



Interim Financial Statements

as of 30th June 2016

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Annexes:

In-Company Control:

Declaration by the Manager - Certification of the Consolidated Interim Financial Statements in accordance with art. 81-ter of Consob regulation no. 11971.

Auditing Company:

Independent Auditors' Report limited to the auditing of the consolidated interim financial statements as of 30th June 2016.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

Name	Office	Duration of office	From	To
Zugno Fulvio	Chairman of the Board of Directors*	2014-2017	24/04/2014	Approval of budget 2016
Coin Dimitri	Independent Director	2014-2017	24/04/2014	Approval of budget 2016
Pietrobon Greta	Independent Director	2014-2017	24/04/2014	Approval of budget 2016
Paron Claudio	Independent Director **	2014-2017	19/06/2014	Approval of budget 2016
Quarello Enrico	Independent Director	2014-2017	24/04/2014	Approval of budget 2016

(*)Powers and attributions of ordinary and extraordinary administration, within the limits of the law and of the Corporate memorandum of association and in observance of the reserves within the competence of the Shareholders' Meeting and the Board of Directors, according to the resolutions of the Board of Directors.

(**) Mr. Paron Claudio replaces Mr. Piva Bruno who has resigned.

Name	Office	Duration of office	From	To
Bortolomioli Marcellino	President of the Board of Auditors	2014-2017	24/04/2014	Approval of budget 2016
Biancolin Luca	Statutory Auditor	2014-2017	24/04/2014	Approval of budget 2016
Alberti Elvira	Statutory Auditor	2014-2017	24/04/2014	Approval of budget 2016

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Coin Dimitri	29/04/2014	Approval of budget 2016	Coin Dimitri	29/04/2014	Approval of budget 2016
Quarello Enrico	29/04/2014	Approval of budget 2016	Quarello Enrico	29/04/2014	Approval of budget 2016
Paron Claudio	19/06/2014	Approval of budget 2016	Paron Claudio	19/06/2014	Approval of budget 2016

Independent Auditors

PricewaterhouseCoopers S.p.A.

Legal headquarters and Company data

Ascopiave S.p.A.

Via Verizzo, 1030

I-31053 Pieve di Soligo TV Italy

Tel: +39 0438 980098

Fax: +39 0438 82096

Share Capital: Euro 234,411,575 fully paid in

VAT ID 03916270261

e-mail : info@ascopiave.it

Investor relations

Tel. +39 0438 980098

fax +39 0438 964779

e-mail : investor.relations@ascopiave.it

Main economic and financial data of the Ascopiave Group

Economic figures

(Thousands of Euro)	First half 2016	% of revenues	First half 2015	% of revenues
Revenues	265,811	100.0%	321,561	100.0%
Gross operative margin	48,933	18.4%	42,418	13.2%
Operating result	37,705	14.2%	30,411	9.5%
Net result for the period	29,240	11.0%	24,060	7.5%

The gross operating margin (EBITDA) is the result before amortisation/depreciation, financial management and taxes.

Assets figures

(Thousands of Euro)	30.06.2016	31.12.2015	30.06.2015
Net working capital	(10,417)	56,689	20,028
Fixed assets and other non current assets	518,031	527,182	524,764
Non-current liabilities (excluding loans)	(46,187)	(49,698)	(52,802)
Net invested capital	461,428	534,173	491,990
Net financial position	(46,639)	(114,037)	(93,093)
Total Net equity	(414,788)	(420,137)	(398,897)
Total financing sources	(461,428)	(534,173)	(491,990)

Please note that 'Net working capital' is intended as the sum of the inventories, trade receivables, tax receivables, other current assets, accounts payable, tax payables (within 12 months), and other current liabilities.

Monetary flow data

(thousands of Euro)	First half 2016	First half 2015
Net income of the Group	27,510	22,621
Cash flows generated (used) by operating activities	106,226	76,415
Cash flows generated/(used) by investments	(9,239)	(7,749)
Cash flows generated (used) by financial activities	(109,801)	(150,936)
Variations in cash	(12,815)	(82,270)
Cash and cash equivalents at the beginning of the period	28,301	100,882
Cash and cash equivalents at the end of the period	15,486	18,613

REPORT ON OPERATION

FOREWORD

The Ascopiave Group closed the first half of 2016 with a net consolidated profit of Euro 29.2 million (Euro 24.1 million as of 30th June 2015), with an increase of Euro 5.2 million, +21.5%, as compared to the same period in the previous year.

The consolidated net assets at the end of the first half of the year amounted to Euro 414.8 million, (Euro 420.1 million as of 31st December 2015) and the net capital invested to Euro 461.4 million (Euro 534.2 million as of 31st December 2015).

At the end of the first half of 2016, the Group accomplished investments for Euro 9.6 million (Euro 8.0 million as of 30th June 2015), mainly in the development, maintenance and modernisation of the networks and plant of gas distribution and the installation of electronic metres.

Activities

The Ascopiave Group mainly operates in the sectors of distribution and sale of natural gas, as well as in other sectors related to the core business, such as the sale of electric power, heat management and co-generation.

The Group currently holds concessions and direct assurances for the supply of the service in 208 municipalities (208 municipalities as of 31st December 2015) and has a distribution network extending for over 8,350 km¹ (over 8,300 km as of 31st December 2015), providing a service to a catchment area bigger than 1 million inhabitants.

The activity of natural gas sale to end customers is carried out through subsidiaries of the parent company Ascopiave S.p.A., controlled exclusively or jointly with other shareholders.

In the gas sale segment, Ascopiave is one of the main National operators with over 540 million cu.m¹ of gas sold in the first six months of 2016 (562 million cu.m¹ as of 30th June 2015).

