Report on Operations and Financial Statements

AT DECEMBER 31,

2019

Courtesy translation

Adriatic LNG

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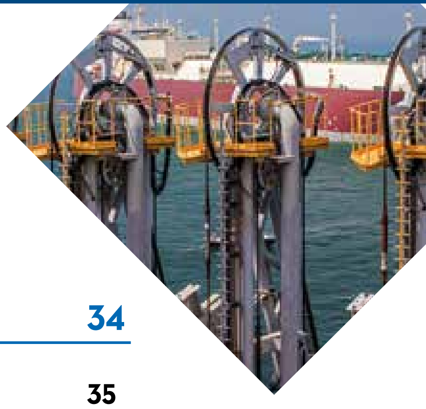


1. Operating Report

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 Abdulla Al Mana
Alistair G. Routledge
Dominic BK Genetti
Joseph A. Pergler
Giovanni Murano

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

2019 Highlights

Dear Quotaholders,

The year 2019 was the tenth full year of commercial operations. Highlights include:

- **no spills;**
- **no security incidents or damage to the facilities;**
- **88 carriers safely berthed and unloaded;**
- **7.6 billion cubic meters of gas delivered into the national grid (representing 11.2% of gas imports to the Italian market and 10.7% of the total gas supply);**
- **positive financial results and cash surplus, generated by operating activities, allowed the Company to pay 30.8M Euro as dividends to the Quotaholders and to return a total of 70.0M Euro as partial refund of the Equity Reserve *"Versamento Soci in Conto Capitale"*;**
- **Term of 10 years regasification service contract with BP on December 31, 2019.**

The Financial Statements at December 31, 2019 report net profit of 25,829,041.59 Euro.

Key operating and financial data are reported in the following table, compared to 2018:

		2019	2018	Abs. Change	% Change
Operations highlights					
LNG Cargos unloaded	[number]	88	77	11	14%
Volumes of gas redelivered	[M Standard cubic meters]	7,648	6,590	1,058	16%
Regassification reliability	[%]	99.4%	99.9%	(0.5%)	(0.5%)
Financial highlights					
Net profit	[kEuro]	25,829	30,864	(5,035)	(16%)
Income before taxes	[kEuro]	36,015	43,172	(7,157)	(17%)
Gross revenues	[kEuro]	245,297	239,769	5,528	2%
Gross operating margin	[kEuro]	113,113	119,694	(6,581)	(5%)
Net assets addition	[kEuro]	(545)	1,192	(1,737)	(146%)
Safety and environmental highlights					
Total Recordable Incidents	[number]	3	1	2	200%
Process Safety Incidents	[number]	-	-	-	n.a.
Spills /Exceedences	[number]	-	-	-	n.a.
CO_2 Emissions	[kTon]	93	90	3	3%

Company history and overview

Terminale GNL Adriatico manages a LNG regasification terminal that commenced commercial operations on November 2, 2009. Since then, and up to the end of 2019, 732 LNG carriers had been regasified, the majority of which were received under a 25 years regasification service agreement for 80% of the regasification capacity with Edison S.p.A. to regasify the LNG imported from Qatar.

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 December 15, 2000, the company Edison LNG S.p.A. was incorporated and in Doha – Qatar, on November 20, 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 May 2, 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 with a joint control. 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 more than 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. 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 May 2, 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. On March 20, 2009 the Company executed with BP Energy Europe Ltd a 10 years regasification services agreement (expired at the end of 2019) for about 12% of the regasification capacity.

The Company commenced commercial operations on November 2, 2009. By the end of 2019, 732 LNG cargos had been discharged and terminal capacity utilization in 2019 was about 96%, significantly higher than the average utilization factor of LNG terminals in Europe.
On October 13, 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.

1.1 Adriatic LNG regasification terminal – Main characteristics

The Adriatic LNG terminal is the first offshore concrete structure in the world designed for the reception, storage and regasification of 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 in the province of Rovigo. 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 entry point of the national transportation grid at the Cavarzere metering station, in the province of Venice. From here another pipeline, owned by Snam through Infrastrutture Trasporto Gas S.p.A., carries the gas a further 84 km to the Minerbio's hub, in the province of Bologna.
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. 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 is located on top of the GBS and includes four LNG Open Rack Vaporizers, which use the heat naturally contained in the seawater to warm up the LNG, a Waste Heat Recovery Vaporizer, 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 LNG to the vaporizers at enough pressure to allow the gas to flow into the national grid.
The terminal also houses auxiliary equipment, such as the module for generation of electricity with three gas turbines and the electrical and instrumental substation.
The LNG is discharged from the carriers to the storage tanks via four unloading arms installed on the north side of the terminal.
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).
The personnel that operate the terminal reside in living quarter designed to provide a safe and comfortable environment. This facility accommodates up to sixty people to support 24 hours a day, 7 days a week operation and includes also the control room, from which operators can monitor the terminal, the pipeline and the gas metering station in Cavarzere.

The shore base

The shore base is a building located along the Po di Levante, in the municipality of Porto Viro, in the province of Rovigo. It plays a key role in supporting the offshore terminal and coordinates all the logistics and warehousing activities, including the transport of supplies, material and personnel, either employees or contractors, to and from the terminal.
This 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 Commercial performance - Market Regulatory

In 2019 Adriatic LNG delivered 7.6 billion cubic meters of gas into the national transportation grid, close to the maximum regasification capacity (8 bcm/y). Successfully allocated peak shaving capacity for winter 2019-2020, with carrier unloaded in January 2020.

The following section provide details over the market regulated environment in which the Company operates and commercial performance, and describes the recent evolutions of Italian gas market.

Overview on commercial performance

During 2019, Adriatic LNG terminal utilization, based on send-out, was approximately 96% of its total capacity berthing 88 carriers, very close to the maximum regasification capacity (8 bcm/y), higher than the 2018 utilization (81%) and to the average rate of utilization of LNG terminals in Europe (about 45%[1] in 2019).
In 2019 Adriatic LNG delivered 7.6 billion cubic meters of gas into the national transportation grid at the Cavarzere metering station, significantly more than last year (6.5 billion cubic meters), contributing for about 11.2% of the total import, balancing the constant decline of the national production. On December 31, 2019 the 10 years regulated regasification contract with BP Energy Europe Ltd expired.

Overview on market regulated environment

The Company operates within the rules defined by the Ministry of Economic Development and by the Italian Regulatory Authority for Energy, Networks and Environment *(Autorità di Regolazione per Energia Reti e Ambiente)*.
In 2004, the Ministry of Economic Development, upon positive opinion of the EU Commission, granted to the Company a 25-year exemption from the *"Third-Party Access"* rules for 80% of the terminal regasification capacity, while the remaining 20% of the capacity (1.6 bcm/y) is fully regulated including the maximum tariff for the regasification service.
The Regasification Code regulates access to the regasification services as well as the process of capacity determination and allocation. Users requesting access to the services offered by the Company must comply with, and maintain, the requirements listed in the Regasification Code.

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

The Regasification Code was approved by ARERA with the resolution ARG/gas 57/11 pursuant to art. 24, paragraph 5, of Legislative Decree 164/2000 on May 12, 2011 as subsequently amended. The Regasification Code defines its amendment process, whose modifications are approved by ARERA upon the Company's proposal and public consultation process. The version from time to time in force of the Code is published on the Company's website.

Regulated tariffs

ARERA defines all regulated services' tariffs including the one for regasification services[2]. The regulated tariff approved by ARERA is a maximum tariff, that can be discounted by the LNG terminal operator.

Tariff definition is a two-step process where first ARERA defines the framework of the regulated tariff for the multi-year regulatory period and then a tariff per unit (for regasification) or the whole market (for gas transportation or storage) is approved - or defined unilaterally - by ARERA on yearly basis. The tariff provides a remuneration based, among others but mainly, on the *Weighted Average Cost of Capital* (WACC). Regasification tariffs, including the percentage of gas discharged that terminal users provided in kind to cover the terminal's losses and consumption, are published on the Company website.

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[3].

Market Regulatory context

Capacity allocation and use

The available capacity is offered on the market through regulated open processes to third parties either through competitive auctions for short term capacity or allocation criteria for long term capacity[4]. The auctions are carried out using a national platform developed by *Gestore dei Mercati Energetici* (GME, the company operating power, gas and environmental markets in Italy).

Security of supply - Peak Shaving

The National Gas Emergency Plan provides a set of actions to be carried out in case of major interruption of gas supply during a period of high demand, including the LNG regasification terminals among the assets which 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 LNG terminals Peak Shaving service, which envisage the possibility for a supplier to store its LNG in a LNG 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.

The Ministry of Economic Development requested to the Company to offer the Peak Shaving service through an auction held in December 2019. The Company successfully allocated the capacity and the carrier arrived in the first week of January 2020. Because of technical issues and full capacity utilization of the others two LNG terminals operating in Italy, Adriatic LNG was the only LNG terminal to offer the Peak Shaving service in the winter 2019-2020.

[2] According to Law n. 481 dated November 14, 1995

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

[4] As per resolution 660/2017/R/Gas - "TIRG".

Market overview

a) Demand and offer

Italy is the third largest European gas market after Germany and U.K.[5] and the first importing country after Germany[6].

About 34% of Italian energy use in 2018 was covered by natural gas and the country was heavily dependent on imports (94% full year 2019) from foreign sources for its gas supply.

Italy is the 10th LNG importing country in the world[7]: LNG has become the second source of gas supply in Italy, thanks to the thermoelectric demand (+17% compared to the same period in 2018)[8].

National production is in constant decline over the years and was equal to 4.5 bcm/y in 2019, accounting only for 6.2% of total demand[9]. Natural gas imports via regasification terminals in 2019 were up to 61% compared to 2018, with a share on the total import of 16%[10].

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 2019 was at 73.8 bcm/y.

The increase *versus* 2018 is +2.3% mainly because of the demand of gas for power production due to lower electricity import (decreased nuclear generation in France), lower hydropower production and, ultimately, lower cost of gas.

According to the *National Plan for Energy and Climate* (PNEC) developed by the Italian government in December 2018 and submitted to the European Commission in 2019, total gas demand is projected to remain flat up to 2030 with gas displacing coal but partially offset by an increase of renewables and energy efficiency.

b) Import infrastructures and regasification capacity allocation

The import infrastructures for the Italian gas market are: *(i)* five pipelines from North West Europe (Transitgas), Russia (TAG and Gorizia interconnection point), Libya (Greenstream) and Algeria (TTPC) and *(ii)* three LNG terminals, GNL Italia (3.5 bcm/y), OLT Offshore LNG Toscana (3.75 bcm/y) and Adriatic LNG (8 bcm/y). A sixth pipeline, the Trans Adriatic Pipeline (TAP), should start operation in October 2020 with an initial capacity of 10 bcm/y.

