control matters conducted a Company-wide Unit Internal Assessment (UIA).

In accordance with regulations, the Compliance Team (Organismo di Vigilanza per D.Lgs 231/01) and Guarantor (ARERA resolution ARG/gas 11/07) have been appointed and regularly conduct their reviews and perform required verifications with periodical reporting to the Board of Directors and to the interested bodies.

The following sections provide information on the main risks of corporate or non-corporate nature, including those related to litigation.

1.3.1 Credit risk

The Company considers the credit risk to be limited. In fact, the terminal users, with whom the Company has signed long-term contracts (ten-years and twenty-five-years), are primary companies in the energy sector.

Any potential credit risk associated with the regasification activity is managed by the responsible department and subject to specific assessment and control procedures, under the Regasification Code prior to capacity allocation. Specifically, the Regasification Code requires bank guarantees to any user with Moody's rating below Baa3 or S&P rating below BBB-. The Company also uses procedures which provide, where applicable, advance payment clauses (e.g. provision of marine services).

For aforementioned reasons, no specific reserve has been recorded and no provisions made for bad debts.

1.3.2 Foreign exchange and interest rate risks

The Company does not operate on the currency market and foreign exchange rate risk is limited to normal currency variations related to operating contracts in foreign currencies, primarily connected to payables in US Dollars. Transactions in foreign currencies were 174 in 2018, for approximately 2.4M€ and less than 1% of the total value of the year outgoing payments.

The Company is not exposed to interest rate fluctuations because it neither operates with derivatives nor has financial charges from debt, having been largely financed through capital contributions from Quotaholders. As discussed in a previous section, the cash flow generated by operating activities funds the Company's financial requirements.

1.3.3 Regulatory risks

The Company operates in a continuously evolving regulated market: a constant monitoring of the development and introduction of new applicable regulations is critical to ensure Company operations meet related requirements. The Company's management continuously reviews potential or newly introduced requirements and is in contact with the relevant authorities and agencies to ensure that new standards are implemented correctly and in accor-

dance with the general principle of cost effective management. Company's management participates, as required, in regulatory consultation processes.
Specific sections in this document provide more information and updates on regulatory and authorization activities.

1.3.4 Risks involved in legal disputes

In the course of its business, until the end of December 2018, the Company was directly or indirectly part of the proceedings in disputes that are constantly monitored by the Legal Department, with assistance from external lawyers.
The following list provides an analysis of ongoing court litigation for the Company.

Challenges filed by Terminale GNL Adriatico S.r.l. with Administrative Regional Court (TARs)

- On 31 January 2014 and 24 October 2014 the Company has filed two challenges against the ARERA with TAR Lombardia for the same issue: the unilateral reduction by Energy Authority of the maritime services tariff in resolutions n. 604/2013/R/Gas and n. 335/2014/R/Gas. The hearing is yet to be defined and there are no further developments since December 2015.
- On 29 October 2015 the Company has filed a challenge with TAR Lazio against the Ministry of Environment against its warning for alleged noncompliance with IPPC decree dated 11 August 2015 and ISPRA related reports dated 4 August 2015 and 23 September 2015. The hearing is yet to be defined and there are no further developments since December 2015.

Challenges filed by other parties with TARs

- Challenge filed by BP Energy Europe Ltd vs. ARERA with TAR Lombardia. BP Energy Europe Ltd, a user of the regasification service, has challenged resolution n. 653/2017 on regasification tariffs and n. 660/2017 on allocation of capacity. The Company has been notified as interested party. The Company has partaken in the case. Within the same pro-

ceedings, BP Energy Europe Ltd notified additional briefs in May and August 2018 to challenge some ARERA resolutions implementing previous resolutions n. 653 and 660. Hearing for discussion is scheduled for 24 September 2019.

- Challenges filed by BP Energy Europe Ltd vs. Ministry of Economic Development (MED) with TAR Lombardia. BP Energy Europe Ltd, a user of the regasification service, has challenged the MED decree dated 25 February 2016 and the resolution of the Energy Authority n. 77/2016/R/GAS dated 29 February 2016 on the tender for the allocation of sc. "integrated service" for 2016 (short term regasification and storage services combined). The Company has partaken in the case.

Labor claim filed by a former Company's employee before the Milan Tribunal

In August 2018, a former employee served a claim on the Company asking compensation for alleged higher qualification, mobbing and demotion. The Company has partaken the case. On 13 December 2018, the Milan Tribunal fully rejected the claim in first instance, by finding all claimant's requests groundless. Terms for appeal are still pending.

In light of the opinions expressed by the Legal Department based on the available information and the due diligence analysis of the above pending cases, as set out in this section, it was concluded that contingent liabilities involved and applicable accounting principle do not require setting up a provision for these risks for year 2018.

1.3.5 Operating risks

The risks related to the Company activity of managing an offshore regasification terminal may cause damages to its profitability, efficiency or reputation.

The major accident hazards, including those that could arise from events outside the control of the Company and beyond its will such as, explosions, fires, earthquakes and similar, are taken into consideration by the management of the Company in the Safety Case, according to the Seveso Law for the purposes of prevention and control.

The integrated Safety, Security, Health and Environmental Management System (SHEMS) framework is the cornerstone of our approach to managing safety, security, health, and environmental risks, the status of which is detailed in section "1.2.3 Safety, Security, Health and Environment".

The terminal consists of interdependent processing modules and any risk of malfunction of the units and systems involved in regasification as well as the loss or damage to technical components and/or equipment installed or being installed on the terminal may cause impacts to personnel safety/health, impacts to the environment, or service interruptions with potential effects on the Company profitability.

1.3.6 Liquidity risk

The fulfillment of financial obligations of the Company depends on the payment regularity of two major users. In case of non-fulfillment of obligations by counterparts, liquidity risk hedging is guaranteed by the Quotaholders.

1.3.7 Strategic risks

The Company is exposed to the risks associated with the political and regulatory framework, and domestic and international competition. This may affect the ability to attract new LNG users when regasification capacity is available.

The results obtained during these nine years of operation provided a fair return in the light of the Company purpose. The long-term strategy, which contemplates a full exemption from regulated third party access, once implemented, should confirm the ability to generate positive cash flow over time and guarantee a fair return. The return on investment at a reasonable discount rate is currently influenced by the tariff regulation and the predetermined tariff methodology agreed with Edison S.p.A. in the Foundation Capacity Agreement.

For the purpose of monitoring the main variables and related impacts of this situation, long term models will be updated incorporating available objective information, as well as any other necessary medium and long term assumptions.

1.3.8 Information Technology

The Company has maintained stable computer systems for key business processes, such as process control and monitoring of terminal operations, gas measurement and inventory management, cost control, procurement and invoicing. The risk of service disruption due to system failure was considered, and solutions have been implemented to reduce the risk of system failure (redundancy) as well as to minimize information loss (regular back up and business continuity plans).

The Company is continuously focusing on cyber security risks and exposures by adopting an integrated approach and constantly increasing levels of attention through periodic trainings and implementing cyber-security programs and barriers leveraging external IT provider expertise.

In addition, the Company is working on the implementation of law decree n. 65 dated 18 May 2018 (implementing EU Directive n. 2016/1148) which provides for minimum requirements of cybersecurity protection for undertakings providing an "essential service" such as the Company.

1.3.9 Provisions for risks and charges

With reference to the activities of risk management and controls environment, the Company assessed no need for provisions to special funds for risks and charges. The provisions for risks and charges posted in 2017 have been released in 2018, as the related items have been resolved, as described in previous Tax matters section.

With regards to potential provisions related to restoration costs, the Company completed in 2015 the assessment regarding potential restoration costs as requested by ARERA. Adriatic LNG obtained a technical appraisal by an independent engineering consultant company with the estimate of potential restoration costs, and, by a leading consultancy firm in the sector, a study drawing long term scenarios of energy and gas consumption. Lastly, to complete such comprehensive and complex analysis, the Company obtained, from a preeminent consultant firm, an opinion on civil law, administrative and accounting aspects of the matter. Based on the outcome of above mentioned analysis and studies, the opinion concluded that the risk of the Company incurring potential restoration costs should be assumed as remote.

During 2018, the Company requested reappraisal of the study drawing long term scenarios of energy and gas consumption, which confirmed correctness of the assumption that the terminal will still be of strategic importance to the diversification and supply of the European and Italian energy system in 2052 and beyond.

Thus, the Company holds those conclusions still valid with regard to the long term energy outlook and the opinion on civil law, administrative and accounting aspects. Therefore, accordingly to OIC 31 requirements did not recognize any provision for potential restoration costs in these 2018 Financial Statements.

The Company, with the aim to monitor the risk evolution, currently assumed as remote, will request, in case of significant events, a periodic update of both the technical appraisal and the long-term energy outlook.

1.4. Other information
(pursuant to articles 2427 - 22 bis, 22 ter, 2428 and 2497 - bis of the Civil Code)

1.4.1 Stocks or shares of companies

As of 31 December 2018, there are no parent company shares in the portfolio, even indirectly held through subsidiaries, trust companies or proxies. During the year no operations were done related to shares of parent companies, whether direct or by other indirect means.

1.4.2 Relations with controlled, affiliated, controlling companies, companies controlled by parent companies and corporate governance

As of 2 May 2005, following the end of Edison S.p.A.'s governance, the Company operates in line with the new By-Laws which provide for the roles of the Quotaholders and those to the Board of Directors, including nomination criteria. Based on Company By-Laws, none of the Quotaholders uniquely governs the Company. Per Italy Antitrust Body (AGCM) clearance dated 25 March 2004 the Company is jointly controlled by ExxonMobil Italiana Gas S.r.l. (EMigas) and Qatar Terminal Limited.

For services such as personnel secondment, consultancy, administration and accounting services or other professional services being requested to Quotaholders - or their affiliates - the Company has executed on 2 March 2005 a Service Agreement with Quotaholders in line with current market conditions.