Strategic objectives

Ascopiave aims to pursue a value-driven strategy for its stakeholders, by maintaining the level of excellence in the quality of services offered, in the respect of the environment and social groups, to increase the value of the field in which it operates.

1

The data specified as regards the length of the distribution network and the volumes of gas sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

The Group intends to consolidate its leadership position in the gas sector at a regional level and aims to reach a prominent position also at the national level, taking advantage of the liberalisation process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operating processes.

Management trend

The volumes of gas sold in the first half of 2016 are equal to 540.7 million cubic metres, marking a decrease of 3.9% as compared to the same period in the previous year.

The volumes of electrical energy sold in the first half of 2016 were 184.5 GWh, marking a decrease of 9.7% as compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 491.3 million cu.m, an increase of 0.3% million cu.m as compared to the same period in 2015. The distribution network as of 30th June 2015 has an extension of 8,354 km (8,312 km as of 31st December 2015).

Economic results and financial situation

In the first half of 2016 the consolidated revenues of the Ascopiave Group equal Euro 265.8 million, compared to Euro 321.6 million in the first half of 2015. The decrease in the turnover is mainly due to the decrease in the revenues on gas sale (Euro -58.7 million), explained by lower amounts of gas sold and a decrease in unit sales prices.

The Operating Result of the Group equals Euro 37.7 million, marking an increase as compared to Euro 30.4 million in the first half of 2015. The increase in the Operating Result is mainly connected to improved results of the gas and electricity sales activities, explained by the increase in unit margins.

The Net Result of the Group equals Euro 27.5 million, increasing as compared to Euro 22.6 million in the first half of 2015, due to an increase in the operating result and a higher result of the companies consolidated through the equity method, which have more than offset the increase in net financial expenses and the increased fiscal charges on income taxes.

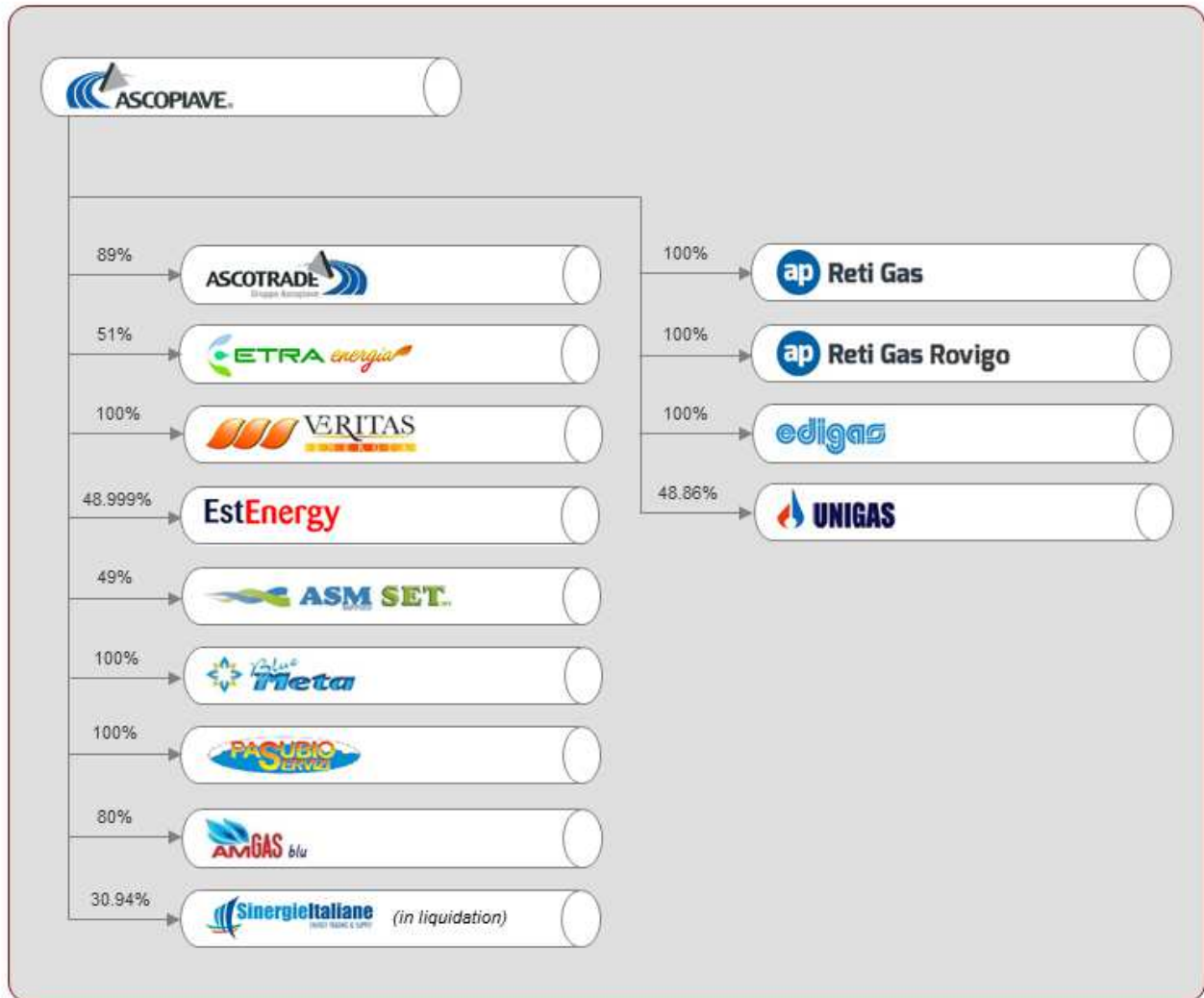
The Net Financial Position of the Group as of 30th June 2016 is equal to Euro 46.6 million, with an improvement of Euro 67.4 million as compared to Euro 114.0 million as of 31st December 2015.