In 2019 Italy's major supplier was Russia, with about 45% of natural gas imports injected into the national network at the TAG and Gorizia interconnection point. The second most important supplier is Algeria but with a decresing trend in 2019 (-40.3% vs 2018)[11].

Through the regulated auction capacity allocation procedures, OLT Offshore LNG Toscana has successfully allocated 41 LNG cargoes for the thermal year 2019/2020[12]. GNL Italia has instead allocated 21 LNG cargoes for the same period of time[13]. All these allocations have been made at a discounted tariff[14]. 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 and registered some slot allocation in July 2019[15].

[5] Source: *www.indexmundi.com/map/?v=137&r=eu&l=it,* please note that Italy was the largest importer in EU in Q3 2019, higher than Germany, Spain, France and respectively with net import of 18 bcm, 17 bcm and 10 bcm.

[6] Source: DG Energy Quarterly report 2019 on European Gas Market, V13, issue 3 *https://ec.europa.eu/energy/sites/ener/files/quarterly_report_on_european_gas_markets_q3_2019.pdf*

[7] Source: Italian Energy Market Regulator, Annual Report, p. 36

[8] Source: Italian National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA) Quarterly analysis of the Italian energy system.

[9] Source: GME Newsletter January 2020.

[10] GME Newsletter January 20.

[11] Source: *https://dgsaie.mise.gov.it/gas_naturale_bilancio.php*

[12] Source: published on the OLT Offshore LNG Toscana (OLT) website.

[13] Source: published on the SNAM website.

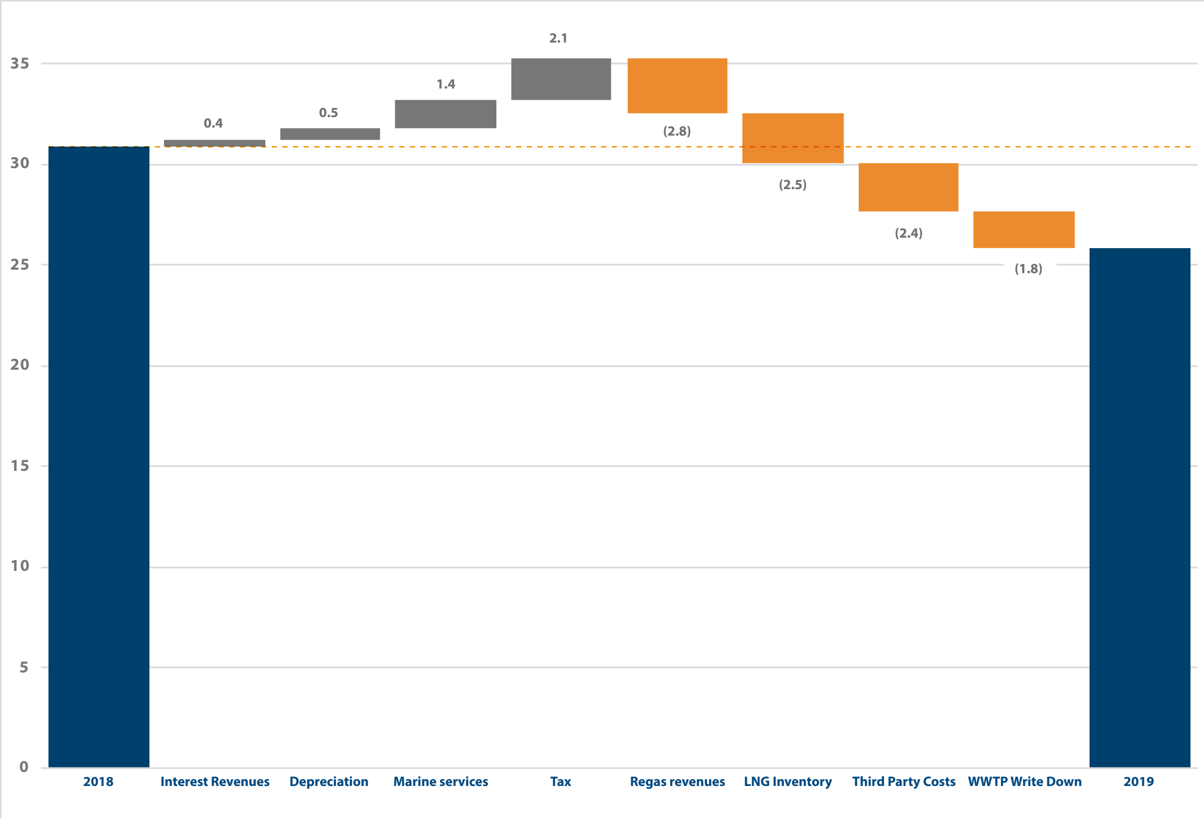
[14] E.g. 18 Slots have been allocated at 7,23 €/m3liq by OLT Offshore LNG Toscana in July 2019, see *https://www.mercatoelettrico.org/lt/Esiti/PAR/EsitiParOLT.aspx?stampa=true&mese=07&anno=2019*

[15] Source: Staffetta Quotidiana *https://www.staffettaonline.com/articolo.aspx?id=336994*

1.2.2 Current year overview

2019 earnings were lower than 2018 by 16% mainly due to lower regasification revenues, negative LNG inventory variation and higher third party costs.

Factor Analysis



Other 2019 financial highlights include:

- **105M Euro cash flow generated from operations;**
- **100.8M Euro cash distributed to quotaholders through dividend and equity reserve repayment.**

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 2019 performance and are furtherly detailed in the "2.4 Notes to Financial Statements".

Summary financial information

Summary Income Statement

The Income Statement is reclassified following the value added approach.

RECLASSIFIED INCOME STATEMENT (thousands of Euro)	2019	2018	Abs. change	% Change
A. Sales Revenue				
Revenue from sales and services	244,830	239,376	5,454	2%
Other revenue	467	393	74	19%
Net Revenue	**245,297**	**239,769**	**5,528**	**2%**
Inventory change for raw materials, semi-finished and finished goods	-	-	-	-
Increase in capitalized expenses for internal works	-	-	-	-
Total Revenues	**245,297**	**239,769**	**5,528**	**2%**
B. Cost of goods sold				
Material and services consumption (-)	(116,567)	(107,411)	(9,156)	9%
Other Expenses (-)	(3,139)	(2,665)	(474)	18%
Risk and charges provision allocation (-)	-	-	-	-
Inventory change	81	2,543	(2,462)	(97%)
Total Cost of goods sold	**(119,625)**	**(107,533)**	**(12,092)**	**11%**
C. Added value	**125,672**	**132,236**	**(6,564)**	**(5%)**
Labor costs (-)	(12,559)	(12,542)	(17)	0%
D. Gross operating margin (EBITDA)	**113,113**	**119,694**	**(6,581)**	**(5%)**
Depreciation and amortisation (-)	(77,448)	(76,567)	(881)	1%
E. Net operating income (EBIT)	**35,665**	**43,127**	**(7,462)**	**(17%)**
Net financial income (expenses)	350	45	305	678%
Dividends	-	-	-	-
Revaluation (devaluation) of financial assets	-	-	-	-
F. Earnings before taxes (EBT)	**36,015**	**43,172**	**(7,157)**	**(17%)**
Income tax for the period	(10,186)	(12,308)	2,122	(17%)
G. Profit (loss) for the period	**25,829**	**30,864**	**(5,035)**	**(16%)**

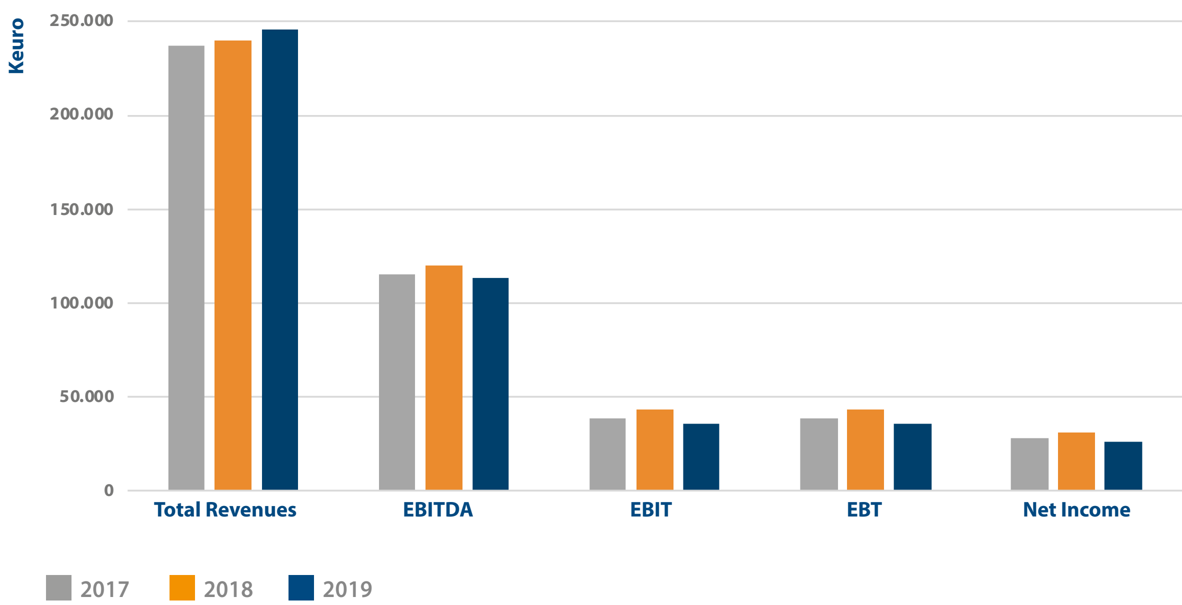
2019 Net Profit was lower versus prior year by 16%: while Total Revenues were overall in line with prior year (+2%), there was an increase in Total Cost of goods sold (+11%), mainly due to maintenance services and materials, higher marine service costs due to additional carriers and negative LNG inventory variation effect.

Detailed revenues and cost breakdown is detailed in the following paragraphs.

Net financial income increase was related to 350k euro of interests paid by the Ministry of Economic Development for prior years CO_2 credits allowances paid to the Company in 2019 for a total of 4.5M euro.

Nel In the graph below, the 2019 financial performance is compared with the previous two years.