The table below shows the Company's relations with the jointly controlling Quotaholders - or other ExxonMobil affiliates - by category and layout in compliance with disclosure requirements set by the art. 2427 - 22 bis of the Italian Civil Code.

Furthermore, and pursuant to disclosure requirements set by art. 2427 - 22 ter of the Italian Civil Code, the Company has no other agreements that were not represented as such within the Balance Sheet.

(amounts in thousands of Euro)	Year 2018				Year 2018						
					Cost			Revenues			Investments
Company name	**Receivables**	**Payables**	**Guarantees**	**Obligations**	**Goods**	**Services**	**Other**	**Goods**	**Services**	**Other**	
Qatar Terminal Limited	-	9	-	-	-	-	-	-	-	-	-
Exxon Mobil Italiana Gas S.r.l.	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	**9**	-	-	-	-	-	-	-	-	-
ExxonMobil Qatar Ltd. (1)	-	584	-	-	-	4,006	-	-	-	-	-
Sarpom s.r.l.	32	-	-	-	-	-	-	-	56	-	-
Subtotal	**32**	**584**	-	-	-	**4,006**	-	-	**56**	-	-
Total	**32**	**593**	-	-	-	**4,006**	-	-	**56**	-	-

[1] Providing services as per Service Agreement on behalf of ExxonMobil Italiana Gas S.r.l.,

1.4.3 Future investment plans and financial resources

Investments

The investment plans for 2019 include some minor projects mainly aimed to meet new safety or environmental requirements.

Financial resources

Planned investment activities can be funded by the estimated positive cash flow in line with the assumptions of the 2019 Financial Plan.

1.4.4 Headquarters and Secondary offices

The Company does not have any secondary offices. The Company has the following local units at the preparation date of these Financial Statements:

- Headquarters in Piazza Sigmund Freud, 1 - Milan (MI)
- Shore Base – Via Cristoforo Colombo, 3 - Porto Viro (RO)
- Regasification plant - Territorial Water - LT 45°05'26.294"N LG 12°35'04.973"E
- Metering station – Acquamarza Bassa District - Cavarzere (VE)

1.4.5 Independent auditors

The Financial Statements for the period ended 31 December 2018 which is submitted for approval was audited by PricewaterhouseCoopers S.p.A. on the basis of the auditing mandate for the 2017-2019 three-year term as resolved by the Quotaholders' Meeting on 26 April 2017. In this occasion, Quotaholders also commissioned PricewaterhouseCoopers S.p.A. to carry out the accounting control duties which include periodic checks on the correctness of the accounting information.

1.4.6 Future years overview

The Company's management will continue to be fully committed in achieving all targets as set out in the approved 2019 Work Program & Budget approved by the Board of Directors on 29 November 2018. In the first quarter of 2019, no significant deviations on costs and revenues were noted. The Company will continue to operate with focus on safety and health, care for the environment and business controls. Over the next few years, the Company will continue to work with local authorities, associations and Non-Governmental Organizations, and seek opportunities to engage the community on the following:

- safety and health;
- environment and energy efficiency;
- culture and education.

1.4.7 Research and Development

During 2018 the Company did not incur research and development costs.

1.4.8 Financial Instruments

The Company has not issued Financial Instruments.

For the Board of Directors
The Chairman
Homoud Fahad Homoud Sultan Al-Qahtani

2. Financial Statements at 31 December 2018

The Financial Statements for 2018 include the Balance Sheet, Income Statement, Cash Flow Statement and the Notes to the Financial Statements.

The Financial Statements were prepared in compliance with article 2423 and following articles of the Italian Civil Code and they represent truthfully and correctly the financial position of the Company and the result for the period ended as of 31 December 2018.

The Balance Sheet and Income Statement formats are compliant respectively with articles 2424 and 2425 of the Civil Code. Accounts bearing Arabic numerals that are not reported have a zero balance in both the current and previous year.

In the event that reclassifications have been deemed as necessary within the Balance Sheet or Income Statement, balances related to previous years have been reclassified accordingly.

The Notes to the Financial Statements include the prospects prepared in accordance with current legislation, or an explanation as to why they are not reported if missing.

The currency for all Financial Statements is the Euro.

The Financial Statements for the year are subject to external auditing by PricewaterhouseCoopers S.p.A., following the three-year mandate (2017-2019) assigned to them by the Quotaholders' resolution dated 26 April 2017.

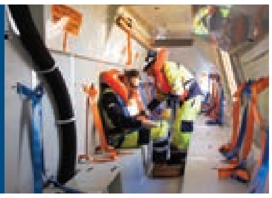
2.1 Balance Sheet

ASSETS (in Euro)			31.12.2018	31.12.2017
B) Fixed assets, with those in financial leasing indicated separately				
I, intangible assets:				
4) concessions, licences, trademarks and similar			548,036	643,465
6) assets under construction and advances			41,078	174,606
7) other			2,004,462	2,289,350
Total			2,593,576	3,107,421
II, Property, plant and equipment:				
1) land and buildings			1,049,281,958	1,080,374,928
2) plants and equipment			862,907,094	906,215,600
3) industrial and commercial equipment			1,384,169	1,669,175
4) other assets			3,242,721	3,672,570
5) assets under construction and advances			1,753,772	1,498,003
Total			1,918,569,714	1,993,430,276
Total fixed assets (B)			**1,921,163,290**	**1,996,537,697**
C) Current assets				
I, inventories:				
1) raw, auxiliary and consumer materials			15,548,455	13,005,897
Total			15,548,455	13,005,897
	Amount due in more than one year			
	31.12.2018	31.12.2017		
II, Receivables:				
1) From customers	-	-	21,288,891	22,253,074
5–bis) Tax credits	-	-	95,350	2,963,342
5–ter) Prepaid taxes	-	-	-	28,465
5-quater) Other	-	-	4,846,674	4,941,978
Total			26,230,915	30,186,860
III, Short-term investments			-	-
IV, Cash and equivalent:				
1) bank accounts			20,844,632	12,863,942
3) petty cash			504	48
Total			20,845,136	12,863,990
Total current assets (C)			**62,624,506**	**56,056,746**
D) Accrued income and prepaid expenses				
- accrued income			371	371
- prepaid expenses			832,896	1,027,244
Total accrued income and prepaid expenses (D)			**833,267**	**1,027,615**
Total assets			**1,984,621,063**	**2,053,622,058**

LIABILITIES AND NET EQUITY (in Euro)				31.12.2018	31.12.2017
A)	**Quotaholders' Equity**				
	I, Capital			200,000,000	200,000,000
	IV, Legal reserve			40,000,000	40,000,000
	VI, Other reserves				
	Additional paid-in capital			1,687,096,207	1,764,096,207
	Reserve from net gains on foreign exchange			-	983
	VIII,Retainedearnings (losses)			-	-
	IX, Net Income (loss) for current year			30,864,109	27,480,485
	Total Quotaholders' Equity (A)			1,957,960,316	2,031,577,675
B)	**Reserves for Risks and Charges**			**-**	**800,250**
C)	**Reserves for employee severance indemnities**			**513,820**	**460,609**
D)	**Liabilities**	Amounts due after one year or more			
		31.12.2018	31.12.2017		
	6) prepayments	-	-	-	178,825
	7) payables to suppliers	-	-	20,215,160	16,926,072
	12) taxes payable	-	-	2,504,478	522,741
	13) payables to social security and pension funds	-	-	492,033	705,752
	14) other payables	-	-	1,658,996	1,360,458
Total liabilities (D)				24,870,667	19,693,848
E)	**Unearned revenue and accrued expenses**			**1,276,260**	**1,089,677**
Total liabilities (B+C+D+E)				**26,660,747**	**22,044,383**
Total Liabilities and Quotaholders' equity				**1.984.621.063**	**2.053.622.058**

2.2 Income Statement

(in Euro)	31.12.2018	31.12.2017
A) Value of production		
1) earnings from sales and provision of services	239,375,639	236,797,077
5) other revenues and income	393,846	180,627
Totale value of production (A)	**239,769,485**	**236,977,704**
B) Cost of goods sold		
6) raw materials, consumables and supplies	24,054,524	13,542,435
7) for services	81,159,683	89,893,473
8) for use of third-party assets	2,196,723	2,206,473
9) personnel costs:		
a) wages and salaries	9,152,519	8,727,928
b) company charge	2,733,775	2,754,509
c) employee severance fund	554,977	555,817
e) other costs	100,920	73,397
10) depreciation and write-downs:		
a) depreciation of intangible assets	690,583	444,312
b) depreciation of property, plant and equipment	75,876,065	75,879,807
11) changes in stock	(2,542,558)	1,851,447
13) other accruals	-	800,250
14) other operating costs	2,665,073	1,580,118
Total cost of goods sold (B)	**196,642,284**	**198,309,966**
Net value of production (A-B)	**43,127,201**	**38,666,739**
C) Financial income and expenses		
16) other financial income	13,557	1,165
17) interests and other financial expenses	(3,403)	(49)
17-bis) foreign exchange gains and losses	34,893	9,249
Total financial income (expenses) (C)	**45,047**	**10,365**
Earnings Before Taxes (A-B±C±D)	**43,172,248**	**38,677,104**
20) deferred, current and prepaid income tax		
a) current tax	(12,279,673)	(11,225,084)
c) prepaid tax	(28,465)	28,465
Net Income (loss) for current year	**30,864,109**	**27,480,485**