The reduction in financial indebtedness is determined by the cash flow of the period (Euro +40.5 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which generated financial resources for Euro 65.8 million. The investment activity originated a requirement of Euro 8.9 million, while assets management (distribution of dividends and dividends received by the companies consolidated using the equity method) absorbed resources for Euro 29.9 million.

The ratio between Net financial position and Net equity as of 30th June 2016 is equal to 0.11 (0.23 as of 30th June 2015).

The structure of the Ascopiave Group

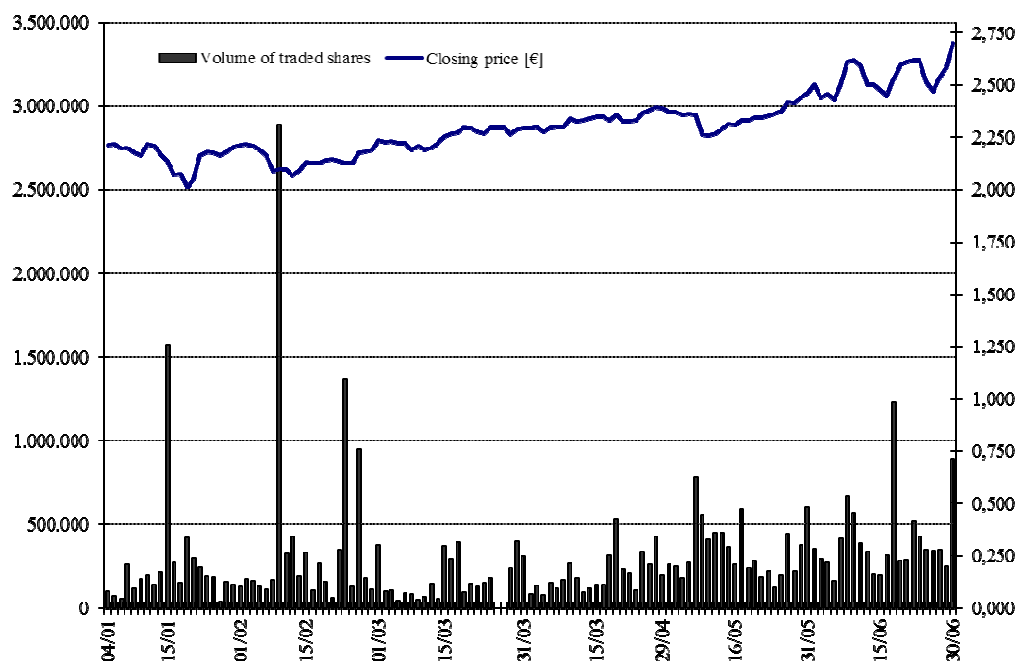
The table below shows the company structure of the Ascopiave Group as on 30th June 2016.



Ascopiave S.p.A. share trend on the Stock Exchange

As of 30th June 2016 the Ascopiave share registered a quotation of Euro 2.700 per share, with an increase of 21.8 percentage points as compared to the listing at the beginning of 2016 (Euro 2.216 per share, referred to the quotation of 4th January 2016).

Capitalisation of the Stock Exchange as of 30th June 2016 was equal to Euro 632.44 million².



During the first half of 2016, the quotation of the share showed a positive performance (+21.8%), which reflects the improvement of the industry index FTSE Italia Servizi di Pubblica Utilità (+5.5%). On the contrary, the indexes FTSE Italia All-Share (-21.1%) and FTSE Italia Star (-8.3%) have decreased.

In the following table we report the main shares and stock-exchange data as of 30th June 2016:

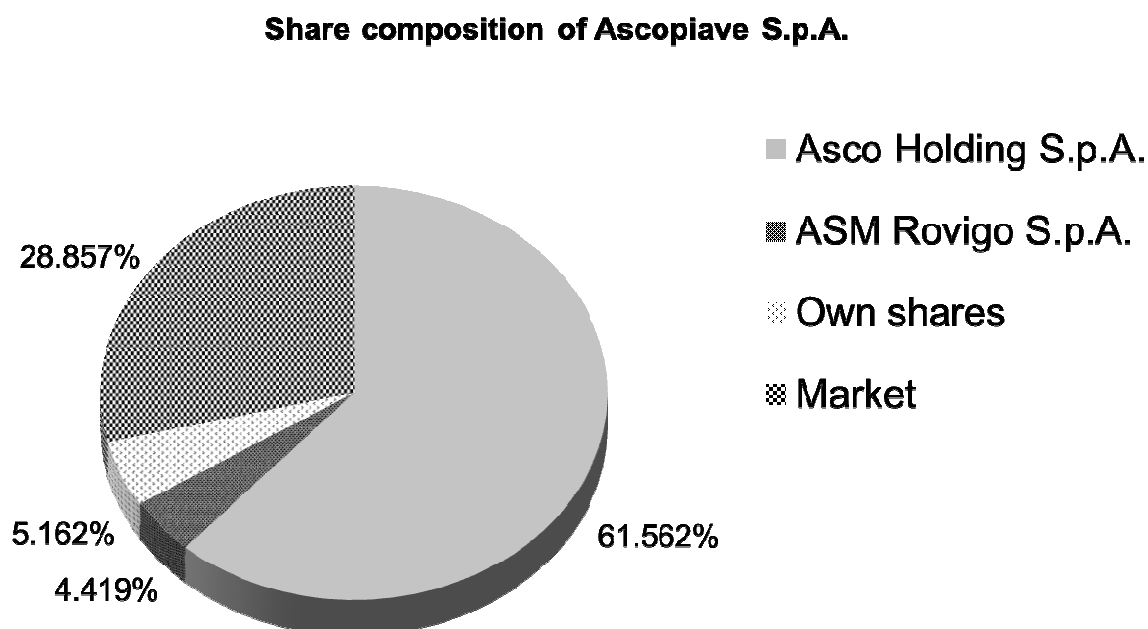
Share and stock-exchange data	30.06.2016	30.06.2015
Earning per share (Euro)	0.12	0.10
Net equity per share (Euro)	1.75	1.68
Placement price (Euro)	1.800	1.800
Closing price (Euro)	2.700	2.164
Maximum annual price (Euro)	2.700	2.460
Minimum annual price (Euro)	2.010	1.760
Stock-exchange capitalization (Million of Euro)	632.44	511.07
No. of shares in circulation	222,310,702	222,310,702
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	12,100,873	12,100,873