2017 - 2019 Earnings

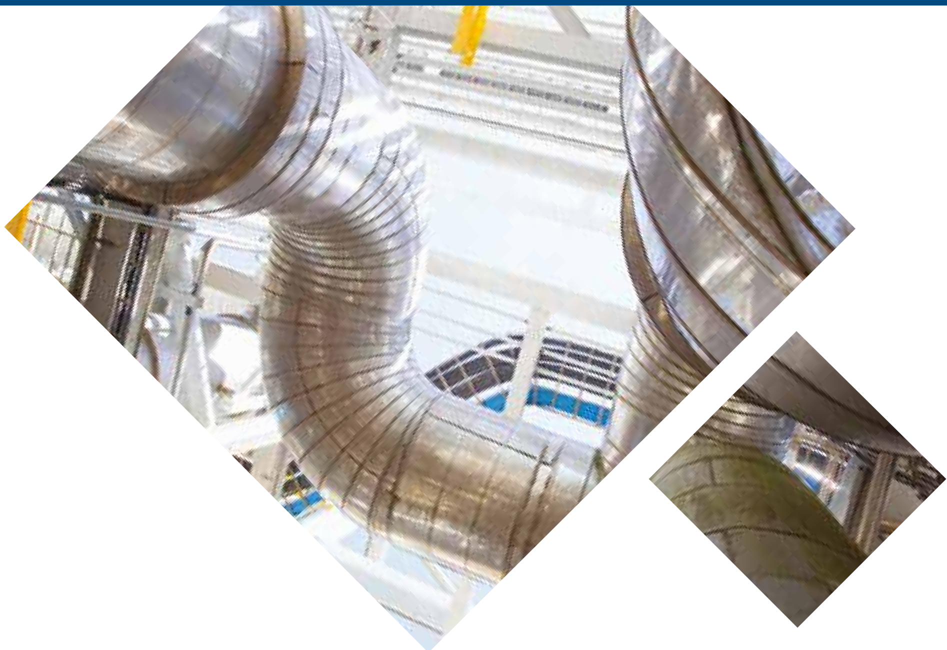


Revenues

Gross revenues were 245,297k Euro, up by 5,528k Euro with respect to 2018 mainly driven by higher national grid revenues, netting a corresponding cost. Other notable differences with respect to previous year include higher marine services revenues, driven by higher number of carriers discharged, and lower regasification revenues, due to peak shaving service postponed to January 2020 and annual reconciliation not invoiced in 2019 as contractual conditions did not trigger invoicing[16].

REVENUES (thousands of Euro)	2019	2018	Absolute change	Relative change
A. Revenue from sales			change	change
Revenues from the regasification service	159,656	162,430	(2,774)	(2%)
Regasification revenues in kind	7,134	13,467	(6,333)	(47%)
Revenues related to balancing regime OBA	2,266	2,625	(359)	(14%)
Revenues from marine services	15,915	13,769	2,146	16%
Subtotal Regasification and Marine Services	**184,971**	**192,291**	**(7,320)**	**(4%)**
National Grid Revenues	53,361	43,239	10,122	23%
National Grid - own consumption	6,497	3,845	2,652	-
Subtotal National Grid	**59,858**	**47,084**	**12,774**	**27%**
Revenues from ordinary operations	**244,829**	**239,375**	**5,454**	**2%**
Other revenues and income	**468**	**394**	**74**	**19%**
Total production value	**245,297**	**239,769**	**5,528**	**2%**

[16] As per Regasification Code, the annual reconciliation is charged only if the difference between the annual contractual quantity and the monthly invoiced quantities is greater than the largest quantity of the User's unloaded LNG in relevant period.



Costs

In 2019, production costs were 209,633k Euro, higher by 12,990k Euro from 2018.

As shown in the table below, the increase of 2019 costs was mainly due to higher national grid costs partially offset by lower use & loss gas costs, both passed through to customers. Other notable variations include higher third party costs for materials (+1.2M Euro) and services (+1.1M€), mostly related to ordinary maintenance activities, and higher marine services costs (+0.7M€) due to additional carries discharged. Other notable differences with respect to previous year include a negative effect (+2.5M€) on inventory and higher depreciation and amortization (+0.9M€), which is the result of the additional costs deriving from the waste water treatment plant write-down offsetting lower yearly depreciation driven by some assets reaching the 10-years end of economic life.

COSTS (thousands of Euro)	2019	2018	Absolute change	Relative change
B. Costs of production				
Consumption of raw materials and services	(116,568)	(107,412)	9,156	9%
of which:				
Third Party Costs of raw materials	(4,823)	(3,588)	1,235	34%
Costs of services	(32,556)	(27,772)	4,784	17%
Use & Loss gas in kind from Users	(7,134)	(13,467)	(6,333)	(47%)
National Grid Costs	(53,361)	(43,239)	10,122	23%
National Grid - own consumption	(6,497)	(3,845)	2,652	69%
Marine Services Costs	(9,931)	(9,191)	740	8%
Costs related to balancing regime OBA	(2,266)	(2,469)	(203)	(8%)
Labour costs	(12,559)	(12,542)	17	0%
Other costs	(3,139)	(2,665)	474	18%
Depreciation and amortisation	(77,448)	(76,567)	881	1%
Inventory variation	81	2,543	2,462	(97%)
Total production costs	**(209,633)**	**(196,643)**	**12,990**	**7%**

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.

SUMMARY BALANCE SHEET (thousands of Euro)	2019	2018	Abs. change
A. Capital Assets			
Intangible	2,239	2,593	(354)
Tangible	1,842,325	1,918,570	(76,245)
Financial	-	-	-
	1,844,564	**1,921,163**	**(76,599)**
B. Net working capital			
Inventory	15,630	15,548	82
Receivables	20,726	21,289	(563)
Other assets	2,211	5,775	(3,564)
Payables (-)	(21,431)	(20,215)	(1,216)
Other liabilities (-)	(2,019)	(5,931)	3,912
Provision for risks and charges (-)	-	-	-
	15,117	**16,466**	**(1,349)**
C. Invested capital excluded liabilities for the period (A+B)	**1,859,681**	**1,937,629**	**(77,948)**
D. Provision for staff severance indemnity (-)	**(550)**	**(514)**	**(36)**
E. Net capital invested (C-D)	**1,859,131**	**1,937,115**	**(77,984)**
Financed by:			
F. Net Equity	**1,882,937**	**1,957,960**	**(75,023)**
G. Net financial borrowing (availabilities):			
Mid and long-term loans	-	-	-
Short-terms loans	-	-	-
Cash (-)	(23,806)	(20,845)	(2,961)
	(23,806)	**(20,845)**	**(2,961)**
H. Total sources of funding (F+G)	**1,859,131**	**1,937,115**	**(77,984)**

Net invested capital as of December 31, 2019 was 1,859,131k Euro, down by 77,984k Euro from previous year. Decrease is mainly due to *(i)* the reduction in Fixed Assets Net Book Value (76,599k Euro), mainly reflecting the yearly depreciation and waste water treatment plant write-down and *(ii)* the reduction of net working capital.

Capital Assets

During the year, minor project activities were undertaken for approximately 1,332k Euro, mainly related to equipment and spare parts to preserve the reliability of operations and compliance with safety, health and environmental regulations. Fixed asset disposals totaled 1,805k Euro in net book value, mainly related to partial write-down of the existing waste water treatment plant as the asset will no longer be utilized in the future (whose write-down includes as well 408k Euro of asset under construction not capitalized). With the intent to evaluate optimization of current set-up for long term, a new solution is under evaluation and planned to be completed by end of 2021. This project consists in building additional storage capacity as a definitive solution for handling the sewage and to maintain a ship-to-shore set-up for waste water disposal.

Equity

Quotaholders' Equity was 1,882,937k Euro, down by 75.0M Euro from 2018. Equity reduction is due to the partial refund to Quotaholders of the Equity Reserve "Versamento Soci in Conto Capitale" totaling 70.0M Euro, and by 2019 Net Profit decrease.

Partial refund of the Equity Reserve, without prejudice to creditors, and dividends payment were in line with Quotaholders' resolutions passed on January 24, 2019 and April 18, 2019 and as detailed in the 2019 Financial Plan for refunding form and timing, approved by Board of Directors' resolutions of September 27, 2018 and April 18, 2019.

Tax matters

The overall taxes and levies balance at year-end shows a credit of 2,220k Euro and it is included in the Balance Sheet section B. Other Assets.

With regards to direct taxes, 2019 tax expense provisions equal to 10,186k Euro of which 9,062k Euro for Corporate Income Tax (IRES), 1,496k Euro related to regional tax on productive activities (IRAP), 390k€ for prepaid taxes and 17k Euro related to previous years' adjustments.

EQUITY (thousands of Euro)	2019	2018	Abs. change
Capital stock	200,000	200,000	-
Legal Reserve	40,000	40,000	-
Reserve for Quotaholders capital contributions	1,606,302	1,676,302	(70,000)
Other Reserves	10,806	10,794	12
Retained Earnings / (Losses)	-	-	-
Gain / (Loss) for the period	25,829	30,864	(5,035)
Total	**1,882,937**	**1,957,960**	**(75,023)**

1.2.3 Future years overview

The Company's management will continue to be fully committed in achieving all targets as set out in the most recent multi-year plans.

The investment plans for 2020 include projects for operations, ordinary maintenance and process digitalization. Moreover, in summer 2020 a terminal shut down is scheduled to carry out the 10 years integrity verifications of pressure equipment on recondenser and related lines as per Ministerial Decree 329/2004 requirement. During the shutdown period, other minor maintenance activities will be performed without affecting the overall duration.

Planned investment activities can be funded by the estimated positive cash flow in line with the assumptions of the 2020 Financial Plan.

In the first quarter of 2020, 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.

1.2.4 Human Resources and Industrial Relations

**The Company started in 2019 an organizational evolution to align with significant business and environment changes.
Key resources to drive the implementation phase were identified and took part to the "Creating a culture of Leadership" workshop in September 2019.**

As of December 31, 2019 the Company has 120 employees, of which one seconded to SARPOM Refinery in Trecate (in Novara province), excluding 2 hat contractors.
The table below shows 2019 employee movements and Company headcount at year-end 2019.

	31.12.18	Incoming	Outgoing	Reclassified	31.12.19
Managers	3	0	0	0	3
Supervisors	20	0	0	1	21
Professional employees	79	0	(3)	3	79
Technicians/wage workers	12	1	0	(4)	9
Secondee from Quotaholders or their affiliates[17]	7	0	0	0	7
Secondee to Quotaholders or their affiliates	1	0	0	0	1
Total	**122**	**1**	**(3)**	**0**	**120**

In 2019, the Company has started implementing an organizational evolution to align with significant business and environment changes.
This project is managed with a well-articulated transition phase with a cross-functional dedicated team to guarantee a smooth transition to be completed in 18/24 months. The identification of the key resources that will be driving the implementation phase is crucial.