2.3 Cash Flow Statement

(in Euro)		31.12.2018	31.12.2017
A)	**Cash Flow From Operating Activities**		
	Net Profit	**30,864,109**	**27,480,485**
	Net Profit Adjustments		
	- Income taxes	12,308,138	11,196,619
	- Interests payable/(interests receivable)	3,403	49
	- (Dividends)	-	-
	- Net gains on disposal of assets	198,151	465,741
	1, Earnings before income tax, interests, dividends and plus/minus from asset sale	**43,373,801**	**39,142,893**
Adjustments to reconcile net profit to net cash provided by operating activities:			
	- Depreciation, depletion and amortization and other non monetary items	76,566,648	76,324,118
	- Provisions to reserves for risks and charges	(800,250)	799,865
	- Provisions for employees' end of service benefits	554,977	555,817
	2, Net cash before changes in working capital	**119,695,176**	**116,822,694**
	Changes in working capital related to operations:		
	- Inventory variation	(2,542,558)	1,851,447
	- receivable variation	1,158,532	1,798,888
	- Payables variation	3,296,847	(965,028)
	- Other changes	1,618,400	(307,935)
	3, Net cash after changes in working capital	**123,226,397**	**119,200,066**
	Changes to other assets and liabilities:		
	- Interests receivable/(interests payable)	(3,403)	(49)
	- Deferred and prepaid taxes	(8,868,222)	(12,504,560)
	- Provisions used	(501,765)	(512,518)
Net Cash flow from operating activities (A)		**113,853,006**	**106,182,939**
B)	**Cash Flow From Investing Activities**		
	Investments in intangible assets	(176,739)	(2,169,140)
	Advances for intangible assets	-	598,922
	Investments in property, plant and equipment	(1,213,654)	(768,663)
Net Cash flow from investing activities (B)		**(1,390,393)**	**(2,338,881)**
C)	**Cash Flow From Financing Activities**		
	Dividends (and advances on dividends) paid	(27,481,467)	(28,935,098)
	Changes in equity: contributions / (refunds)	(77,000,000)	(71,000,000)
Net Cash flow from financing activities (C)		**(104,481,467)**	**(99,935,098)**
Net change in cash and cash equivalents (A+B+C)		**7,981,146**	**3,908,959**
	Cash and cash equivalents at the beginning of the year	12,863,990	8,955,031
	Cash and cash equivalents at the end of the year	20,845,136	12,863,990

The Financial Statements at 31 december 2018 are consistent with the accounting entries.

For the Board of Directors
The Chairman
Homoud Fahad Homoud Sultan Al-Qahtani

2.4 Notes to Financial Statements

2.4.1 Valuation criteria

As per Company By-Laws, these Financial Statements have been prepared in accordance with the provisions of the Italian Civil Code and with the National Accounting Standards issued by the Organismo Italiano di Contabilità (OIC).

The valuation criteria applied in the preparation of the Financial Statements for the year ended 31 December 2018 are consistent with OIC standards updates of December 2017 and January 2019. Notes to Financial Statements are issued in thousands of Euro.

The valuation of the items in the Financial Statements is driven by the general criteria of prudence and periodicity, in the context of business continuity.

Continuity in the application of valuation criteria over time is a requirement to ensure comparison of the Financial Statements published by the Company.

The application of the principle of prudence has led to the assessment of individual entries or asset or liability components.

In accordance with the principle of periodicity, each accounting entry should be allocated to a given period and split accordingly if covers several periods. In other words, business events have to be recognized and attributed to the accounting year to which such transactions refer to, and not the one in which the related financial transactions occur.

The valuation criteria adopted in these financial statements were the following.

2.4.1.1 Intangible assets

Intangible assets have been capitalized based on their purchase or internal production cost, including overheads and any other ancillary cost, adjusted by related depreciation funds and any monetary revaluation pursuant applicable law. Intangible assets use straight-line depreciation based on their estimated asset service life. Any installation and improvement costs, research and development or advertisement costs with multi-year use are capitalized in line with art. 2426 c.5 of Italian Civil Code and with the endorsement of Statutory Auditors if required.

If there is a lasting loss of value, assets should be depreciated to reflect their residual value. The residual value is the highest value between the actual usage value of the assets and its fair value, net of sale costs. If the reasons leading to the write-down no longer exist, the value of the asset is recovered up to the value that the asset had had if the write-down had never taken place.

Costs of improvements of rented or leased assets are capitalized and recorded as Intangible assets – third party property improvements - as stated by OIC 24, if these improvements cannot be used autonomously.

Depreciation of such costs is done over the shorter period between the future usefulness of the expense and the residual rent or lease, also taking into account the possible renewal if it depends on the lessee.

The yearly depreciation rates applied are as follows because of the estimated asset service life, and partly as a result of the elevated obsolescence rates that technological assets usually suffer:

- software: with rate from 20 to 33.33%;
- other intangible fixed assets: with rate from 2.86 to 48%.

2.4.1.2 Tangible assets

Fixed assets have been capitalized based on their purchase or internal production cost, including direct, auxiliary and indirect overhead costs inherent to internal production in line with art. 2426 of Italian Civil Code. The costs of ordinary maintenance needed for the effective preservation of the asset are entirely expensed and booked in the year in which they occurred. Improvement costs are booked directly on the asset on which they were performed and depreciated over its residual useful life.

Costs incurred to expand, modernize or improve the structural elements of a tangible asset are capitalized if they produce a significant and measurable increase in production capacity, safety or life. If these costs do not produce these effects, they are treated as ordinary maintenance and expensed.

Assets currently in use, which have an economic value lower than the cost of depreciation, are written-down and aligned to its economic value. If the reasons leading to the write-down no longer exist, the asset is returned to its original value. Tangible fixed assets are systematically depreciated each year based on their financial and technical useful life which could not exceed the duration of the maritime concession.

The yearly depreciation rates applied are as follows:

- buildings: with rate from 2.33 to 2.84%;
- plants and equipment: with rate from 2.33 to 20%;
- industrial and commercial equipment: with rate from 6.67 to 20%;

- other tangible fixed assets: with rate from 4 to 20%.

Note: 2.33% is used for assets whose useful life is expected to exceed the duration of the maritime concession.

For the fixed assets, which have been completed and placed into operation during the financial year, the depreciation rate is adjusted, according to accounting standard OIC 16, assuming that the purchases are evenly distributed over the year.

The assets with lower value whose service life is within the fiscal year are all depreciated in the year when they come into operation.

Fixed assets under construction include tangible fixed assets in progress relating to systems and units for which construction and trial activities are still ongoing. Such categories represent a part of the Company's assets which do not contribute to generate revenue at the date of Balance Sheet. These items are booked according to the general principle detailed in art. 2426 of the Civil Code and as such are reflected at their purchase or production cost, similarly to operational assets.

According to estimates under long-term plans, these fixed assets will be able to generate sufficient revenues during their useful life to cover all costs and expenses incurred in the operation of the Company, including depreciations. Therefore, the Company has not taken steps to devalue these operational assets used in the production process.

Government grants are recognized when there is reasonable assurance that the Company will comply with the contractual conditions and that the grants will be received. In line with accounting principle OIC 16 the full amount of the Government grant is presented in the Balance Sheet as a credit against the recorded cost of assets, hence recognized in the Income Statement, as reduced depreciation costs, in line with the useful life of the qualifying assets.

2.4.1.3 Inventories

Inventories of raw materials, intermediates and finished goods are carried at the lower of acquisition or production cost and current market value, as per article 2426 of the Italian Civil Code.

Specifically, inventories of supplies are valued at weighted average cost. Inventories of LNG were valued at current market price while diesel inventories at FIFO.

2.4.1.4 Accounts receivable and accounts payable

Receivables and payables starting from 1 January 2016 are reported according to the depreciated cost method, considering the time factor and, for receivables, at their estimated collectable value. As foreseen by OIC 15 and OIC 19, the depreciated cost method can be opted out if the effects are not material, which is generally the case for short term payables and receivables (expiration at less than 12 months). Based on the option foreseen by the national accounting standards (OIC), the Company reports its receivables at their estimated collectable value and its payables at their nominal value.

For those items booked in previous years and still having effects in the current Financial Statements, the option as per art.12 c.2 of D.Lgs. n.139/2015 was adopted.

Liabilities for unused holidays and for employees deferred remuneration, together with the related amount due to social security institutions, are allocated on the basis of the amount to be paid in case of termination of employment on the date of the Financial Statements.

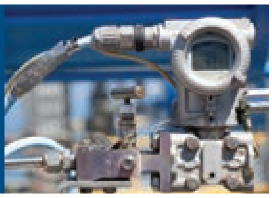
Tax liabilities for the fiscal year are computed with applicable tax rates to the realistic estimate of the taxable income. In line with accounting standard OIC 25, taxes are shown in the Balance Sheet net of any relevant tax credits, tax prepayments and withheld taxes, and the resulting debit or credit is shown accordingly.

Receivables and payables in foreign currencies are valued with year-end exchange rates. Related unrealized foreign exchange gains or losses are credited or debited to the income statement. Any foreign exchange gain reported in the income statement must be accrued as a separate reserve, which may not be distributed until the gain is realized.

Deposits for the use of third-party assets and for the supplies of services are recorded at their nominal value.

2.4.1.5 Accruals and deferrals

Accruals and deferrals refer to revenues or expenses covering multiple fiscal years and require to be reflected proportionally in line with OIC 18. Accrued income and expenses represent revenues and costs attributable to the fiscal year but having financial effects in subsequent years, deferred income and expenses represent revenues and costs which had its financial impact before the end of the fiscal year but attributable to subsequent fiscal years.



As for the accrued expenses and deferred income spanning over several years, the conditions that determined the original classification have been verified, entering the appropriate changes if the case.

2.4.1.6 Provisions for risks and charges

Provisions for risks and charges are recognized for a present obligation that, at the end of the reporting period, certainly exists, or it is more likely than not that an outflow of resources will be required to settle the obligation, but its timing or amount could not be defined at the end of the year. A provision shall be recognized when a reliable estimate can be made about the amount of the obligation. Where it is not probable that a present obligation exists, an entity discloses a contingent liability in the Notes to the Financial Statements but no recognition of a provision is allowed.