² The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30th June 2016 equalled Euro 11.3 billion. Source: Borsa Italiana website (www.borsaitaliana.it).

Control of the Company

As of 30th June 2016, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital.

The share composition of Ascopiave S.p.A., according to the number of shares held, is as follows:



Internal processing on information received by Ascopiave S.p.A. pursuant to art. 120 Consolidated Financial Law.

Corporate Governance and Code of Ethics

During the first half of 2016, Ascopiave S.p.A. continued its improvement process of the corporate governance system planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to protect investors' benefits.

Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Board of Directors of the Company. In particular, the audit activities included in the above-mentioned activity plan, formulated before a risk assessment involving the main decisional processes, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

Appointed Manager

The Appointed Manager, helped by the Internal Audit services, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for the drafting of financial information.

To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

Organisational, management, and controlling model pursuant to Leg. Decree 231/2001

Ascopiave S.p.A. and all of its subsidiaries have adopted an Organisational, management and controlling model; they have also adhered to the Code of Ethics of the Parent company Ascopiave.

The Company, availing of the activity of the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted.

The Company has also continued its promotional, diffusion and understanding activity of the Code of Ethics as concerns all its interactions, esp. with business and institutional parties.

The 231 Model and the Code of Ethics can be read in the corporate governance section at www.gruppoascopiave.it.

Transactions with related and affiliated parties

The Group has the following transactions with related parties with the following types of costs:

- ✓ Purchase of IT services from the subsidiary ASCO TLC S.p.A.;
- ✓ Purchase of materials for the production process and maintenance services from the affiliate company SEVEN CENTER S.r.l.;
- ✓ Credit transactions in favour of ASM Set S.r.l., jointly controlled company;
- ✓ Administrative services for ASM Set S.r.l., jointly controlled company;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l., in liquidation;
- ✓ Administrative services and services of personnel of Unigas Distribuzione S.r.l.;
- ✓ Purchase of electricity from Estenergy S.p.A., jointly controlled company.

The Group has the following transactions with related parties with the following types of revenues:

- ✓ Leasing of owned real properties to the subsidiary ASCO TLC S.p.A.;
- ✓ Leasing of owned real properties to the affiliate Sinergie Italiane S.r.l. in liquidation;
- ✓ Relations of active current accounts correspondence to ASM Set S.r.l. jointly controlled company;
- ✓ Administrative services and services of personnel of Ascopiave S.p.A. to ASM Set S.r.l., Unigas Distribuzione S.r.l., Sinergie Italiane S.r.l. in liquidation and SEVEN CENTER S.r.l.;
- ✓ Sale of electricity to ASM Set S.r.l., jointly controlled company.

Relationships deriving from tax consolidation with Asco Holding S.p.A.:

Ascopiave S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., Pasubio Servizi S.r.l., Blue Meta S.p.A. and Veritas Energia S.p.A. have also adhered to the consolidation of tax relations held by the Parent company Asco Holding S.p.A., highlighted in the current assets and liabilities.

We would like to point out that these relations are characterised by the highest transparency and by market conditions. As regards each relationship, please see the Explanatory Notes.

The table below shows the economic and financial nature of the transactions described above:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.		1,570	0	13,368	0		10,385	0	31	0
Total parent company	0	1,570	0	13,368	0	0	10,385	0	31	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	39	0	0	0	0	259	0	0	54	172
SEVEN CENTER S.R.L.	0	0	10	25	1	96	3	0	13	0
Total affiliated companies	39	0	10	25	1	355	3	0	67	172
<i>Subsidiary companies</i>										
Estenergy S.p.A.	0	0	362	8	0	0	0	0	0	0
ASM SET S.R.L.	396	0	84	925	6	45	7	3,340	266	24
Unigas Distribuzione Gas S.r.l.	1	0	278	0	0	5,409	0	59	36	0
SINERGIE ITALIANE S.R.L.	54	9,900	0	0	25,313	9	0	0	32	0
Total subsidiary companies	452	9,900	724	933	25,319	5,464	7	3,399	335	25
Total	490	11,470	734	14,276	25,319	5,819	10,394	3,399	433	196

Fees paid to Directors and Statutory Auditors, director-generals and managers with strategic responsibilities and shares held

The aggregate remuneration of Directors, Auditors and Senior management of the Group in the first half of 2016 is equal to Euro 885 thousand, as compared to Euro 687 thousand in the first half of the previous financial year; the change is mainly explained by the implementation of the “Management by objectives” plan.

Significant events during the first half of 2016

On 18th January 2016, Ascopiave, along with other operators, filed an appeal before the Council of State against the judgement of the Regional Administrative Court of Lombardy no. 2221/2015, about regulations governing gas distribution tariffs.