The organizational transformations require empowerment and participation at all levels with the engagement of those resources able to build a new company culture. For such reasons during 2019, dedicated sessions for Operations Supervisors have been completed with the aim to identify opportunities to enhance business performances trough the analysis of internal processes and re-organization.

[17] The 7 resources seconded from the Quotaholders or their affiliates (2 foreigners and 5 Italians) include 5 in managerial positions.

In September 2019 a wider workshop named "Creating a culture of Leadership" has been held to prepare the identified Company's key resources for change granting those high levels of trust and accountability to explore opportunities for more autonomy to participate in the transformation process.

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 (NLC). The Energy & Oil NLC renegotiation at National level for the period 2019/2021 has been renewed with base salary increase in line with expected rates.

The 2017/19 Company Agreement introduced two significant improvements for the employees' work-life balance: Welfare program and Smart Working. Both initiatives, having received positive feedback from both Employees and Managers, have been confirmed and consolidated.

1.2.5 Safety, Security, Health and Environment (SSHE)

2019 SSHE highlights include:

- **3 Total Recordable Incidents (+2 vs 2018), due to 1 Restricted Work Incident (RWI) and 2 low severity Medical Treatment Incidents (MTI);**
- **no spills or exceedances;**
- **no process safety incidents;**
- **no security incidents or damage to the facilities;**
- **CO_2 emissions higher than last year (+3%) driven by higher volumes of gas redelivered.**

New SSHE & Regulatory organization being implemented within the organization evolution process.

Company's first priority is to systematically control risk by ensuring the effectiveness of the Company's integrated Safety, Security, Health & Environmental Management System (SHEMS).

Within the organization evolution process, a new SSHE & Regulatory organization is being implemented, with the key objectives to optimize SSHE activities with an agile organization, set a strong safety culture, oversee safety across the entire organization, favoring sharing of SHE skills across the organization and ensure on-going regulatory alignment with the SHEMS systems.

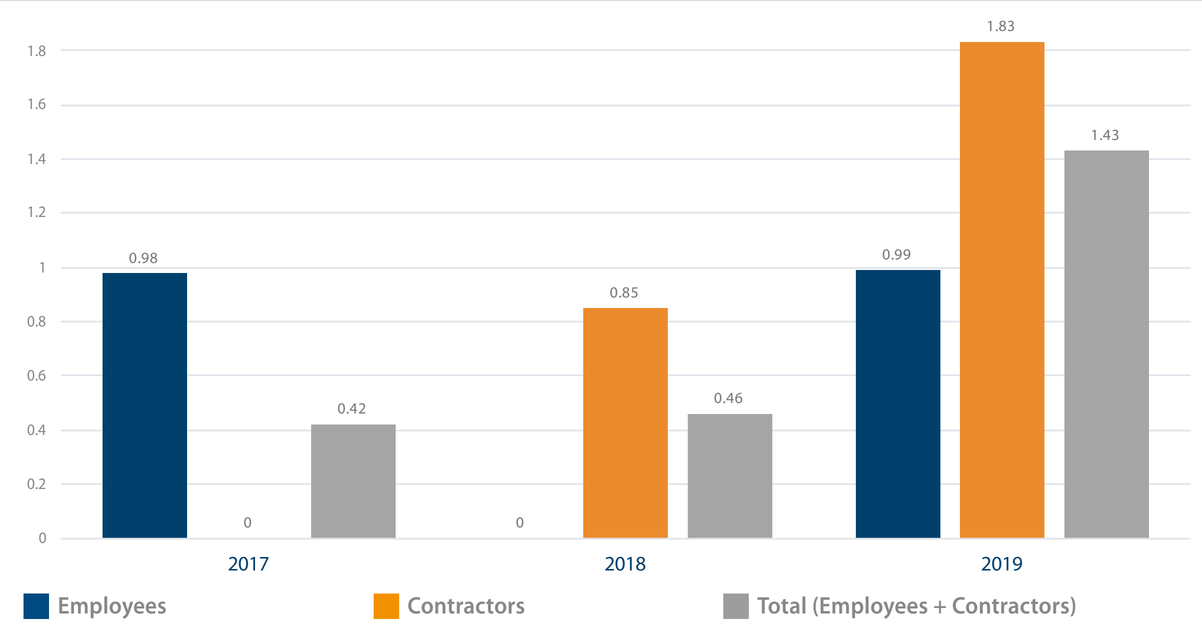
In 2019, in accordance with Seveso Law (Law Decree n. 105/15) requirements, the Regulator audited the Company Safety Management System (SHEMS) as system in place to control major-accidents hazards. Audit constitutes of extensive documentation review, multiple interviews and field tests on safety/fire and gas systems.

The Audit did not identify any gaps nor improvements in the system status and effectiveness with respect to Seveso requirements.

Safety

During 2019, no Lost Time Incident were recorded during the year while the Company experienced 1 Restricted Work Incident (RWI) and 2 low severity Medical Treatment Incidents (MTI); all 3 incidents occurred at the terminal, 2 of which involved Contractors. 2019 Total Recordable Incident Rate (TRIR) is 1.43. The graph and table below show the overview of safety performance in 2019 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	201,697	0	1	0.00	0.99
Contractors	219,021	0	2	0.00	1.83
Total	**420,718**	**0**	**3**	**0.00**	**1.43**

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

Contributing to manage the safe performance of contractors continued to be a key focus area of Adriatic LNG also during 2019. A structured approach was used to better enhance the risk of the routine activities in the work places, focusing on work oversight by field leadership teams.

Incident Analysis performed on loss or near losses continued to be a focus area driven by 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.

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 2019, 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 2019 were:

- health exposure monitoring campaigns;
- health surveillance plan for employees continued in 2019, with medical examinations carried out periodically by Company's doctor, to check the workers' fitness for duty.

The safety law decree 81/08 training program has been applied, covering new hires and personnel in new roles. Training and information to workers will continue to be an ongoing activity at all locations over the coming years.

Environment

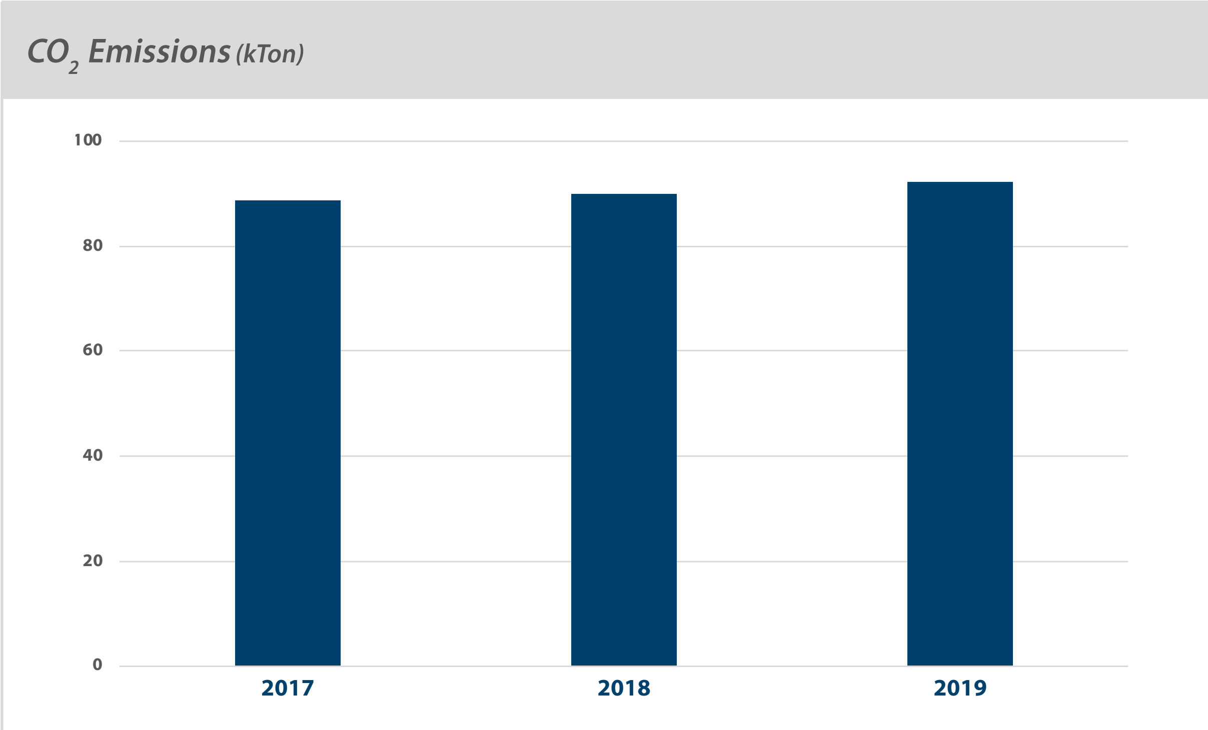
The Company's operations from an environmental perspective are regulated by environmental monitoring plans established in accordance with 5 Environmental Impact Assessment (EIA) decrees[18].

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 in 2016 for a ten-year period. The Company monitors environmental parameters according to the IPPC permit.

The Company is subject to the European Union Emissions Trading System (ETS), as the terminal's turbine generators burns fuel gas for power, mainly used for LNG regasification activities. The ETS Phase III covers the period 2013-2020; for this period the Company has been granted free allowances, as per Ministry of Environment (MoE) deliberation n. 29/2013 dated December 20, 2013, that decreases the free allowance allocation for the Company each year until reaching 33% of the 2013 level in 2020.

[18] Decree DEC/VIA/4407 dd. 30.12.99, Decree DEC/DSA/0866 dd. 08.10.04 (increase of capacity and supplement of VIA 1), Decree DEC/DSA 2003/605 (pipeline), Decree DEC/618 dd. 2007 (Artificial Island and supplement VIA 1), Decree DEC/975 dd. 2007 (Supplement VIA 1, VIA 2, VIA 4)

In 2019, CO_2 emissions were higher than last year (+3%) driven by higher volumes of gas redelivered, as the graph below shows.



In 2019 the application submitted in 2015 for CO_2 credits reimbursement to the Ministry of Economic Development, as per ministerial decree dated February 21, 2014, was settled resulting in a 4.8M Euro collection.

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 and is executed by 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.

1.3 Risk Management and controls environment

In 2019 the Company was subject to a Quotaholders' audit, whose result was satisfactory. Management regularly monitors and assesses the main risks of corporate or non-corporate nature, including those related to litigation. The outcome of such assessment is that there are no items requiring the provisions to special funds for risks and charges for the purpose of 2019 Financial Statements.

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.

Quotaholders exercised their audit right in 2019 by conducting an audit on covering all Adriatic LNG's activities and processes. The results of audit tests provide reasonable assurance that controls are satisfactory and adequate to manage the risks, with substantial improvement required for measurement and metering, some improvements required in plant control systems, maintenance, operations and logistics.