2.4.1.7 Employee Severance Indemnity (ESI) fund

The Employee Severance Indemnity represents the total of accrued charges in favor of employees as per the current legal provisions, work contracts and possibly other Company agreements that were in place at year-end. As required by current legislation, such liability is subject to reassessment by way of indexes. The tax advances on the Employee Severance Indemnity was directly used to correct the Severance Indemnity's value in the books.

The ESI corresponds to the total of individual indemnities accrued by employees at the date of year-end closing, net of:

- payments made during the year due to employee severance;
- advances granted;
- INPS Guarantee Fund (0.50% of the monthly taxable wages) charged to the employee's ESI fund, as required by law;
- amount paid to complementary pension funds (representing the amount that would be recognized to employees in case of employee severance at a given date).

2.4.1.8 Obligations, guarantees and other commitments

The risks related to guarantees or commitments to third parties are reported in the Notes to Financial Statements as per D.Lgs. n.139/2015 for an amount equal to the nominal amount of the collateral provided.

In particular, this section includes guarantees provided directly or indirectly, separately listing sureties, endorsements and other personal guarantees, which are reported at the actual value of the commitment, as well as obligations deriving from contracts, and collateral provided which is shown at carrying value of the pledged assets or rights.

2.4.1.9 Revenue, income, costs, expenses, dividends and grants

Revenues and income are booked net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of the products and the provision of the services in question.

Service revenues are recognized when the services are provided in accordance with the relevant contracts. On the basis of capacity contracts currently in force, the service is considered as rendered in the year in which there is the obligation to make capacity available, independently of its real utilization, being capacity allocation the main and predominant part of the regasification service. Further details are referenced in paragraph "Obligations, guarantees and other commitments not included in the Balance Sheet".

According to accounting principle OIC 8 the costs incurred to purchase CO_2 credits on the market are reflected in the financial year in which surrender obligations arise based on actual CO_2 emissions produced by the Company. At the end of financial year, if the balance between the CO_2 credits held by the Company and the actual CO_2 emissions shows a shortage, an accrual is recorded for the outstanding quotas to purchase and a liability with the relevant national authority. In case balance shows a long position, if the surplus is related to CO_2 credits purchased on the market, a prepaid expense is recorded in the year to adjust emission costs to be expensed in the next accounting period.

Financial income and expense are booked following the accrual date.

Capital contributions paid by the government or by public institutions pursuant to law, are recognized when all conditions of the grant are met.

2.4.1.10 Leasing

Assets subject to finance lease are carried on the basis of the asset method.

If applicable, an entity shall disclose in a specific section of the Notes to the Financial Statements additional information requested by law related to the finance lease agreement.

At the date of these Financial Statements there are no contracts that require disclosure of additional information foreseen by the art. 2427 no. 22 of the Civil Code.

2.4.1.11 Income taxes

Income taxes, corporate income tax (IRES) and regional taxes on productive activities (IRAP) for the fiscal year are determined on the basis of the estimated taxable income, according to current fiscal regulations. According to OIC 25, the resulting liability (net of advances, withholdings and other credits if they could be offset) is recognized in the Balance Sheet under "Taxes payable". If, as result of advance payments, a tax credit arises, this amount is recognized in the Balance Sheet under "Tax credits".

Deferred and prepaid taxes are determined on the temporary differences between the value of assets and liabilities on the Balance Sheet and the corresponding tax values recognized. Deferred tax assets and liabilities are determined under the applicable rates in the period in which the temporary differences arise; these amounts are updated in the following periods to reflect any changes in the applicable tax rate at the end of each year.

Deferred tax assets should be recognized only if there is a reasonable certainty of their future recovery, whereas they are devalued if recoverability is in doubt. Deferred tax liabilities are recognized only when they arise from taxable temporary differences that produce an actual tax liability.

Deferred tax asset and liabilities are offset only when, according to the tax laws, the taxpayer has the right to offset for tax purposes. The resulting amount is posted to the "Reserve for current and deferred taxes", if it is a liability. If the result is a credit, it is posted to an asset account called "Deferred tax assets".

2.4.1.12 Criteria for the conversion of foreign currency items

Assets and liabilities denominated in foreign currency non-monetary are recorded in the Balance Sheet at the exchange rate at the time of purchase, initial recording cost.

2.4.2 Comments to Balance Sheet entries

Balance Sheet - Assets

B. Fixed assets

B.I Intangible assets

At the date of Balance Sheet, intangible assets were at 2,594k Euro, showing a decrease by 514k Euro from 2017 mainly due to depreciation. The amount represents the sum of:

- 2,004 Euro as other intangible assets of which 885k Euro refer to improvements made to the new leased headquarters in Milan and the Porto Viro shore base and 1,119k Euro mainly related to the Company's IT infrastructure;
- 548k Euro for software and application systems for administrative and processing purposes;
- 41k Euro of asset under construction.

The table below summarizes the overall changes occurred during the year:

(values in nominal Euro)	Concessions, licences, patents, trademarks and similar	Assets under construction and payments on account	Other	Total
Values at 31.12.2017	**643,465**	**174,606**	2,289,350	3,107,421
of which:				
- historical cost	3,499,927	174,606	6,717,685	10,392,218
- accumulated depreciation	(2,856,462)	-	(4,428,335)	(7,284,797)
Net Value at 31.12.2017 (A)	**643,465**	**174,606**	**2,289,350**	**3,107,421**
Changes in 2018:				
- purchases	117,674	41,078	17,987	176,739
- disposals	(287,478)	-	(544,200)	(831,678)
- disposals (acc. depr.)	287,478	-	544,200	831,678
- reclassifications	94,278	(174,606)	80,328	-
- depreciation	(307,381)	-	(383,203)	(690,583)
Total Changes (B)	**(95,429)**	**(133,528)**	**(284,888)**	**(513,844)**
Values at 31.12.2018 (A+B)	**548,036**	**41,078**	**2,004,462**	**2,593,577**
of which:				
- historical cost	3,424,400	41,078	6,271,800	9,737,278
- accumulated depreciation	(2,876,364)	-	(4,267,338)	(7,143,702)
Net Value at 31.12.2018	**548,036**	**41,078**	**2,004,462**	**2,593,576**

B.II Tangible assets

Total amount as of 31 December 2018 was at 1,918,570k Euro, reflecting a decrease of 74,861k Euro from previous year.

The table below summarizes the overall changes occurred during the year:

(value in nominal Euro)	Land and buildings	Plants and equipment	Industrial and comm. equipment	Other assets	Fixed assets in progress and payments on account	Total
Values at 31.12.2017	**1,080,374,928**	**906,215,600**	1,669,175	3,672,570	1,498,003	1,993,430,276
of which:						
- historical cost	1,368,347,919	1,293,174,954	4,894,607	7,252,873	1,498,003	2,675,168,356
- accumulated depreciation	(259,291,255)	(362,803,898)	(3,225,432)	(3,580,303)	-	(628,900,888)
Government Grant:						
- historical cost	(34,431,458)	(32,145,342)				(66,576,800)
- accumulated depreciation	5,749,722	7,989,886				13,739,608
Net Value at 31.12.2017 (A)	**1,080,374,928**	**906,215,600**	**1,669,175**	**3,672,570**	**1,498,003**	**1,993,430,276**
Changes in 2018:						
- purchases	-	515,960	88,630	14,000	595,064	1,213,654
- disposals	(3,918)	(262,178)	(165,179)	(246,193)	-	(677,468)
- disposals (accum. depr.)	752	83,174	151,269	244,123	-	479,317
- reclassifications	-	260,021	79,274	-	(339,295)	-
- depreciation	(31,892,091)	(45,020,351)	(439,000)	(441,779)	-	(77,793,220)
Government Grant:						
- depreciation	802,287	1,114,868				1,917,155
Total Changes (B)	**(31,092,970)**	**(43,308,506)**	**(285,006)**	**(429,849)**	**255,769**	**(74,860,563)**
Values at 31.12.2018 (A+B)	**1,049,281,958**	**862,907,094**	**1,384,169**	**3,242,721**	**1,753,772**	**1,918,569,713**
of which:						
- historical cost	1,368,344,001	1,293,688,757	4,897,332	7,020,680	1,753,772	2,675,704,542
- accumulated depreciation	(291,182,594)	(407,741,075)	(3,513,163)	(3,777,959)	-	(706,214,792)
Government Grant:						
- historical cost	(34,431,458)	(32,145,342)				(66,576,800)
- accumulated depreciation	6,552,009	9,104,754				15,656,763
Net Value at 31.12.2018	**1,049,281,958**	**862,907,094**	**1,384,169**	**3,242,721**	**1,753,772**	**1,918,569,714**

Tangible fixed assets consist of the following:

- 1,049,282k Euro in "Land and buildings" are primarily related to the concrete structure of the terminal (Gravity Based Structure - GBS), with adjoining buildings to appliances modules (topsides) installed on GBS and at the Cavarzere metering station;
- 862,907k Euro in the category "Plants and equipment" reflect the units/systems employed in the regasification process among which there are mainly the two LNG storage tanks and the undersea/onshore gas pipelines, each including the minimum LNG operating level and the LNG loading arms;
- 1,384k Euro in the category "Industrial and commercial equipment" are mainly referred to the fire and laboratory equipment present at the Cavarzere metering station and on the terminal;
- 3,243 Euro in the category "Other assets" reflect the furnishing of offices and local units of the Company, the lifeboat located on the terminal, electric and manual trolleys, office machinery, electrical and electronic equipment and other computer equipment located on the terminal;
- 1,754k Euro for fixed "Assets under construction" reflect expenditures related to minor projects that at the date of balance sheet are not yet completed and placed into operation.

As in the previous years, the Company deemed appropriate to request a leading firm, specialized in asset valuation, an assessment on the tangible assets adequacy and fair value. This independent value assessment was based on the comparative method (or market) valuation criteria as reference point, even though valid for a limited group of assets, and/or on the replacement cost method, which provides a cost estimate for the complete replacement of the analyzed asset.