In February 2016, the Law no. 21/2016 was approved, which contains provisions governing the distribution of gas. In particular, Article 3 establishes that the time limits for the publication of the tender notices envisaged in the earlier legislation should range from a maximum of 14 months to a minimum of 5 months, depending on the group to which the Minimum Territorial Area belongs. Subsequent to the expiration of the time limits within which the awarding entities designated by the Municipalities should have published the tender notices, the new legislation provides that the competent Region for the Area grants six extra months, after which it may invite tenders by appointing an acting Commissioner. If two months elapse without such appointment, the Ministry of Economic Development, in agreement with the Region, may intervene by appointing its own acting Commissioner. The law has also abolished the penalties under the scope of the Municipalities established by the previous legislation in the event of delayed publication of tender notices.

Establishment of AP Reti Gas S.p.A.

On 18th March 2016, the company AP Reti Gas S.p.A. was established, with a share capital of Euro 200 thousand, fully paid-in, 100% controlled by Ascopiave S.p.A.. On 1st July 2016, it was entrusted with Ascopiave S.p.A.’s business unit in charge of natural gas distribution, in compliance with the unbundling obligations that require the separation between sales and natural gas distribution integrated in the same corporate group.

As part of a strategic plan aimed at streamlining the corporate structure, strengthening the focus on individual businesses and ensuring compliance with unbundling rules, AP Reti Gas S.p.A.'s governance structure has been defined.

AP Reti Gas S.p.A.'s Board of Directors consists entirely of members of Ascopiave's Senior Management, and in particular Mr Roberto Gumirato, General Manager, Ascopiave S.p.A., who will serve as Non-executive Director. The Board of Directors also includes Mr Antonio Vendraminelli, Mr Giacomo Bignucolo, Mr Riccardo Paggiaro and Ms Chiara Gabrel.

Combination of Veritas Energia S.p.A.

On 10th February 2014, the purchase from Veritas S.p.A. of the remaining percentage of Veritas Energia S.p.A.'s share capital was finalised. As a consequence, the total control of the company was acquired, against the payment of Euro 4 million. Therefore, the company Veritas Energia S.p.A. was fully consolidated by the Ascopiave Group commencing 1st January 2014.

The acquisition agreement envisaged, under the scope of Veritas S.p.A., a guarantee on third party receivables existing at the closing date in order to cover the event of non-collection within the 24 subsequent months, up to Euro 5,000 thousand.

For this purpose, the seller had paid Ascopiave S.p.A. a guarantee deposit, bearing interests, equal to Euro 2,838 thousand, recognised until 31st December 2015 in the item financial liabilities, and this liquidity was connected to the purchase of two-year "repurchase agreements". The difference between the maximum amount of the guarantee set forth in the agreement, equal to Euro 5,000 thousand, and the deposit amounting to Euro 2,838 thousand was guaranteed by Veritas S.p.A. to Ascopiave S.p.A. through a suitable letter of guarantee issued by the company itself.

On 10th February 2016, the restriction on the amounts received by the seller expired and, consequently, the amount of the compensation that the seller should have paid Ascopiave S.p.A. for the non-collection of the receivables was calculated, to the tune of Euro 396 thousand. Subsequently, the residual deposit was returned, along with the letter of guarantee issued by Veritas S.p.A. The compensation was booked in "Other income" in accordance with the provisions of the IFRS 3 accounting standard, as the business combination was already definitive after 12 months of acquisition.

Shareholder's Meeting held on 28th April 2016

The Shareholders' Meeting of Ascopiave S.p.A. convened in its ordinary session on 28th April 2016, chaired by Mr Fulvio Zugno. During the meeting, the 2015 yearly statement was approved and the Meeting agreed to distribute a dividend of Euro 0.15 per share. The dividend was paid on 11th May 2016 with ex-dividend date on 9th May 2016 (record date on 10th May 2016).

Furthermore, the Meeting has approved the remuneration policy of the Company, set out in compliance with Art. 123/3 of the Unified Finance Law as well as a new purchase and sale plan of treasury shares under the terms of articles 2357 and 2357-ter of the Civil Code, to replace and revoke the previous authorisation of 23rd April 2015.

Sale of cogeneration plants to the subsidiary Veritas Energia S.p.A..

On 30th June 2016, Ascopiave S.p.A. sold to the subsidiary company Veritas Energia S.p.A. its cogeneration plants.

DCO 205/2016/R/gas

On 28th April 2016, the Authority issued the consultation document DCO 205/2016/R/gas concerning the recognition of costs related to investments in the natural gas distribution networks built commencing 2017. The document presents the initial guidelines of the Authority and envisages further analyses, in order to issue the final measure by the end of December 2016. The Authority has expressed its intention – with regard to new investments – to supersede the current criterion of recognition of historical costs and to adopt, as an alternative, criteria based on benchmarks, assuming three alternative hypotheses:

1. the evaluation of the costs recognised on the basis of standard costs;
2. the application of the price cap method;
3. the different application by minimum territorial area of the price cap rather than the evaluation on the basis of standard costs, based on the presence in the area of methane plants and the estimated development of the service;

The management is participating in the consultation process, assessing the potential organisational and financial impacts of the regulatory evolution.

Efficiency and energy saving

In order to meet the energy saving requirements specified by Decree dated 20th July 2004, in 2006 and 2007 Ascopiave realised the following two projects (the second in several phases):

- The installation of thermoregulation and computerised management tools in public buildings;
- Distribution of florescent light bulbs for electrical energy savings and a kit including a low-flow shower head and a low-flow tap to save hot water to all of its domestic clients.

The project on remote management was concluded in 2009, whereas the main one, relating to the distribution of the energy saving kit, ended in the first semester 2010, with the assignment of about 5,000 certificates.

In 2015, Ascopiave decided to resume the implementation of projects to obtain the certificates and to this end it submitted a request to enhance the efficiency of gas preheating systems for the distribution network.