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 and the mitigating controls that the Company has put in place.

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 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 Liquidity risk

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

1.3.3 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 166 in 2019, for approximately 3.3M Euro and about 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.

1.3.4 Regulatory risks

The Company operates in a continuously evolving regulated environment: 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 accordance with the general principle of cost effective management. Company's management participates, as required, in regulatory consultation processes.

1.3.5 Risks involved in legal disputes

In the course of its business, until the end of December 2019, 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 January 31, 2014 and October 24, 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 October 29, 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 August 11, 2015 and ISPRA related reports dated August 4, 2015 and September 23, 2015. The hearing is yet to be defined and there are no further developments since December 2015.
- On November 4, 2019, the Company has filed a challenge with TAR Lazio against the Ministry of Environment against its warning for alleged noncompliance with current IPPC decree in relation to the monitoring of an informative parameter, and ISPRA and ARPAV related reports. The hearing is yet to be defined.

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 proceedings, BP Energy Europe Ltd notified additional briefs in May and August 2018, February and September 2019 to challenge some ARERA resolutions implementing previous resolutions n. 653 and 660. Hearing for discussion scheduled for March 2020 was postponed till June 9, 2020 due to the coronavirus (COVID-19) outbreak.
- 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 February 25, 2016 and the resolution of the Energy Authority n. 77/2016/R/GAS dated February 29, 2016 on the tender for the allocation of sc. "integrated service" for 2016 (short term regasification and storage services combined). Within the same proceedings, BP Energy Europe Ltd notified additional briefs in February, April and June 2017, to challenge some MED decrees and ARERA resolutions connected to the sc. "integrated service" and/or implementing the previous resolutions. The Company has partaken in the case. No hearings scheduled to date.

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 2019.

1.3.6 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 "1.2.5 Safety, Security, Health and Environment (SSHE)".

All major equipment installed on the terminal - turbines, LNG and seawater pumps, Open Rack Vaporizers and BOG compressors - have installed spare to allow for maintenance without affecting the nominal send-out. A ten-year major equipment and facility maintenance and inspection plan is utilised to ensure consistent reliability in meeting Company's long-term commercial objectives.

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.

1.3.7 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.

A strategy is pursued to improve revenues from 2020 and onwards and support the recoverability of Company's assets. 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. To monitor 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).

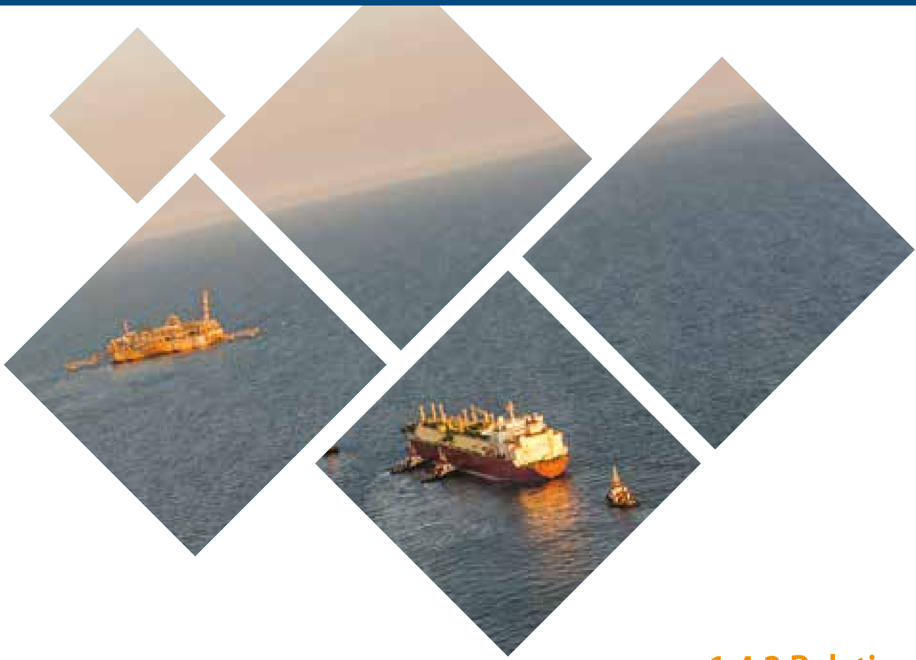
The Company is continuously focusing on cyber security risks and exposures by adopting an integrated approach and constantly increasing levels of attention through periodic trainings and implementing cyber-security programs and barriers leveraging external IT provider expertise. In addition, the Company is compliant with Law decree n. 65 dated May 18, 2018 (implementing EU Directive n. 2016/1148) which provides for minimum requirements of cybersecurity protection for companies like Adriatic LNG providing an "essential service".

1.3.9 Provisions for risks and charges

The art. 2424-bis c.c, as detailed in the Italian Accounting standard OIC 31, requires to book accruals for risks and charges to cover losses and liabilities of certain nature, certain or probable existence, of which at end the of the financial exercise the amount or the date are unknown. 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.

With regard 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, a study drawing long term scenarios of energy and gas consumption by a leading consultancy firm in the sector and an opinion on civil law, administrative and accounting aspects of the matter from a preeminent consultant firm. 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. In 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 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 December 31, 2019, 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 May 2, 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 March 25, 2004 the Company is jointly controlled by ExxonMobil Italiana Gas S.r.l. (EMIgas) and Qatar Terminal Limited.

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

(amounts in thousands of Euro)	Year 2019				Year 2019						
					Costs			Revenues			Investments
Company name	Receivables	Payables	Guarantees	Obligations	Goods	Services	Other	Goods	Services	Other	
Qatar Terminal Limited	-	(9)	-	-	-	-	-	-	-	-	-
ExxonMobil Italiana Gas S.r.l.	-	-	-	-	-	-	-	-	-	-	-
Total	-	(9)	-	-	-	-	-	-	-	-	-

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.

1.4.3 Headquarter and Local Units

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).

1.4.4 Independent Auditors

The Financial Statements for the period ended December 31, 2019 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 April 26, 2017. In this occasion, Quotaholders also commissioned Pricewaterhouse Coopers S.p.A. to carry out the accounting control duties which include periodic checks on the correctness of the accounting information.

1.4.5 Research and Development

During 2019 the Company did not incur research and development costs.

1.4.6 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 December 31, 2019

The Financial Statements for 2019 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 December 31, 2019.

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 April 26, 2017.

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2.1 Balance Sheet

ASSETS (in Euro)			31.12.2019	31.12.2018
B) Fixed assets, with those in financial leasing indicated separately				
I. Intangible assets:				
4) concessions, licences, trademarks and similar			301,047	548,036
6) assets under construction and advances			243,000	41,078
7) other			1,695,382	2,004,462
Total			2,239,429	2,593,576
II. Property, plant and equipment:				
1) land and buildings			1,018,808,647	1,049,281,958
2) plants and equipment			818,350,425	862,907,094
3) industrial and commercial equipment			1,627,441	1,384,169
4) other assets			2,849,459	3,242,721
5) assets under construction and advances			688,649	1,753,772
Total			1,842,324,621	1,918,569,714
Total fixed assets (B)			**1,844,564,050**	**1,921,163,290**
C) Current assets				
I. Inventories:				
1) raw, auxiliary and consumer materials			15,629,948	15,548,455
Total			15,629,948	15,548,455
	Amount due in more than one year			
	31.12.2019	**31.12.2018**		
II. Receivables:				
1) from customers	-	-	20,725,751	21,288,891
5–bis) tax credits	-	-	2,219,918	95,350
5–ter) prepaid taxes	-	-	389,884	-
5-quater) other	-	-	311,835	4,846,674
Total			23,805,756	20,845,136
IV. Cash and equivalent:				
1) bank accounts			23,805,756	20,844,632
3) petty cash			-	504
Total			23,805,756	20,845,136
Total current assets (C)			**63,083,092**	**62,624,506**
D) Accrued income and prepaid expenses				
- accrued income			990	371
- prepaid expenses			1,019,367	832,896
Total accrued income and prepaid expenses (D)			**1,020,357**	**833,267**
Total assets			**1,908,667,499**	**1,984,621,063**

Balance Sheet

LIABILITIES AND NET EQUITY (in Euro)			31.12.2019	31.12.2018
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			1,617,107,657	1,687,096,207
Reserve from net gains on foreign exchange			-	-
IX. Net Income (loss) for current year			25,829,042	30,864,109
Total Quotaholders' Equity (A)			**1,882,936,699**	**1,957,960,316**
B) Reserves for Risks and Charges				
4) others			-	-
C) Reserves for employee severance indemnities			**549,757**	**513,820**
D) Liabilities				
	Amounts due after one year or more			
	31.12.2019	**31.12.2018**		
6) prepayments	-	-	178,825	-
7) payables to suppliers	-	-	21,252,706	20,215,160
12) taxes payable	-	-	322,502	2,504,478
13) payables to social security and pension funds	-	-	484,611	492,033
14) other payables	-	-	2,022,772	1,658,996
Total liabilities (D)			**24,261,416**	**24,870,667**
E) Unearned revenue and accrued expenses			**919,627**	**1,276,260**
Total liabilities (B+C+D+E)			**25,730,800**	**26,660,747**
Total Liabilities and Quotaholders' equity			**1,908,667,499**	**1,984,621,063**

2.2 Income Statement

(in Euro)	31.12.2019	31.12.2018
A) Value of production		
1) earnings from sales and provision of services	244,830,317	239,375,639
5) other revenues and income	466,743	393,846
Total value of production (A)	**245,297,060**	**239,769,485**
B) Cost of goods sold		
6) raw materials, consumables and supplies	21,665,920	24,054,524
7) for services	92,599,792	81,159,683
8) for use of third-party assets	2,302,330	2,196,723
9) personnel costs:		
a) wages and salaries	9,015,162	9,152,519
b) company charges	2,833,692	2,733,775
c) employee severance fund	568,057	554,977
e) other costs	141,852	100,920
10) depreciation and write-downs:		
a) depreciation of intangible assets	713,267	690,583
b) depreciation of property, plant and equipment	75,341,438	75,876,065
c) other PP&E write-downs	1,393,157	
11) changes in stock	(81,493)	(2,542,558)
13) other accruals	-	-
14) other operating costs	3,138,750	2,665,073
Total cost of goods sold (B)	**209,631,924**	**196,642,284**
Net value of production (A-B)	**35,665,136**	**43,127,201**
C) Financial income and expenses		
16) other financial income	360,288	13,557
17) interests and other financial expenses	(24)	(3,403)
17-bis) foreign exchange gains and losses	(10,240)	34,893
Total financial income (expenses) (C)	**350,024**	**45,047**
Earnings Before Taxes (A-B±C±D)	**36,015,160**	**43,172,248**
20) deferred, current and prepaid income tax		
a) current tax	(10,576,003)	(12,279,673)
c) prepaid tax	389,884	(28,465)
21) Net Income (loss) for current year	**25,829,042**	**30,864,109**