Therefore, the value assessment conducted with the above mentioned criteria was not affected by any future factors such as the expected return from these assets. The independent report resulted in an assets fair value higher than their net book value. In compliance with legal requirements and accounting standards (OIC 9), tangible assets are reflected within the Balance Sheet at their acquisition or production cost.

C. Current assets

At the date of Balance Sheet, current assets totaled 62,625k Euro, up by 6,568k Euro from previous year. Additional details and balances are included in the following.

C.I Inventory

As of 31 December 2018 total inventory was at 15,548k Euro with an increase of 2,543k Euro from 2017. This amount reflects the following categories:

- 12,921 Euro related to spare parts for recurring use on the terminal;
- 2,509k Euro related to the LNG inventory required to ensure the operation of the infrastructure and provided in kind from the terminal users as per current regulation;
- 118k Euro related to inventories of diesel used on the terminal for the auxiliary power systems.

	Raw materials, subsidiary materials and consumables	In progress and semifinished goods	Work in progress goods	Finished goods	Advances	Total Inventory
Value at beginning of the year	13,005,897					13,005,897
Variation of the year	2,542,558					2,542,558
Value at the end of the year	**15,548,455**					**15,548,455**

C.II Receivables

Total receivables were at 26,231k Euro, down by 3,956k Euro from 2017, all due to be settled within 5 years.

	Receivables from customers	Receivables from controlled companies	Receivables from affiliated companies	Receivables from parent companies	Receivables from Tax Authorities	Credits for prepaid taxes	Other Receivables	Total Receivables
Value at beginning of the year	22,253,074	-	-	-	2,963,342	28,465,08	4,941,978	30,186,859
Variation of the year	(964,183)	-	-	-	(2,867,992)	(28,465)	(95,304)	(3,955,944)
Value at the end of the year	**21,288,891**	-	-	-	**95,350**	-	**4,846,674**	**26,230,915**
Receivables due over 5 years	-	-	-	-	-	-	-	-

The table below details the geographical composition of the receivables:

	Total	Italy	Abroad
Receivables from customers	21,288,891	17,465,874	3,823,017
Receivables from controlled companies	-	-	-
Receivables from affiliated companies	-	-	-
Receivables from parent companies	-	-	-
Receivables from Tax Authorities	95,350	95,350	-
Credits for prepaid taxes	-	-	-
Other Receivables	4,846,674	4,846,674	-
Total Receivables	**26,230,915**	**22,407,898**	**3,823,017**

1) From customers

Receivables from customers were at 21,289k Euro and are mainly related to:

- 14,055k Euro for regasification services to users, including ancillary services;
- 3,831k Euro for transportation and access fees to the national grid, netting a corresponding cost;
- 1,245k Euro related to the terminal's losses and consumption, netting a corresponding cost;
- 523k Euro related to Operational Balancing Agreement (OBA);
- 179k Euro related to one marine services invoice issued in December 2018 for one carrier berthing at the beginning of January 2019.

5–bis) Tax credits

Tax credits for 95k Euro are related to excise duty for reimbursement by the Customs Agency.

5-quater) Other receivables

Other receivables are equal to 4,847k Euro of which:

- 4,502k Euro from the Ministry of Environment related to CO_2 free allowances granted to the Company. In January 2015 the Company has sent to Ministry of Economic Development request of reimbursement for such credits as required by decree of 21 February 2014: the application is currently ongoing;
- 321k Euro mainly related to advance payments to vendors and to cash guarantee deposits for the Milan office and shore base lease and for Customs duties, the works in concession for the construction of the gas pipeline and other utilities.

Given that there are no foreseen risks related to the collection of the above-mentioned receivables, the Company does not deem to account for any write-down.

C.IV Cash and equivalent

Balance as of 31 December 2018 was at 20,845k Euro, which is an increase of 7,981k Euro with respect to previous year. This value mainly reflects the year-end bank account balance.

	Bank accounts	Cheques	Cash	Total Cash and equivalents
Value at beginning of the year	12,863,942	0	48	12,863,990
Variation of the year	7,980,690	0	456	7,981,146
Value at the end of the year	**20,844,632**	**0**	**504**	**20,845,136**

D. Accrued income and prepaid expenses

Total is at 833k Euro with a decrease of 194k Euro with respect to previous year amount.

It mainly represents the deferral of insurance premiums paid in 2018 (706k Euro), in addition to the deferral of other minor insurance premiums, bank guarantee fees, telecom and other services subscription.

	Discount on loans	Accrued income	Prepaid expenses	Total Accrued income and Prepaid expenses
Value at beginning of the year	-	371	1,027,244	1,027,615
Variation of the year	-		(194,348)	(194,348)
Value at the end of the year	**-**	**371**	**832,896**	**833,267**

Balance Sheet - Quotaholders' Equity and Liabilities

A. Equity

Equity amounted to 1,957,960k Euro, with a decrease of 73,617k Euro from previous year.
Movements occurred during the year are reflected in the table below:

	Capital Stock	Legal Reserve	Other Reserves			Profit (loss) of the year	Total Equity
			Quotaholders' additional equity contributions	Reserve for exchange rate gains	Total Other Reserves		
Starting balance	200,000,000	40,000,000	1,764,096,207	983	1,764,097,190	27,480,485	2,031,577,675
Destination of the result of the previous year							
Dividends				(983)	(983)	(27,480,485)	(27,481,468)
Other use							
Other variations							
Addition							
Decreases			(77,000,000)		(77,000,000)		(77,000,000)
Reclassification							
Profit of the year						30,864,109	30,864,109
Ending balance	**200,000,000**	**40,000,000**	**1,687,096,207**	**0**	**1,687,096,207**	**30,864,109**	**1,957,960,317**

The legal reserve remained unchanged to one fifth of the share capital, equivalent to 40,000,000 Euro.
Other reserves were at 1,687,096,207 Euro as per below details:

- 1,676,302,398 Euro as per-quota additional equity contributions by the Quotaholders following the Financial Plans approved by the Board of Directors (BoD). Current year reduction of 77,000,000 Euro is due to the partial and proportional restitution of the reserve as per Board of Directors' resolutions passed on 25 September 2017, 24 April 2018, and 27 September 2018 and in line with the 2018 Financial Plan timeline, in compliance with related Quotaholders' resolutions passed on 24 January 2018 and on 24 April 2018, and without prejudice to creditors;
- 10,793,808 Euro as equity of 2 May 2005 contribution by Edison S.p.A. for extinguishing their financial inter-company receivables in line with the 2 May 2005 agreement

Other reserves

Description	Total	Quotaholders' additional equity contributions	Reserve for exchange rate gains
Amount	1,687,096,207	1,687,096,207	-

During 2018 and according to Quotaholders' resolution dated 24 April 2018 a total amount of 27,481k Euro has been paid to Quotaholders in the form of dividends.

Information requested as per art. 2427 n. 7-bis of Civil Code are provided in the following tables.

	Amount	Source / Nature	Possibility of use	Quota available for use	Summary of uses in the three previous years	
					to cover losses	for other reasons
Capital reserves	**200,000,000**	**Shareholders' contributions**				
Legal reserve	**40,000,000**	**Shareholders' contributions**	**for coverage of losses;**	**40,000,000**		
Other reserves						
Additional paid-in capital	1,687,096,207	Shareholders' contributions	for a capital increase; for coverage of losses; for distribution to Quotaholders	1,687,096,207		235,000,000
Reserve from net gains on foreign exchange	-	Net Income	for a capital increase; for coverage of losses; for distribution to Quotaholders	-		19,358
Total Other Reserves	1,687,096,207			1,687,096,207		235,019,358
Income/(losses) for the year	**30,864,109**	**Net Income**	**for a capital increase; for coverage of losses; for distribution to Quotaholders**	**30,864,109**		**75,649,913**
Total	**1,957,960,316**			**1,757,960,316**		**310,669,271**
Non-distributable portion	**240,011,450**			**40,011,450**		
Quota available for distribution	**1,717,948,867**			**1,717,948,867**		

Other reserves detail

Description	Total	Additional paid-in capital	Reserve from net gains on foreign exchange
Amount	1,687,096,207	1,687,096,207	-
Source / Nature		Shareholders' contributions	Net Income
Possibility of use		for a capital increase; for coverage of losses; for distribution to Quotaholders	for a capital increase; for coverage of losses; for distribution to Quotaholders
Quota available for use	1,687,096,207	1,687,096,207	-
Summary of uses in the three previous years to cover losses			
Summary of uses in the three previous years for other reasons	235,019,358	235,000,000	19,358

B. Funds for risks and reserves

No funds for risks and reserves were accounted at 31 December 2018. The 2017 provisions for tax related risk and charges was fully utilized in 2018 to settle the terminal's property tax (ICI/IMU) claim with the Porto Viro (Rovigo) municipality for years 2010 to 2017, while the 2017 IRES assessment issued by the Revenue Agency on tax losses carried forward from prior years used in 2010 and 2011, was withdrawn in 2018.

With regards to potential provisions related to restoration costs, the Company completed in 2015 the assessment regarding potential restoration costs as requested by ARERA. Adriatic LNG obtained a technical appraisal by an independent engineering consultant company with the estimate of potential restoration costs, and, by a leading firm in the sector, a study drawing long term scenarios of energy and gas consumption. Lastly, to complete such comprehensive and complex analysis, the Company obtained, from a preeminent consultant firm, an opinion on civil law, administrative and accounting aspects of the matter. Based on the outcome of above mentioned analysis and studies, the opinion concluded that the risk of the Company incurring potential restoration costs should be assumed as remote. During 2018 the Company requested reappraisal of the study drawing long term scenarios of energy and gas consumption, which confirmed correctness of the assumption that the terminal will still be of strategic importance to the diversification and supply of the European and Italian energy system in 2052 and beyond. Thus the Company holds those conclusions still valid in regard to the long term energy outlook and the opinion on civil law, administrative and accounting aspects. Therefore, accordingly to OIC 31 requirements did not recognize any provision for potential restoration costs in these 2018 Financial Statements.