In order to fulfil its current and future needs, Ascopiave S.p.A. will have to realise new projects of energy saving and buy certificates on the market. With Resolution AEEG EEN 9/11 issued on 27th October 2011, the new guidelines for the energy efficiency market were established, which also provide for an adjustment of the certificates to the useful life of the project. This should support the offer of certificates, which is still below the expectations of the targets set for distributors.

On 31st March 2016, Ascopiave S.p.A. submitted to GSE certificates for an amount exceeding 60% of the 2015 target. According to current regulations, penalties are applied if a lower percentage is achieved. The energy efficiency target of the Parent company Ascopiave S.p.A. in 2015 amounted to 84,057 Energy Efficiency Certificates.

As concerns 2016, Ascopiave S.p.A. received a communication from GSE which quantifies an obligation of 104,012 white certificates, to be delivered by 31st May 2017.

Subscription, with the Municipalities involved, of a convention for the adoption of a shared procedure aimed at the agreed quantification of the “Residual Industrial Value” of the networks

The regulatory amendments which replaced each other over the past years and in particular the legislation which provided for the selection of the operator of the distribution service through the so-called “territorial calls for tenders”

tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

Normally, in relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely:

- (i) The early redemption (normally governed with reference to Royal Decree no. 2578/1925) and
- (ii) the reimbursement from the (natural) expiration of the concession.

The eventuality of a “force of law” expiration, preceding the effective date of the “contractual” expiration, (as a rule) was not envisaged (and therefore governed) in the concession deeds.

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the Body) and in other ways similar to the expiration of the concession term (which however has not expired).

At least until Ministerial Decree 226/2011, there were no legislative and/or regulatory norms which precisely defined the methods and criteria to determine the R.I.V. of the plants and which could therefore complement the contractual clauses, often deficient.

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2014, merely referred to Royal Decree 2578/1925 which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. Just consider that the lack of such agreements in the past has often led to administrative and civil/arbitral litigations.

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in “canonical” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned partner Municipalities, Ascopiave has signed a convention which implied hiring a renown independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29th August 2011.

The expert has written a report on the “*Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.*” which was approved on 2nd December 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

In 2013 Ascopiave submitted the state of consistency and the appreciation of the plants determined applying the criteria set in the Report, offering at the same time its willingness to perform the cross-examination with the Municipalities,

aimed at analysing the documents.

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 31st December 2015) have approved the residual value.

As part of the above process, the reciprocal relations mostly connected to the management of the service were governed as well, since both the payment of “one-off” amounts (2010 – signature of supplementary deeds) for Euro 3,869, and (since 2011) real fees for variable amounts and equal to the difference, if positive, between 30% of the “restriction on revenues” recognised by the tariff regulation and the amount already received by the Municipality itself as a dividend in 2009 (financial statements 2008) are envisaged.

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.

were paid for a total amount of Euro 30,226 thousand.

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 – Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31st December 2014, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

Litigations

CATEGORY I – ADMINISTRATIVE LITIGATIONS

As of 30th June 2016, as far as concessions are concerned, no administrative litigations are pending.

CATEGORY II – LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 30th June 2016, the following litigation is pending:

MUNICIPALITY OF COSTABISSARA:

A judgement is pending before the Court of Appeal of Venice for the establishment of the industrial residual value of the distribution plants (delivered to the new operator during FY 2011). The Municipality, by a deed notified on 12th December 2015, appealed the Award dated 25th-26th May 2015. At the hearing held on 19th May 2016, the Court scheduled the pre-trial hearing for 7th March 2019.

The Arbitration Commission ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interests at the date of filing the Award. In the same Measure the costs of the procedure were quantified in Euro 210 thousand (plus VAT, Lawyers’ social security fund and overheads), two-thirds of which under the scope of the

Municipality and one third under the scope of Ascopiave S.p.A.. The Award was declared enforceable by the Court of Vicenza on 7th July 2015.

CATEGORY III – LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 30th June 2016, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

An Arbitration is pending between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator) following the result of the previous Judgement, with respect to which the Court of Appeal of Venice, with Judgement no. 2178/15, has accepted the appeal of the Municipality, ratifying the validity of the arbitral clause set forth in the original Agreement, thereby cancelling the Judgement of the Court of First Instance dated 25th August 2014, by which the Single Judge sentenced the Municipality to pay an amount of Euro 1,678 thousand.

With a conservative approach aimed at avoiding the expiry subsequent to Judgement 2178, on 11th December 2015, Ascopiave S.p.A. gave a Notification of Litigation to start the Arbitration procedure.

The Parties are currently negotiating a settlement. A meeting is scheduled for the first week of August 2016, in order to assess if an agreement can be concretely reached.

MUNICIPALITY OF SANTORSO:

An arbitration is pending between Ascopiave S.p.A. and the Municipality of Santorso for the establishment of the residual industrial value of the distribution plants (delivered in 2007 to the new operator). The start of the procedure was necessary as a result of the Judgement dated 4th September 2013 by which the Judge declared that the Court of Vicenza has no jurisdiction for the validity of the arbitral clause set forth in the original Agreement.

Noting the failure of attempts to amicable settlement, on 12th November 2013, Ascopiave S.p.A. served the litigation notice with the appointment of the party Arbitrator. The Municipality, by resolution dated 26th November 2013, appointed its Arbitrator. By decision of the President of the Court of Vicenza dated 31st January 2014 (taken upon request by Ascopiave) the third Arbitrator and the Chairman of the Panel were appointed.