2.3 Cash Flow Statement

(in Euro)	31.12.2019	31.12.2018
A) Cash Flow From Operating Activities		
Net Profit	**25,829,042**	**30,864,109**
Net Profit Adjustments		
- Income taxes	10,186,119	12,308,138
- Interests payable/(interests receivable)	24	3,403
- (Dividends)	-	-
- Net gains on disposal of assets	483,792	198,151
1. Earnings before income tax, interests, dividends and plus/minus from asset sale	**36,498,976**	**43,373,801**
Adjustments to reconcile net profit to net cash provided by operating activities:		
- Depreciation, depletion and amortization and other non monetary items	77,447,862	76,566,648
- Provisions to reserves for risks and charges	-	(800,250)
- Provisions for employees' end of service benefits	568,057	554,977
2. Net cash before changes in working capital	**114,514,895**	**119,695,176**
Changes in working capital related to operations:		
- Inventory variation	(81,493)	(2,542,558)
- Receivable variation	376,050	1,158,532
- Payables variation	859,739	3,296,847
- Other changes	3,415,161	1,618,400
3. Net cash after changes in working capital	**119,084,352**	**123,226,397**
Changes to other assets and liabilities:		
- Interests receivable/(interests payable)	(24)	(3,403)
- Deferred and prepaid taxes	(13,406,515)	(8,868,222)
- Provisions used	(532,121)	(501,765)
Net Cash flow from operating activities (A)	**105,145,692**	**113,853,006**
B) Cash Flow From Investing Activities		
Investments in intangible assets	(359,120)	(176,739)
Advances for intangible assets	-	-
Investments in property, plant and equipment	(973,293)	(1,213,654)
Net Cash flow from investing activities (B)	**(1,332,413)**	**(1,390,393)**

C) Cash Flow From Financing Activities		
Dividends (and advances on dividends) paid	(30,852,659)	(27,481,467)
Changes in equity: contributions / (refunds)	(70,000,000)	(77,000,000)
Net Cash flow from financing activities (C)	**(100,852,659)**	**(104,481,467)**
Net change in cash and cash equivalents (A+B+C)	**2,960,620**	**7,981,146**
Cash and cash equivalents at the beginning of the year	**20,845,136**	**12,863,990**
Cash and cash equivalents at the end of the year	**23,805,756**	**20,845,136**

The Financial Statements at December 31, 2019 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 December 31, 2019 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 3 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 2.99%;
- plants and equipment: with rate from 2.33 to 11.32%;
- 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.
When there is a possible reduction in the value of tangible assets, their recoverability is verified by comparing the book value with the related recoverable value represented by the greater of the fair value, net of disposal costs, and the value in use.
A strategy is pursued to improve revenues from 2020 and onwards and support the recoverability of Company's assets. 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.
To monitor 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.

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 January 1, 2016 are reported according to the depreciated cost method, considering the time factor and, for receivables, at their estimated collectable value.

sAs 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). The Company adopts such option foreseen by the national accounting standards (OIC) above mentioned.

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. If 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 2,239k Euro, showing a decrease by 354k Euro from 2018 mainly due to depreciation. The amount represents the sum of:

- 1,695k Euro as other intangible assets of which 836k Euro refer to improvements made to the leased headquarters in Milan and the Porto Viro shore base and 860k Euro mainly related to the Company's IT infrastructure;
- 301k Euro for software and application systems for administrative and processing purposes;
- 243k Euro of assets 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 31.12.2018 (A+B)	**548,036**	**41,078**	**2,004,462**	**2,593,576**
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 (A)	**548,036**	**41,078**	**2,004,462**	**2,593,576**
Changes in 2019:				
Purchases	83,000	243,000	33,120	359,120
Disposals	-	-	(18,202)	(18,202)
Disposals (acc. depr.)	-	-	18,202	18,202
Reclassifications	3,720	(41,078)	37,358	-
Depreciation	(333,709)	-	(379,558)	(713,267)
Total Changes (B)	**(246,989)**	**201,922**	**(309,080)**	**(354,147)**
Values at 31.12.2019 (A+B)	**301,047**	**243,000**	**1,695,382**	**2,239,429**
of which:				
Historical cost	3,511,120	243,000	6,324,076	10,078,196
Accumulated Depreciation	(3,210,073)	-	(4,628,694)	(7,838,767)
Net Value at 31.12.2019	**301,047**	**243,000**	**1,695,382**	**2,239,429**

B.II Tangible assets

Total amount as of December 31, 2019 was at 1,842,325k Euro, reflecting a decrease of 76,245k 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 31.12.2018 (A+B)	**1,049,281,958**	**862,907,094**	**1,384,169**	**3,242,721**	**1,753,772**	**1,918,569,714**
of which:						
Historical Cost	1,368,344,001	1,293,688,757	4,897,332	7,020,679	1,753,772	2,675,704,542
Accumulated Depreciation	(291,984,881)	(409,970,811)	(3,513,163)	(3,777,958)	-	(709,246,814)
Government Grant:						
Historical Cost	(34,431,458)	(32,145,342)	-	-	-	(66,576,800)
Accumulated Depreciation	7,354,296	11,334,490	-	-	-	18,688,786
Net Value at 31.12.2018 (A)	**1,049,281,958**	**862,907,094**	**1,384,169**	**3,242,721**	**1,753,772**	**1,918,569,714**
Changes in 2019:						
Purchases	60,615	154,016	202,004	7,196	549,461	973,293
Disposals	-	(10,168)	(3,574)	(275)	(478,990)	(493,007)
Disposals (accum. depr.)	-	5,368	3,574	275	-	9,216
Reclassifications	565,244	89,108	468,967	12,275	(1,135,594)	-
Depreciation	(31,901,457)	(44,516,704)	(427,699)	(412,733)	-	(77,258,593)
Write-Down		(1,393,157)				(1,393,157)
Government Grant:						
Depreciation	802,287	1,114,868	-	-	-	1,917,155
Total Changes (B)	**(30,473,311)**	**(44,556,669)**	**243,272**	**(393,262)**	**(1,065,123)**	**(76,245,093)**
Values at 31.12.2019 (A+B)	**1,018,808,647**	**818,350,425**	**1,627,441**	**2,849,459**	**688,649**	**1,842,324,621**
of which:						
Historical Cost	1,368,969,860	1,293,921,713	5,564,730	7,039,876	688,649	2,676,184,827
Accumulated Depreciation	(323,886,338)	(454,482,147)	(3,937,289)	(4,190,417)	-	(786,496,190)
Write-Down		(1,393,157)				(1,393,157)
Government grant:						
Historical Cost	(34,431,458)	(32,145,342)	-	-	-	(66,576,800)
Accumulated Depreciation	8,156,583	12,449,358	-	-	-	20,605,941
Net Value at 31.12.2019	**1,018,808,647**	**818,350,425**	**1,627,441**	**2,849,459**	**688,649**	**1,842,324,621**

Tangible fixed assets consist of the following:

- 2,849k 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;
- 1,018,809k 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;
- 1,627k 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;
- 818,350k 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;
- 689k 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.

Write-down amounted to 1,393k euro and are related to partial write-down of the existing waste water treatment plant as the asset will no longer be utilized in the future as per Board of Directors' resolutions dated November 26, 2019.

Despite the absence of specific impairment indicators, 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 63,083k Euro, up by 459k Euro from previous year. Additional details and balances are included in the following.

C.I Inventory

As of December 31, 2019 total inventory was at 15,630k Euro with an increase of 81k Euro from 2018. This amount reflects the following categories:

- 14,024k Euro related to spare parts for recurring use on the terminal;
- 1,497k 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;
- 108k Euro related to inventories of diesel used on the terminal for the auxiliary power systems.

	Raw materials, subsidiary materials and consumableso	In progress and semifinished goods	Work in progress goods	Finished goods	Advances	Total Inventory
Value at beginning of the year	15,548,455					15,548,455
Variation of the year	81,493					81,493
Value at the end of the year	**15,629,948**					**15,629,948**

C.II Receivables

Total receivables were at 23,647k Euro, down by 2,584k Euro from 2018.

	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	21,288,891	-	-	-	95,350	-	4,846,674	26,230,915
Variation of the year	(563,139)	-	-	-	2,124,568	389,884	(4,534,840)	(2,583,527)
Value at the end of the year	**20,725,751**	**-**	**-**	**-**	**2,219,918**	**389,884**	**311,835**	**23,647,388**
Receivables due over 5 years	-	-	-	-	-	-	-	-

The table below details the geographical composition of the receivables, all receivables are in Euro.

	Total	Italy	Abroad
Receivables from customers	20,725,751	16,071,413	4,654,338
Receivables from controlled companies	-	-	-
Receivables from affiliated companies	-	-	-
Receivables from parent companies	-	-	-
Receivables from Tax Authorities	2,219,918	2,219,918	-
Credits for prepaid taxes	389,884	389,884	-
Other Receivables	311,835	309,923	1,912
Total Receivables	**23,647,388**	**18,991,138**	**4,656,250**

1. From customers

Receivables from customers were at 20,726k Euro and are mainly related to:

- 12,654k Euro for regasification services to users, including ancillary services;
- 6,627k Euro for transportation and access fees to the national grid, netting the corresponding cost;
- 887k Euro related to the terminal's LNG losses and consumption, netting the corresponding costs;
- 505k Euro related to Operational Balancing Agreement (OBA);
- 53k Euro mainly related to the recharge of secondment costs.

5-bis) Tax credits

Tax credits for 2,220k Euro, increased of 2,125k Euro from previous year, are related to:

- 1,731k Euro related to the payable amount for income taxes net of advances paid during the year, of which 1,468k Euro of IRES and 263k Euro of IRAP;
- 419k Euro related to credit balance for VAT advances paid in December;
- 69k Euro related to excise duty for reimbursement by the Customs Agency.

5- ter) Prepaid taxes

Credit for prepaid taxes amount to EUR 390K Euro, increasing of 390K Euro, and is related to the temporary differences mainly due to the write-down of a Tangible Asset. For additional details see section 20) Income Taxes.

5-quater) Other receivables

Other receivables are equal to 312k Euro and are 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.

The credit of 4,502k Euro reported last year and related to CO_2 free allowances granted to the Company was collected in December 2019.