The Company, with the aim to opportunely monitor the risk evolution, currently assumed as remote, will request, in case of significant events, a periodic update of both the technical appraisal and the long-term energy outlook.

In addition, the Company, on the basis of multi-year plans approved by the Board of Directors did not deem necessary to make any provisions for the Make-Up balance as explained in the relevant Obligations section, as the possibility that all the various and concomitant conditions are in place for the exercise by users of the Make-Up balance accumulated as of 31 December 2018 is remote and an eventual future utilization of the Make-Up balance would not generate significant additional costs.

	Provisions for pensions and similar obligations	Tax Provision, including deferrals	Other funds	Total funds for risks and expenses
Starting balance	-	-	800,250	385
Annual variation				
Accruals	-	-		-
Use	-	-	(800,250)	(800,250)
Other variations	-	-	-	-
Total variations	-	-	(800,250)	(800,250)
Ending balance	-	-	-	-

C. Employee Severance Indemnity Fund

Total was at 514k Euro with an increase of 53k Euro with respect to the previous year. Additional details and breakdown are reflected in the table below:

	Severance Indemnity Fund
Starting Balance	460,609
Variations during the year	
Accruals	554,977
Use	(336)
Other Movements	(501,430)
Total variations	53,211
Ending Balance	**513,820**

The balance of this account reflects the payable amount to employees net of those amounts transferred to the complementary pension funds (Alleata Previdenza, Fondo Energia and Previndai). The accruals refer, on the other hand, to all the contributions paid to both the Employee Severance Indemnity (ESI) funds and complementary pension schemes.

D. Liabilities

Liabilities were at 24,871k Euro, down by 5,177k Euro from previous year.

There are no payables due in more than five years. Additional details and breakdown are reflected in the table and commentary below:

	Advance payments from customers	Payables to vendors	Taxes Payables	Payables to Social Security	Other Payables	Debts
Starting balance	178,825	16,926,072	522,741	705,752	1,360,458	19,693,848
Annual variation	(178,825)	3,289,088	1,981,737	(213,719)	298,538	5,176,819
Ending balance	-	20,215,160	2,504,478	492,033	1,658,996	24,870,667
of which due after five years	-	-	-	-	-	-

These liabilities are split between geographic areas as summarized in the table below:

Debits for Geographic Area	Totals	Italy	Abroad
Payables to vendors	20,215,160	19,368,600	846,560
Taxes Payables	2,504,478	2,504,478	-
Payables to Social Security	492,033	492,033	-
Other Payables	1,658,996	1,649,761	9,235
Debts	**24,870,667**	**24,014,872**	**855,795**

D.7 Payables to suppliers

The amount due to suppliers was 20,215k Euro, an increase of 3,289k Euro from 2017.

Analysis of main items as follows:

- 8,625k Euro reflect payables to Snam Rete Gas for for grid access costs, transportation, and distribution grid self-consumption, as per current regulation; these costs have been recharged to the terminal's users;
- 5,412k Euro relating to provisions for services and materials supplied by vendors but not yet invoiced;
- 3,986k Euro relating to invoices mainly related to professional and technical services;
- 1,670k Euro referring to the portion of CO_2 emission allowances to be purchased in advance of actual surrender due by 30 April 2019;
- 521k Euro relating to professional and technical services provided by ExxonMobil Qatar under the Services Agreement signed with the Quotaholders.

D.12 Tax payables

Amounted to 2,504k Euro, with an increase of 1,982k Euro compared to previous year, and are mainly related to:

- 1,099K Euro is the payable amount for income taxes net of advances paid during the year, of which 939k Euro related to IRES and 161k Euro to IRAP.
- 1,054K Euro is the VAT debit at the end of the year, net of the advances paid in December 2018;
- 349k Euro for withholding taxes mainly related to withholdings for employees salary income payable in the following month.

D.13 Payables to social security and pension funds

As of 31 December 2018, total amount was 492k Euro, reflecting an decrease of 214K Euro compared to previous year. It reflects the total of social contributions and insurance due by the employer and by the employees (contributions already withheld under existing legislation), usually paid to the social security institutions on a monthly basis.

D.14 Other payables

Other payables were at 1,659k Euro, increasing by 299k Euro from previous year.

Main items included are accruals for invoices to be received and rendered services, for which the following detail is provided:

- 808k Euro related to Productivity Premium in accordance with Company Agreement, T&E expenses and overtime accruals;
- 590k Euro related to employees' vacation days carried forward and other accruals;
- 250k Euro mainly related to cash guarantees paid by users to participate in regasification capacity allocation auction procedures.

E. Unearned revenue and accrued expenses

Unearned revenue and accrued expenses were at 1,276k Euro and are mainly due to the 2019 portion of the fixed fee for the flexibility services signed by users of the terminal, plus marine services related to one LNG berthing occurred at the beginning of January 2019.

	Accrued liabilities	Fees on loans	Deferred revenues	Total Accrued Liabilities and Deferred Income
Starting balance	-	-	1,089,677	1,089,677
Annual variation	-	-	186,583	186,583
Ending balance	**-**	**-**	**1,276,260**	**1,276,260**

2.4.3 Comments to the Income Statement

A. Value of production

Value of production (category details)									
Value of production	Total	Regasification	Rigasification gas self-consumption	Marine services	Recharge for booked capacity	Recharge for send-out to the grid	Sale of gas grid own consumption	Operational Balancing Agreement	Other revenues and incomes
Total value	239,769,485	162,429,596	13,466,736	13,769,501	10,729,232	32,509,987	3,845,472	2,625,115	393,846

Value of production (geographic area)			
Value of production	**Total**	**Italy**	**Abroad**
Total value	239,769,485	224,141,172	15,628,313

A.1. Revenues from sales and services

Revenues from sales and services amount to 239,376k Euro, with an increase of 2,579k Euro from 2017.

The main items making up the revenues figures are analyzed below:

- 162,430k Euro for regasification services including capacity charge, measurement and flexibility services;
- 47,085k Euro for recharge of costs incurred in the provision of transportation services;
- 13,769k Euro of revenues relating to marine services provided to enable the berthing of 77 LNG carriers at the terminal;
- 13,467k Euro for services rendered to users offsetting the LNG purchased in kind for losses and consumption;
- 2,625k Euro related to the Operational Balancing Agreement (OBA), in force from November 2016.

Revenues from the regasification services include 40,928k Euro related to the capacity made available and not utilized by the users that has generated a corresponding increase of Make-Up balance. Further details are provided in paragraph "Obligations, guarantees and other commitments not included in the Balance Sheet".

A.5. Other revenues

Other revenues and income for 394k Euro relate to normal contingent assets resulting from the adjustments of expense accruals of the previous years, according to accounting standards (OIC 29), in addition to revenues related to the charge out of labor costs for personnel seconded to other companies.

B. Cost of production

Cost of production was at 196,642k Euro, decreased by 1,669k Euro from 2017.

B.6 Raw materials, consumables and supplies

Totaled 24,054k Euro and reflects an increase of 10,511k Euro from 2017.

This mainly refers to transfers of the LNG in kind from users required for the regasification process and the charge related gas grid self-consumption for a total of 17,312k Euro, and 2,469k Euro to the Operational Balancing Agreement (OBA). Remaining 3,681k Euro are due to purchases of technical materials, office supplies, fuel and other materials required for operational activities at the Porto Viro shore base, the terminal and Milan office.

B.7 Services

Service charges were at 81,160k Euro, decreased by 8,734k Euro from previous year. The following provides the details for the total cost for services:

- 43,239k Euro for transportation grid capacity and variable transportation;
- 15,436k Euro for professional and technical assistance and services for the day-to-day management of the Company of which 3,968k Euro rendered by the Quotaholders and/or their affiliated companies (ExxonMobil Qatar) within the framework of the Service Agreement and include costs for seconded personnel and technical-professional assistance. The remaining 11,468k Euro relates to technical, engineering and administrative services provided by third parties of which the main items refer to 4,705k Euro for professional services, 1,763k Euro relating to the costs of environment monitoring activities, lab analyses and inspections, 1,626k Euro for consultancies, 2,015k Euro for information technology services, 433k Euro for services form lawyers and notaries, 237k Euro for surveillance services, 222k Euro for fees to Statutory Auditors, Auditing Company and Guarantor and 466k Euro for other services;
- 8,505k Euro for piloting, mooring and towing services;
- 5,008k Euro for maintenance and repair services;
- 3,670k Euro for helicopter, sea and ground transportation services, personnel and cargo to the terminal, weather forecasting services, customs services;
- 1,927k Euro mainly for operating insurance costs;
- 1,817k Euro for miscellaneous services, such as canteen, cleaning and disinfecting, waste management, garage and custodian fees, costs, purchase of utilities for the Milan and Porto Viro offices and for the terminal;
- 1,227k Euro for healthcare services, technical and professional training and additional personnel costs;
- 175k Euro mainly due to communication and

sponsorship costs for local community projects and activities;

- 156k Euro for general costs such as postal, telephone (133k Euro), bank fees and commissions on guarantees (23k Euro).

B.8 Use of third party assets

During 2018 these expenses were at 2,197k Euro, down by 10k Euro from 2017. Main items refer to the following rentals:

- 1,000k Euro mainly for the Milan office and the Porto Viro shore base;
- 317k Euro for containers, electric trucks, cranes and other equipment at the Porto Viro shore base and the terminal;
- 29k Euro for vehicles and office equipment.

The remaining amount of 850k Euro mainly refers to the yearly fee related to the fifty-year maritime concession for terminal location (760k Euro) and other rights of way.