The Municipality has contested this procedure (also set forth in the concession agreement) supporting the applicability of the new law dated 2012 which, amending the Public Contracts Code, introduced a peculiar regulation with respect to the arbitration proceedings with the Public Bodies which envisages, among other things, the appointment of the third Arbitrator by the Court of Arbitration of AVCP (Authority for the Supervision of Public Contracts for works, services and supplies, now ANAC).

With a partial award dated 10th January 2015, the Panel confirmed the legitimacy of its constitution and therefore the full legitimacy to proceed.

With order dated 27th February 2015, the Panel set an investigation by a court-appointed expert to determine the value of the plants.

The court-appointed expert witness has submitted his report within the deadline (30th November 2015). The report has been strongly contested in detail by the defendant's expert and Ascopiave's attorney.

At the hearing held on 21st December 2015, the Panel gave the Parties a time limit for filing a defence (1st February 2016) to respond to the respective notes filed during the hearing, relating to the expert's reports prepared by the court-

appointed expert witness.

In view of the aforesaid challenges and the subsequent applications filed by the Parties, the Panel has allowed the latter to consult the court-appointed expert witness on 10th March 2016. The Panel has therefore decided that the court-appointed expert witness shall address the questions filed within 29th April 2016. Ascopiave S.p.A. has filed its questions within the deadline.

At the hearing held on 27th June 2016, the Panel established the deadlines within which the Parties can state their claims and subsequently any responses, within 21st September 2016 and 11th October 2016 respectively.

CATEGORY IV – PENDING ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 30th June 2016, the following litigations are pending:

ASCOPIAVE S.p.A. – HEADQUARTERS EXTENSION:

An appeal before the Council of State filed by the company Setten Genesisio S.p.A., for the tender involving the construction of the new company headquarters and aimed at obtaining the review of the sentence no. 6335/2010 issued by the Regional Administrative Court of Veneto that, despite admitting the appeal filed by the company and thereby annulling the tender acts, rejected the request for compensation for damage (for about Euro 1,300 thousand) against Ascopiave and the company Carron S.p.A..

In order to obtain the review of the First Instance Sentence, Ascopiave S.p.A. has filed an incidental appeal.

With Judgement no. 275/2016 dated 27th January 2016, the Council of State allowed the interlocutory appeal filed by Ascopiave and therefore rejected both the main appeal and the request for compensation (Euro 1,300,000) submitted by Setten Genesisio, without prejudice to the compensation of legal costs. As a consequence, Ascopiave is not indebted to Setten Genesisio.

Commencing the next quarter, the litigation herein will no longer be included in the pending disputes.

AEEGSI – RESOLUTIONS ARG/GAS 241/2013 – 533/2013:

An appeal to the Regional Administrative Court of Latium, which overrules Ministerial Decree dated 5th February 2013 approving the agreement template for managing the service subsequent to the following calls, limiting to the last part of art. 21.3 where the manager “supplies the default service according to the methods defined by the Authority.” This is a merely precautionary measure aiming at avoiding the risk of lack of interest in the aforesaid main judgement. Given the merely instrumental nature and Judgement issued on 6th December 2014, by which the Council of State allowed the appeal filed by AEEGSI and, as a consequence, cancelled the Judgement issued by the Regional Administrative Court of Lombardy no. 3272 of 28th December 2012, the Proceedings will not be carried on.

With appeal to the Regional Administrative Court of Lombardy Milan, Resolution 241/2013 was contested as well. The main reasons are: failure to envisage a compensation for the default service interventions in progress; the provisions concerning delay penalties or failure to implement power failure to be paid by the distributor even if the delay or the failure to implement depend on causes not attributable to the distributor. Finally, in connection with previous appeals (pending at that time), the “motivation” given to the provision was contested: according to the AEEGSI, this motivation only derives from the need to obviate a sort of “incompetence” of the distributors.

AEEGSI further intervened on the matter, with Resolutions 533/2013 and 84/2014. On 21st January 2014 an appeal was filed against Resolution 533/2013 before the Regional Administrative Court of Lombardy Milan. The reasons are similar to those that led to appeal Resolution 241/2013.

In early-March 2015, it was disclosed that, with judgements no. 593 and 594/2015, the Regional Administrative Court rejected the appeals of 2i Rete Gas S.p.A. and Italgas against the same resolutions 241/2013 and 533/2013.

The interest in the judgement has somewhat diminished because the regulatory environment has been profoundly changed by the subsequent numerous legislative measures and there is therefore a need to evaluate other judgements with respect to the proceeding brought by other companies in the sector.

AEEGSI – RESOLUTIONS ARG/GAS 28/12 – 193/12 – 246/12 – 631/2013:

An appeal before the Regional Administrative Court of Lombardy – Milan, against the Authority for Electricity and Gas for cancelling Resolution ARG/gas 28/12, relating to the change from traditional meters to electronic meters, remotely read and managed; in particular: for the failure to recognise the residual value of the replaced meters still having a valid seal; for the wrong (underestimated) indication/recognition of standard costs for the new appliances; for the obligation to use electronic meters only as from 1st March 2012 in spite of the fact that the technology needed is not yet available at an industrial level.

Subsequently, as partial modifications to Resolution 28, the AEEGSI issued Resolutions 193/2012 and 246/2012, which, however, were not sufficient to withdraw the company's complaint. The deadline set on 1st March 2012 was cancelled and postponed to 31st December 2012. The company has filed an appeal against both resolutions with additional grounds. Similarly, Resolution 316/2012 through which the AEEGSI further intervened on the matter, has also been contested.

With Resolution 631/2013 the AEEGSI further intervened on the matter, amending Resolution 28/2012. Therefore, the new stay request, submitted with reference to the previous rules, (also contested) was withdrawn. The proceedings are formally still in progress; however, by virtue of Resolution 631, they should/could be considered without further legal interest.

Therefore, commencing the next quarter, the litigation herein will no longer be included in the pending disputes.