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 December 31, 2019 was at 23,806k Euro, which is an increase of 2,961k 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	20,844,632	-	504	20,845,136
Variation of the year	2,961,124	-	(504)	2,960,620
Value at the end of the year	**23,805,756**	**-**	**-**	**23,805,756**

D. Accrued income and prepaid expenses

Total is at 1,020k Euro with an increase of 187k Euro with respect to previous year amount. It mainly represents the deferral of insurance premiums paid in 2019 (708k Euro), in addition to the deferral of other 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	832,896	833,267
Variation of the year	-	619	186,471	187,090
Value at the end of the year	**-**	**990**	**1,019,367**	**1,020,357**

Balance Sheet – Quotaholders' Equity and Liabilities

A. Equity

Equity amounted to 1,882,937k Euro, with a decrease of 75,024k 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	1,687,096,207	0	1,687,096,207	30,864,109	1,957,960,316
Destination of the result of the previous year							
Dividends				11,450	11,450	(30,864,109)	(30,852,659)
Other use							
Other variations							
Addition							
Decreases			(70,000,000)		(70,000,000)		(70,000,000)
Reclassification							
Profit of the year						25,829,042	25,829,042
Ending balance	**200,000,000**	**40,000,000**	**1,617,096,207**	**11,450**	**1,617,107,657**	**25,829,042**	**1,882,936,698**

The legal reserve remained unchanged to one fifth of the share capital, equivalent to 40,000,000 Euro. Other reserves were at 1,617,107,657 Euro as per below details:

- 1,606,302,398 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 70,000,000 Euro is due to the partial and proportional restitution of the reserve as per Board of Directors' resolutions passed on September 27, 2018 and April 18, 2019 in line with the 2019 Financial Plan timeline, in compliance with related Quotaholders' resolutions passed on January 24, 2019 and on April 18, 2019, and without prejudice to creditors;
- 10,793,808 Euro as equity of May 2, 2005 contribution by Edison S.p.A. for extinguishing their financial inter-company receivables in line with the May 2, 2005 agreement;
- 11,449.82 Euro to Foreign Exchange Earnings Reserve, allocated last year as required by art. 2426 of Italian Civil Code and by Italian Accounting Principles (OIC 1 and 26).

Other reserves

Description	Total	Quotaholders' additional equity contributions	Reserve for exchange rate gains
Amount	1,617,107,657	1,617,096,207	11,450

During 2019 and according to Quotaholders' resolution dated April 18, 2019 the total amount of 30,853 k Euro has been paid to Quotaholders as 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	1,617,096,207	Shareholders' contributions	For a capital increase; for coverage of losses; for distribution to Quotaholders	1,617,096,207		232,000,000
Reserve from net gains on foreign exchange	11,450	Net Income	For a capital increase; for coverage of losses; for distribution to Quotaholders	11,450		19,358
Total Other Reserves	**1,617,107,657**			**1,617,107,657**		**232,019,358**
Income/ (losses) for the year	25,829,042	Net Income	For a capital increase; for coverage of losses; for distribution to Quotaholders	25,829,042		87,261,317
Total	1,882,936,698			1,682,936,698		319,280,675
Non-distributable portion	240,000,000			40,000,000		
Quota available for distribution	**1,642,936,698**			**1,642,936,698**		

Other reserves details

Description	Total	Additional paid-in capital	Reserve from net gains on foreign exchange
Amount	1,617,107,657	1,617,096,207	11,450
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 Quotahold-ers
Quota available for use	1,617,107,657	1,617,096,207	11,450
Summary of uses in the three previous years to cover losses			
Summary of uses in the three previous years for other reasons	232,030,808	232,000,000	30,808

B. Funds for risks and reserves

No funds for risks and reserves were accounted at December 31, 2019. With regard 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, a study drawing long term scenarios of energy and gas consumption by a leading consultancy firm in the sector and an opinion on civil law, administrative and accounting aspects of the matter from a preeminent consultant firm. Based on the outcome of above mentioed analysis and studies, the opinion concluded that the risk of the Company incurring potential restoration costs should be assumed as remote. In 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 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.

In addition, the Company, on the basis of multi-year plans did not deem necessary to make any provisions for the Make-Up balance as the possibility by user to exercise its Make-Up balance is deemed as remote and the additional costs to provide the related services would not be material. The user Make-Up balance is included in the "Obligations, guarantees and other commitments not included in the Balance Sheet".

C. Employee Severance Indemnity fund

Total was at 549k Euro with an increase of 36k Euro with respect to the previous year. Additional details and breakdown are reflected in the table below:

	Severance Indemnity Fund
Starting Balance	513,820
Variations during the year	
Accruals	627,011
Use	(7,250)
Other Movements	(583,825)
Total variations	35,937
Ending Balance	**549,757**

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 24,261k Euro, down by 609k 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	-	20,215,160	2,504,478	492,033	1,658,996	24,870,667
Annual variation	178,825	1,037,547	(2,181,976)	(7,422)	363,776	(609,250)
Ending balance	178,825	21,252,706	322,502	484,611	2,022,772	24,261,416
Of which due after five years	-	-	-	-	-	-

Debts for Geographic Area

Geographic Area	Totals	Italy	Abroad
Advance payments from customers	178,825		178,825
Payables to vendors	21,252,706	19,418,132	1,834,575
Taxes Payables	322,502	322,502	
Payables to Social Security	484,611	484,611	
Other Payables	2,022,772	2,013,360	9,412
Debts	**24,261,416**	**22,238,604**	**2,022,812**

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

D.6 Prepayments

Total balance of 179k Euro relates to the prepayment for marine services for one LNG berthing occurred at the beginning of January 2020.

D.7 Payables to suppliers

The amount due to suppliers was 21,253k Euro, an increase of 1,038k Euro from 2018.

Analysis of main items as follows:

- 9,000k Euro reflect payables to Snam Rete Gas for grid access costs, transportation, and distribution grid self-consumption, as per current regulation; these costs have been recharged to the terminal's users;
- 5,586k Euro relating to invoices mainly related to professional and technical services;
- 3,888k Euro relating to provisions for services and materials supplied by vendors but not yet invoiced;
- 2,051k Euro refer to payables to users related to the transfer of gas used by the terminal and grid leaks and unrecorded gas related to the distribution grid;
- 728k 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 323k Euro, with a decrease of 2,182k Euro compared to previous year, and are mainly related to withholdings for employees salary income payable in the following month.

D.13 Payables to social security and pension funds

As of December 31, 2019, total amount was 485k Euro, reflecting a decrease of 7K 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 2,023k Euro, increasing by 364k Euro from previous year.

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

- 817k Euro related to Productivity Premium in accordance with Company Agreement, T&E expenses and overtime accruals;
- 750k Euro mainly related to cash guarantees paid by users to participate in regasification capacity allocation auction procedures;
- 431k Euro related to employees' vacation days carried forward and other accruals.

E. Unearned revenue and accrued expenses

Unearned revenue and accrued expenses were at 920k Euro and are mainly due to the 2020 portion of the fixed fee for the flexibility services signed by users of the terminal.

	Accrued Liabilities	Fees on loans	Deferred revenues	Total Accrued Liabilities and Deferred Income
Starting balance	-	-	1,276,260	1,276,260
Annual variation	-	-	(356,633)	(356,633)
Ending balance	**-**	**-**	**919,627**	**919,627**

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	245,297,060	159,656,689	7,134,169	15,915,397	14,812,314	38,549,029	6,496,879	2,265,839	466,743

Value of production (Geographic Area)			
Value of production	Total	Italy	Abroad
Total value	245,297,060	172,892,750	72,404,310

A.1. Revenues from sales and services

Revenues from sales and services amount to 245,297k Euro, with an increase of 5,528k Euro from 2018.

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

- 159,657k Euro for regasification services including capacity charge, measurement and flexibility services;
- 59,858k Euro for recharge of costs incurred in the provision of transportation services;
- 15,915k Euro of revenues relating to marine services provided to enable the berthing of 88 LNG carriers at the terminal;
- 7,134k Euro for services rendered to users offsetting the LNG purchased in kind for losses and consumption;
- 2,265k Euro related to the Operational Balancing Agreement (OBA), in force from November 2016.

Revenues from the regasification services include 32k Euro related to the capacity made available and not utilized by Edison that has generated a corresponding increase of Make-Up balance.

With regards to the customer BP Energy Europe, during 2019 it satisfied all the relevant conditions to apply part of its Make-Up balance to request and be allocated additional regasification capacity corresponding to three carriers. Therefore, BP Energy Europe Make-Up balance of 317,089k euro matured during the prior 9 years' agreement was applied to the additional capacity charges for 11,587k euro, while the remaining balance of 305,552k was written-off at the end of 2019 due to the 10 years' agreement termination, as per Regasification code.

Variable marine services costs associated to the three Make-Up carriers was fully offsets by marine service revenues.

A.5. Other revenues

Other revenues and income for 467k 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 209,632k Euro, increased by 12,990k Euro from 2018.

B.6 Raw materials, consumables and supplies

Totaled 21,666k Euro and reflects a decrease of 2,389k Euro from 2018.

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 13,631k Euro, and 2,552k Euro to the Operational Balancing Agreement (OBA). Remaining 5,483k 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 92,560k Euro, increased by 11,440k Euro from previous year. The following provides the details for the total cost for services:

- 53,361k Euro for transportation grid capacity and variable transportation;
- 15,096k Euro for professional and technical assistance and services for the day-to-day management of the Company of which 3,313k Euro related to costs for seconded personnel. The remaining 11,416k Euro relate to technical, engineering and administrative services provided by third parties of which the main items refer to 4,456k Euro for professional services, 2,259k Euro relating to the costs of environment monitoring activities, lab analyses and inspections, 1,728k Euro for consultancies, 1,632k Euro for information technology services, 500k Euro for services form lawyers and notaries, 228k Euro for surveillance services, 225k Euro for fees to Statutory Auditors, Auditing Company and Guarantor and 388k Euro for other services;
- 8,985k Euro for piloting, mooring and towing services;
- 6,354k Euro for maintenance and repair services;
- 3,448k Euro for helicopter, sea and ground transportation services, personnel and cargo to the terminal and weather forecasting services;
- 1,791k Euro mainly for operating insurance costs;
- 1,985k 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;
- 1,153k Euro for healthcare services, technical and professional training and additional personnel costs;
- 168k Euro mainly due to communication and sponsorship costs for local community projects and activities;
- 156k Euro for general costs such as telephone (137k Euro), bank fees and commissions on guarantees (18k Euro);
- 102k euro for demurrage costs.

B.8 Use of third party assets

During 2019 these expenses were at 2,302k Euro, increased by 106k Euro from 2018. Main items refer to the following rentals:

- 1,083k Euro mainly for the Milan office and the Porto Viro shore base;
- 309k Euro for containers, electric trucks, cranes and other equipment at the Porto Viro shore base and the terminal;
- 38k Euro for vehicles and office equipment.