B.9 Personnel

Amounted to 12,542k Euro, increased by 431k Euro compared to previous year and reflects the salary escalation.

B.10 Depreciation and write-downs

Total depreciation is worth 76,567k Euro, up by 243k Euro from previous year and includes the following items.

Depreciation of intangible assets

Amounted to 691k Euro and relate for 307k Euro to the depreciation of software licenses, for 112k Euro to the improvements to third party assets for the establishment of offices leased by the Company and for 272k Euro for other intangible assets.

Depreciation of property, plants and equipment

Amounted to 75,876k Euro and relate to 31,090k Euro for buildings, 43,905k Euro for plant, machinery and pipelines, 439k Euro for other tangible fixed assets, and 442k Euro for industrial and commercial equipment. The analysis and valuation process of fixed assets and debts did not determine the need for devaluation in values carried at cost.

B.11 Changes in stock

In 2018 there was a positive net change in stock of raw materials and consumables amounting to 2,543k Euro. This is related for an amount of 1,912k Euro related to the increase of LNG inventory, to the variation of 560k Euro of inventory spare parts and to 71k Euro of the increase of diesel inventory. According with the national accounting standards (OIC 13), the inventory valuation is carried at the lower of acquisition or production cost and current market value. Specifically, inventory of LNG has been valued at current market price while diesel inventories at FIFO.

B.14 Miscellaneous operating costs

Amount to 2,665k Euro, with an increase of 1,085k Euro compared to previous year, and do primarily refer to emission trading costs (1,688k Euro), events and entertainment expenses (79k Euro), contributions to associations (146k Euro), indirect taxes and charges (407k Euro), contingent losses from assets write-downs (198k Euro) and other costs (147k Euro).

As established by OIC 8, it is reported that the value of 1,688k Euro is related to 90,004 tons of CO_2 emission for 2018, of which 16,768 tons granted by the competent authority. At year end 2018 there is no inventory of emission credits.

C. Financial income and expenses

Financial income and expenses show a net gain of 45k Euro, compared to the 10k Euro net gain of 2017. They can be broken down into the following items.

C.16 Other financial revenue

Amounted to 14k Euro up by 12k Euro from 2017, and are mainly related to interest income on CO2 credits and 2012 IRES tax refund collected in 2018.

C.17 Interest and other financial expenses

Amounted to 3k Euro, mainly related to interest applied by customs agency in a customs declaration.

C.17 bis) Foreign exchange gains and losses

During the year favourable exchange rate fluctuations resulted in net gain of 35k Euro compared to 9k Euro gain in 2017. The amount is the net of gains and losses on foreign

exchange operations realized (net gain of 24k Euro) and unrealized (net gain estimated at 11k Euro).

Between 2018 year-end and the preparation of these Financial Statements there have been no significant changes in the foreign exchange rates of the foreign currency items booked. During the year, foreign currency transactions were mainly related to goods and services purchases carried out in US Dollars and, to a lesser degree, in British Pounds and Norwegian Krone.

20) Income taxes

Income taxes expense provisions equal to 12,308k Euro inclusive of 35k Euro related to previous years' adjustments, of which 28k Euro related to the use of prepaid income taxes and 7k Euro related to previous years' direct taxes adjustment.

With reference to IRES, the Company reported a positive taxable income equal to 43,808k Euro, resulting in current year tax payable for 10,514k. With reference to the IRAP tax, the Company made provisions for a total of 1,759k Euro in 2018.

2.4.4 Comments to the Cash Flow Statement

Free cash flow in 2018 totaled 113,853k Euro, up by 7.7M Euro from 2017. Although the Company has access to liquidity capacity, internally generated funds covered its financial requirements resulting in unused credit lines for short-term financing. Further details are provided in the Cash Flow statement, determined using the indirect method, drawn up in line with the provisions of accounting principle OIC 10.

The Company financial strength can be summarized by the following financial ratios:

- (Financial) Debt/Equity equal to zero;
- Equity/Fixed Assets equal to 1.02.

2.5 Other information

Relevant events occurring after year-end

No relevant events to report at present.

Receivables and payables due in more than five years and payables covered by secured guarantees

There are no payables or receivables due in more than five years or any payables backed by secured guarantees on Company assets.

Personnel details

The following table shows the number of employees of the Company separately for qualification (excluding secondees):

	Managers	Supervisors	Employees	Workers	Other personnel	Total
Average headcount	3	20	80	11	0	114

Fees to the Board of Directors and Statutory Auditors

No remuneration was resolved for the Board of Directors, while the Quotaholders' meeting on 26 April 2017 resolved the following fees to the Statutory Auditors:

- 46,000 Euro to the Chairman;
- 34,000 Euro to each of the acting Auditors.

Furthermore, according to the Board of Directors resolution dated 31 May 2018, it has been set an annual fee amounting to 15,000 Euro to each of the Statutory Auditors confirmed to act as a joint board for the Guarantor role as per ARERA requirements.

Reimbursable expenses amount for 2018 were at 4,527 Euro.

	BoD members remuneration	Statutory auditors fees	Total
Amount	-	169,887	169,887

Fees to the Auditing Company

According to the Quotaholders' resolutions on 26 April 2017, the fees applied to the Auditing Companies for 2018 were equal to:

- 35,000 Euro for the audit of the yearly Financial Statements;
- 7,000 Euro for the review of correct book keeping activities and fiscal declarations;
- 4,000 Euro for the audit of unbundling accounting, in accordance with ARERA resolution 11/07.
- Further provisions to the Auditing Companies were related to the following activities:
- 4,000 Euro for the audit of the attestation for yearly revenues, in accordance with ARERA resolution 438/2013/R/gas.

Finally, during the year 2,020 Euro were paid as reimbursable expenses.

	Audit of the yearly Financial Statements	Other auditing services	Fiscal services	Other services in addion to auditing	Total fees of the audit company
Amount	35,000	15,000	-	2,020	52,020

Obligations, guarantees and other commitments not included in the Balance Sheet

Obligations, guarantees and other commitments were at 710,381k Euro, with an increase of 24,449k Euro from the previous year, and refer to guarantees received and issued, and commitments by the Company as specified below.

Guarantees received

Long term guarantees:

- 100k Euro relating to the guarantee issued to the Company by other suppliers.

Short term guarantees:

- 19,648k Euro relating to the guarantee issued to the Company following the allocation of regulated capacity;
- 1,000k Euro related to guarantees issued to the Company following the allocation of Peak Shaving service;
- 480k Euro relating to the guarantee issued to the Company by other suppliers.

Guarantees issued

Long term guarantees:

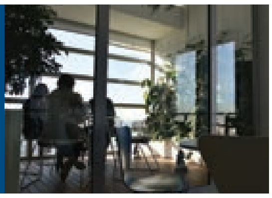
- 9,550k Euro relate to the guarantee issued in favor of the Ministry of Transportation for the fifty-year concession of the parcel of territorial waters where the off-shore terminal is placed;
- 8,804k Euro relate to the guarantees requested by Snam Rete Gas to cover the obligations deriving from the transport contract;
- 90k Euro relate to other guarantees requested by third parties for the pipeline construction.

Short term guarantees:

- 1,534k Euro relate to the guarantees requested by Snam Rete Gas to cover the obligations deriving from the transport contract.

Obligations

- The current estimate for future obligations for Make-Up balance is deemed null as the Company assessed a remote possibility of its use and, in any case, the additional costs to provide the related services would not be material. For the sake of completeness, it is reported that the Make-Up balance at the end of 2018 is equal to 436,119k Euro, up by 40,928k Euro compared to 2017. The Make-Up balance represents a future and uncertain commitment, in its likelihood, quantity and timing, corresponding to the monetary amount resulting from the non-use of the capacity available and matured in competent years since the beginning of the capacity contract, up to year-end 2018. Such balance allows the user to ask the Company to apply for new capacity by compensating the Make-Up balance. The eventual use of the balance is subject to a number of conditions, such as: (i) capacity available for users at the terminal; (ii) a concomitant request for additional quantities exceeding the contract quantities; (iii) no released capacity over the year, and (iv) if the requested quantity is equal to or higher than other requests received. Once all these conditions have been satisfied, the monetary value of the Make-Up balance can be only used to reduce the applicable tariff in order to cover the service's fixed charges. On the basis of capacity contracts currently in force, the service is considered as rendered, in the year in which there is the obligation to make capacity available, independently of its real utilization, being capacity allocation the main and predominant part of the regasification service. A positive Make-Up balance at contract expiration date does not give title to any monetary or residual regasification service commitments;
- 166,265k Euro relate to the transportation agreement, for a period of 25 years, with Snam Rete Gas and Infrastrutture Trasporto Gas to guarantee the transportation capacity necessary for the transfer to the supply system of up to 21 million standard cubic meters per day, equivalent to 80% of the maximum estimated regasification capacity;
- 88,034k Euro relate to the 25-year agreement with Adriatic Towage for towage services provided by 4 tugs;
- 14,362k Euro relate to the 20-year agreement (with an option for five additional years) with Bambini for the Crew Supply Vessels in use from/to the Porto Viro shore base and the terminal;
- 4,185k Euro relate to 15-year agreement for mooring services, to be supplied by a temporary joint



venture between the mooring groups of Chioggia, Ravenna and Venice;

- 2,625k Euro relate to the 15-year agreement for piloting services, for the LNG tankers upon arrival to the terminal, with the Corporation of Pilots of Chioggia and Porto Levante.
- Other obligations not reflected in above memorandum accounts (pursuant to art. 2427 n.9 Italian Civil Code):
- obligation to regasify and redeliver to the users the LNG in stock at the date of the Balance Sheet totaling 1,315,395 MWh;
- obligation, pursuant to art. 9 of ARERA resolution 438/2013/R/Gas, to include a total of 12,420 m^3 of LNG in the computation of the terminal's losses and consumptions tariff applicable to terminal users.

Revaluations

The Company has not made re-evaluations on assets, therefore no details are provided.

Information pursuant to art. 2427 bis of Civil Code on financial instruments

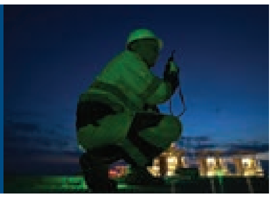
During the year the Company did not issue or hold any derivative financial instrument.

Relations with controlled, affiliated, controlling companies, companies controlled by parent companies

As for information foreseen by art. 2427 22-bis) of Civil Code, operations with controlled, affiliated, controlling companies, companies controlled by parent companies, were traded at market conditions. Further details are available in the relevant section of the Report on Operations.

Notes to the postings

These Financial Statements, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the Financial Statements, represent truthfully and correctly the financial position of the Company, the result for the period ended as of 31 December 2018 and corresponding accounting records.



2.6 Resolution Proposal

Dear Quotaholders,

We invite you to approve in full, and in each comprising document, the enclosed Financial Statements related to the year 2018.

The Financial Statements of Your Company as of 31 December 2018 report a net profit of 30,864,109.24 Euro (rounded to 30,864,109 Euro in the enclosed Financial Statements).

Should you agree with the criteria used in preparing the Financial Statements and the accounting standards and methods used therein, we propose to adopt the following resolutions:

- to allocate 30,852,659.42 Euro as dividend that can be distributed as of the day following the approval date and in line with the Financial Plan effective at the moment of distribution; and
- to allocate 11,449.82 Euro to Foreign Exchange Earnings Reserve, as required by art. 2426 of Italian Civil Code and by Italian Accounting Principles (OIC 1 and 26).

For the Board of Directors

The Chairman

Homoud Fahad Homoud Sultan Al-Qahtani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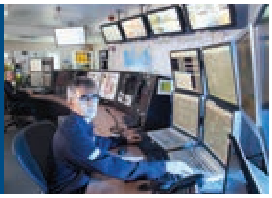


3. Report by the Statutory Auditors

STATUTORY AUDITORS' REPORT

TO THE QUOTAHOLDERS

OF TERMINALE GNL ADRIATICO S.R.L.

RELATIVE TO FINANCIAL YEAR ENDED 31.12.2018

Dear Quotaholders,

the Board of Directors called this meeting to resolve on the Financial Statements of the year ended as of 31 December 2018 and on the Board proposal concerning the allocation of the net income of the financial year.

In accordance with art. 2429 of the Civil Code, by this report the Board of Statutory auditors summarizes the principles that describe their supervisory activities and the actions carried out in 2018 and in relation to the Financial Statements submitted for your approval.

The Directors have reported in detail the various aspects of the business for the financial year in the Report on Operations. It provides full and detailed information on the yearly results, in which the business recorded:

- net revenues at 239.8 million Euro,
- EBITDA at 119.7 million Euro,
- EBIT at 43.1 million Euro

- income taxes for 12.3 million Euro

-net income at 30.9 million Euro.

As of 31 December 2018, the total value of capital assets, tangibles and intangibles, net of 2018 depreciation, is equal to 1,921 million Euro, almost all related to the regasification terminal.

With regards to the operational aspects of the year ended as of 31 December 2018, described in detail by the Board of Directors, a summary is provided below:

- the gas quantities delivered by the Company into the national distribution grid were equal to 6.5 billion cubic meters, corresponding to about 9.9% of gas imports to the Italian markets and 9.3% of total gas supply;
- 77 LNG vessel berthed the terminal, perfectly in line with 2017;
- the Terminal capacity utilization was equal to 81%, stable with respect to the previous year and maintaining a still much higher rate than the average utilization of other LNG terminals. The number of capacity slots released from the long term customers was as well constant with respect to 2017, while it had increased in previous years. The gas market conditions did not facilitate the allocation of additional capacity to the regasification capacity contractually agreed, despite the Company has always offered such

service based on the compulsory procedures identified and authorized by the Regulatory Authority for Energy Infrastructures and Environment (ARERA, former AEEGSI), and described in the Regasification Code, published on Adriatic LNG website. Also during 2018, the Statutory Auditors have regularly monitored the correct execution of the applicable regulation related to potential and actual access by any third parties, also based on the Statutory Auditors' role as Guarantor as defined by ARERA and in the interest of third parties, in compliance with the specific regulatory provisions applicable to your Company.

All the obligations within the scope of the duties of the Board of Statutory auditors were conducted as per art. 2403 of the Civil Code and per the rules of conduct defined by the Tax Consultants and Chartered Accountants Associations. Therefore, the Board of Statutory auditors acknowledges that:

it attended all Quotaholders and Board meetings, obtaining regularly from the Directors information about the Company's activities and the most important business transactions implemented by the Company;

it has overseen the procedures followed concerning the Board resolutions adopted by written consent pursuant to art. 24 of the By-Laws;

- it has overseen that all Board resolutions taken in meetings and by written consent were compliant with the law and the By-Laws;
- it has taken due note of the reasons and the considerations dealt with by the Directors when preparing the financial plan updates, with regard to current and planned business activities;
- it evaluated the corporate organization as a whole and particularly for the administration and accounting area, and can attest that it is consistent with the purposes and size of the Company and its effective business;
- it evaluated the adequacy and efficiency of administration/accounting procedures and internal control system;
- it received, through regular meetings and the review of its periodical reports, adequate information about the activities performed by the Compliance Team, from which no irregularities has to be reported;
- it verified compliance with laws and complete disclosure of information in the process of drafting the Report on Operations and Financial Statements.

The monitoring process of the organizational structure adequacy is also facilitated by the audit activities, already referenced by the Directors, that are performed every three years by an Audit Team appointed by the Quotaholders and, as in 2018, by internal resources in-between the Quotaholders audit cycle. The audit results were communicated to the Statutory Auditors, with no evidence of significant findings and describing the detected improvement opportunities and the action plans on the suggested procedural implementation.

The Board of Directors has also provided adequate information:

- on the organization and the set of activities concerning health, safety, environment and security, specifying that the SHEMS System (Safety, Security, Health and Environmental Management System) continues to guarantee the highest management standards;
- on the operations with Quotaholders or their affiliates;
- on the ongoing legal litigation, whose number has been considerably reducing in the last years, always with sentences favorable to the Company.
- In this regard, the Board of Statutory Auditors continued its control activities regarding ongoing litigations, without detecting issues or criticalities other than those already highlighted by the Directors, and on the existing risks. About those risks, consistently with last years' report, the Board of Statutory Auditors has:
- requested and obtained periodical updates about the environmental matters, on which the Company maintains constant attention through operation monitoring and water

sampling and through the adoption of control mechanisms ensuring compliance with the limits established by the laws in force;

- verified that, after the ICI/IMU settlement related to the tax assessments issued by the municipality of Porto Viro (Rovigo province) for the years 2010, 2011 and 2012 and, in view of the law 205 of 27 December 2017, which identified the criteria on the basis of which the tax must be applied to regasification plants, there are no additional elements to rectify the costs recorded in the Financial Statement;
- carefully taken into considerations the elements on the basis of which, consistently with the opinions received, the Company assessed the risk of incurring potential restoration costs.

These topics were also discussed with the External Auditor PriceWaterhouseCoopers Spa, with which during the year the Board of Statutory Auditors put in place the appropriate information exchange. With such interaction, the Statutory Auditors have been informed of the non-existence of facts or transactions to be disclosed and of the activities and methods implemented in relation to the review of the Financial Statements.

Today the External Auditors, at completion of their activity, have issued their Independent Auditor’s report with no remarks and in accordance with the current provisions of the law.

Even this year, the operating activities generate a largely positive cash flow and this allows continuing the partial refund to the Quotaholders of the Equity Reserve which was injected to the Company to start-up the business. The repayment is always monitored by this Board, with the purpose to take into consideration the operative and financial needs and without prejudice to the rights of creditors.

At the end, and for the above, the Board of Statutory Auditors is in favor of the approval of the Report on Operations and Financial Statements as of December 31st, 2018 and of the Board of Directors proposal concerning the allocation of the net income of the financial year.

Milan – Rome, April, 2nd 2019

THE STATUTORY AUDITORS

Signed by

Mr. Maurizio de Magistris, Chairman

Mr. Lorenzo De Angelis, Acting auditor

Mr. Piero Gennari, Acting auditor

This report has been translated into the English language solely for the convenience of international readers.

4. Report by the Auditing Company

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the quotaholders of Terminale GNL Adriatico Srl

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Terminale GNL Adriatico Srl (the Company), which comprise the balance sheet as of 31 December 2018, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

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 this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. 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 laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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;
- We evaluated 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 communicated 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Terminale GNL Adriatico Srl are responsible for preparing a report on operations of Terminale GNL Adriatico Srl as of 31 December 2018, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Terminale GNL Adriatico Srl as of 31 December 2018 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Terminale GNL Adriatico Srl as of 31 December 2018 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 2 April 2019

PricewaterhouseCoopers SpA

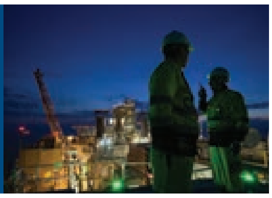
Signed by

Giulio Grandi
(Partner)

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


ADRIATIC LNG


NO SMOKING



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FSC www.fsc.org MISTO Carta da fonti gestite in maniera responsabile FSC® C011973

Editorial project:
SEC S.p.A.

Graphic project:
Curious Design - Milan

Printed by:
Arti Grafiche Alpine - Busto Arsizio
June 2019

adriaticlng.it

Terminale GNL Adriatico S.r.l.
Registered office: Piazza Sigmund Freud, 1 - 20154 Milan
Capital stock: 200,000,000 Euro fully paid up
Milan REA no. 1788519
Tax code and VAT no. 13289520150