The remaining amount of 873k Euro mainly refers to the yearly fee related to the fifty-year maritime concession for terminal location (782k Euro) and other rights of way.

B.9 Personnel

Amounted to 12,559k Euro, increased by 17k Euro compared to previous year and reflects the salary escalation.

B.10 Depreciation and write-downs

Total depreciation and write downs is worth 77,448k Euro, up by 881k Euro from previous year and includes the following items.

Depreciation of intangible assets

Amounted to 713k Euro and relate for 334k Euro to the depreciation of software licenses, for 120k Euro to the improvements to third party assets for the establishment of offices leased by the Company and for 259k Euro for other intangible assets.

Depreciation of property, plants and equipment

Amounted to 75,341k Euro and relate to 31,099k Euro for buildings, 43,402k Euro for plant, machinery and pipelines, 353k Euro for other tangible fixed assets, and 487k 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.

Write-downs

Amounted to 1,393k euro and relate to partial write-down of the existing waste water treatment plant as the asset will no longer be utilized in the future as per Board of Directors' resolutions dated November 26, 2019.

B.11 Changes in stock

In 2019 there was a positive net change in stock of raw materials and consumables amounting to 81k Euro. This is related for an amount of 1,011k Euro to the decrease of LNG inventory, to the variation of 1,102k Euro of inventory spare parts and to 10k Euro of the decrease 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 3,139k Euro, with an increase of 474k Euro compared to previous year, and do primarily refer to emission trading costs (1,602k Euro), events and entertainment expenses (495k Euro), contributions to associations (146k Euro), indirect taxes and charges (250k Euro), contingent losses from assets write-offs (484k Euro) and other costs (162k Euro).

As established by OIC 8, it is reported that the value of 1,602k Euro is related to 92,281 tons of CO_2 emission for 2019, of which 13,794 tons granted by the competent authority. At year end 2019 there is no inventory of emission credits.

C. Financial income and expenses

Financial income and expenses show a net gain of 350k Euro, compared to the 45k Euro net gain of 2018. They can be broken down into the following items.

C.16 Other financial revenue

Amounted to 360k Euro up by 345k Euro from 2018, and are mainly related to interest income on CO_2 free allowances credit collected in December 2019.

C.17 Interest and other financial expenses

Amounted to 24 Euro, mainly related to late payments.

C.17 bis) Foreign exchange gains and losses

During the year unfavorable exchange rate fluctuations resulted in net loss of 10k Euro compared to 35k Euro gain in 2018. The amount is the net of gains and losses on foreign exchange operations realized (net loss of 8k Euro) and unrealized (net loss estimated at 2k Euro).
Between 2019 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 10,186k Euro inclusive of 17k Euro related to previous years' direct taxes adjustments.
With reference to Corporate Income Tax (IRES), the Company reported a positive taxable income resulting in current year taxes payable for 9,063k.
With reference to the Regional Tax on Productive Activity (IRAP), the Company reported a positive taxable income and thus made provisions for a total of 1,496k Euro in 2019. The difference recorded between the actual IRAP tax rate at 4.15% and the theoretical one (3.90%) is not material.
In 2019 prepaid taxes for 390K Euro were posted as temporary differences mainly related to Waste Water Treatment Plant's write-down. The table below summarizes prepaid taxes computation.

	Balance at 31.12. 2018	Accrual	Utilization	Balance at 31.12. 2019	Prepaid Taxes 2019		Prepaid Taxes 2018		Differences	
					IRES 24,0%	IRAP 3,9%	IRES 24,0%	IRAP 3,9%	IRES	IRAP
Tangible Assets write down	-	1,393	(6)	1,388	333	54	-	-	333	54
Membership fees not yet paid	-	10	-	10	2	-	-	-	2	-
Foreign Exchange Unrealized Losses	-	9	-	9	2	-	-	-	2	-
Foreign Exchange Unrealized Gains	-	(7)	-	(7)	(2)	-	-	-	(2)	-
Total	**0**	**1,405**	**(6)**	**1,399**	**336**	**54**	**0**	**0**	**336**	**54**

2.4.4 Comments to the Cash Flow Statement

Free cash flow in 2019 totaled 105,146k Euro, down by 8.7M Euro from 2018. 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/FixedAssets equal to 1.02.

2.5 Other Information

Relevant events occurring after year-end

The Company is continuously monitoring the evolution of the coronavirus (COVID-19) outbreak, in order to promptly identify further precautionary measures to be implemented, with the constant aim of continuing to ensure adequate health protection to Company's employees and to all other people operating at our premises.

All the provisions and the consequent actions have been developed and implemented, with the close cooperation of the Competent Doctor, the Competent Authorities and other interested parties, in compliance with Regulatory Provisions in force.

In this period the regasification service has been provided to the user(s) as per plan i.e. no effect of COVID-19 on the quality of the service.

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 as of December 31, 2019	3	21	79	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 April 26, 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 June 17, 2019, 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 2019 were at 3,186 Euro.

	BoD members remuneration	Statutory auditors fees	Total
Amount	-	168,546	168,546

Fees to the Auditing Company

According to the Quotaholders' resolutions on April 26, 2017, the fees applied to the Auditing Companies for 2019 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 653/2017/R/gas.

Rates reported above were increased by the inflation rate and finally, during the year 2,577 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	35,597	17,786	-	2,577	55,960

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

Obligations, guarantees and other commitments were at 552,605k Euro, with a decrease of 160,025k 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:

- 17,836k Euro relating to the guarantee issued to the Company following the allocation of regulated capacity;
- 6,200k Euro related to guarantees issued to the Company by users to participate in regasification capacity allocation auction procedures;
- 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;
- 9,266k 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:

- 1,572k Euro relate to the guarantees requested by Snam Rete Gas to cover the obligations deriving from the transport contract.

Obligations

- The estimate of future commitments for Make-up capacity is nil as the Company has remotely assessed the possibility of future use and, in any case, the additional costs for providing the services would not be significant. The Make-Up balance at the end of 2019 is equal to 119,061k Euro, down by 317,057k Euro compared to 2018 as per BP Energy Europe contract expiration[19];
- 287,911k 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;
- 82,165k Euro relate to the 25-year agreement with Adriatic Towage for towage services provided by 4 tugs;
- 12,926k 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;
- 3,348k 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;
- 2,100k 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.

[19] 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 during the capacity agreement up to these Financial Statements. Such balance allows the user to apply for additional capacity compensating the capacity charges with the monetary value of its Make-Up balance, subject to the following conditions: (i) capacity available at the terminal; (ii) the request is for quantities additional to contract quantities; (iii) the user should not have released capacity over the year, and (iv) the requested quantity is equal to or higher than other any requests received. A positive Make-Up balance at contract expiration does not give title to any monetary or residual regasification service commitments.

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 1,141,169MWh;
- obligation, pursuant to art. 9 of ARERA resolution 438/2013/R/Gas, to include a total of 10,416 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 December 31, 2019 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 2019.

The Financial Statements of Your Company as of December 31, 2019 report a net profit of 25,829,041.59 Euro (rounded to 25,829,042 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:

A. to allocate 25,829,041.59 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;

B. to distribute 11,449.82 Euro as available Foreign Exchange Earnings Reserve per both art. 2426 of Italian Civil Code and the Italian Generally Accepted Accounting Principles (OIC 1 and 26).

For the Board of Directors

The Chairman

Homoud Fahad Homoud Sultan Al-Qahtani

STATUTORY AUDITORS' REPORT

TO THE QUOTAHOLDERS

OF TERMINALE GNL ADRIATICO S.R.L.

RELATIVE TO FINANCIAL YEAR ENDED 31.12.2019

Dear Quotaholders,

the Board of Directors called this meeting to resolve on the Financial Statements of the year ended as of 31 December 2019 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 2019 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 245.3 million Euro,
- gross operating margin at 113.1 million Euro,
- earnings before taxes at 36 million Euro
- income, net of taxes for 10.2 million Euro, at 25.8 million Euro

As of 31 December 2019, the total value of capital assets, tangibles and intangibles, net of 2019 depreciation, is equal to 1,845 million Euro, almost all related to the regasification terminal.

With regards to the operational aspects of the year ended as of 31 December 2019, 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 7.6 billion cubic meters, corresponding to about 11.2% of gas imports to the Italian markets and 10.7% of total gas supply;
- 88 LNG vessel berthed the terminal, higher than 2018;
- the Terminal capacity utilization was equal to 96%, higher than previous year and maintaining a still much higher rate than the average utilization of other LNG terminals in Europe.

The result, however remarkable, is influenced by the fact that in 2019 there were not capacity slots released, by the long term customers, as in previous years. Also this year, the gas market conditions did not facilitate the allocation of additional capacity to the regasification capacity contractually agreed, excluding the portion requested as Make-Up's capacity recover. 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 2019, 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 verified the existence and updating of the Code of Ethics and the Integrity Model (ex legislative decree n. 231/2001), through regular meetings and the adequate information provided by the Compliance Team in periodical reports;
- 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. During 2019 the Quotaholder's Audit was conducted covering all Adriatic LNG's activities and processes. The audit results were communicated to the Statutory Auditors, and despite of substantial improvement required for some areas, the system of controls is satisfactory and adequate to manage the risks.

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. The Board has also reported, among the relevant events occurring after year-end, how the Company has developed and implemented, in close cooperation with the Competent Doctor and in compliance with Regulatory Provisions in force, all measures to ensure appropriate levels of health protection for Company personnel and third parties against the coronavirus (COVID-19) outbreak;
- on the ongoing legal litigation the Board of Statutory Auditors received periodic updates 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 the overcoming of all the tax issues reported in previous years;

- taken note of the regular monitoring and updating of the elements on the basis of which the risk of incurring potential restoration costs is still considered remote.

Even with reference to the topics above, the Board of Statutory Auditors put in place the appropriate information exchange with the External Auditor PriceWaterhouseCoopers Spa, from which 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.

On this matter, we underline that the three-year period for the position of the external auditor has ended and this Board, in fulfillment of the specific obligations imposed by law, following the process aimed to identify the new external auditor, adopted the separate proposal that is submitted to you to make your decision.

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, 2019 and of the Board of Directors proposal concerning the allocation of the net income of the financial year.

The Board also notes that, as the period for which the Board of Statutory Auditors has been expired, we remind you that Quotaholders have to appoint the new Control Body for the next years.

Milan - Rome, April 27th, 2020

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

pwc

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 2019, 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 2019, 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.

PricewaterhouseCoopers SpA

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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 2019, 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 2019 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 2019 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, 27 April 2020

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

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