GUIDELINES – MINISTERIAL DECREE 22ND MAY 2014

An appeal to the Regional Administrative Court of Latium – Rome against the Minister of Economic Development for the cancellation of Ministerial Decree dated 22nd May 2014 concerning the introduction of Guidelines for the determination of the residual industrial value. As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity).

On 1st October 2015, Ascopiave actually filed an appeal against Ministerial Decree 106 dated 20th May, amending Ministerial Decree 226/2011, with “additional grounds” with respect to the main appeal. The latter, in fact, at least with regard to Article 5, has merely introduced the regulations of the Guidelines into Ministerial Decree 226/2011.

Subsequent to the outcome of the hearing dated 28th April 2016, the judgement was delivered. We are awaiting the Judgement.

AEEGSI RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the AEEGSI, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.

AEEGSI RESOLUTION ARG/GAS 367/2014

An appeal to the Regional Administrative Court of Lombardy – Milan against the AEEGSI, for the cancellation of Resolution ARG/gas 367/2014 related to the methods for recognising the value of the RAB RIV delta in the section which envisages different regulations for incumbent (no reimbursement) and non-incumbent (full reimbursement) winners of the Territorial tender.

With Judgement no. 2221/2015 filed on 19th October 2015, the Regional Administrative Court, confirming the previous (already reported) Judgement 1396/2015, rejected the appeal. Ascopiave is currently assessing if an Appeal is appropriate.

As far as the most impactful aspects are concerned, the Judgement has recognised the legitimacy of the asymmetric regulatory solution adopted by AEEGSI, according to which for each municipal installation, the local net invested capital (RAB), recognised to the winner of the territorial tender, will be equal to:

- The reimbursement value of the above-mentioned installation, when the new operator differs from the outgoing operator;
- The amount currently recognised by virtue of the current municipal concession, if the new operator coincides with the outgoing operator.

The symmetric regulatory solution shall only apply for the duration of the first territorial concession.

With deed notified on 18th January 2016, Ascopiave S.p.A. filed an appeal.

On 8th February 2016, the Council of State scheduled the interlocutory hearing for 31st March 2016, during which the lawyers of the company requested to arrange the merit hearing at the earliest possible date (the application for interim relief was in fact primarily aimed at expediting the proceedings as much as possible). The Council of State has scheduled the discussion for 24th November 2016.

CATEGORY V – CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 30th June 2016, the following litigations are pending:

ASCOPIAVE – UNIT B:

A civil Judgement before the Court of Treviso (RG 6941/2013) following the pre-trial technical investigation, which ended with the report of the Expert witness (appointed by the Court), and started by Ascopiave (writ of summons dated 22nd August 2013) in order to obtain compensation for damages to the entrance floor of the “Unit B”, against: Bandiera Architetti S.R.L (Designers), Mr Mario Bertazzon (Contract Manager) and Mr R. Paccagnella Lavori Speciali S.R.L. (Contractor).

The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate for full restoration) and Euro 208 thousand (estimate of a Third party firm for full makeover).

All the Parties regularly appeared before the Court.

The Court, by Order dated 22nd December 2014, decided the complete renewal of the expert witness board, appointing an assessor. The appointment was confirmed in the hearing held on 13th March 2015. Ascopiave S.p.A. has appointed its own expert.

The Court-appointed Expert witness, upon the conclusion of the assignment, assessed that the damage suffered by Ascopiave S.p.A. amounts to approximately Euro 120 thousand. Based on the findings contained in the technical report, on 29th March 2016 an attempt was made to reach settlement in court, during which the company requested, in addition to the amount determined by the Court-appointed Expert witness, the reimbursement of the costs incurred due to the litigation. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

On 10th June 2016, the Judge, deciding on the issue, scheduled the pre-trial hearing for 26th January 2017.

ASCOPIAVE – SIDERA/FAJ COMPONENTS:

A civil lawsuit (possession action) before the Court of Treviso (RG 7655/2015), filed by Ascopiave S.p.A. against the companies Sidera and Faj Components, subsequent to the construction, by Sidera and Faj Components, of a new technological building (replacing a former silo), located south of Ascopiave S.p.A.'s property, which does not comply with the minimum distances and the previous transaction existing between the Parties. Aspects connected with personnel and facility safety are also contested.

The Judge has appointed an Expert Witness.

In the meantime, a discussion also solicited by the court-appointed Expert Witness has been initiated in order to reach a settlement. To this end, a draft agreement has been prepared, not formalised yet due to the absence of an adequate insurance guarantee in favour of Ascopiave S.p.A.. The experts' activities ended on 11th July 2016. We are awaiting the Court-appointed Expert Witness's report.

Relationships with Agenzia delle Entrate (Italian Tax Authority)

During 2008, the subsidiary company Ascopiave S.p.A. was subject to tax audit by the Regional Inland Revenue Office. Following the audit, a report on findings with observations on the indirect and direct taxes was issued. During the month of July 2008, the local Internal Revenue Office issued a notice of assessment regarding the contents of the report on findings.

The company, on 5th February 2010, filed an appeal to the Provincial Tax Commission and paid the sum of Euro 243 thousand following the entry in taxpayers' list while the Judgement is pending.

On 30th September 2010, the Tax Commission of the Province of Treviso with judgement 131/03/10 filed on 14th December 2010 accepted the appeal and acknowledged the good tax behaviour of the company.

Later, Agenzia delle Entrate filed an appeal against the decision of the Commission of the Province of Treviso.

On 24th September 2012, the Regional Provincial Tax Commission issued judgement no. 109/30/12, filed on 20th December 2012 which rejected the appeal submitted by Agenzia delle Entrate thus confirming the judgement of the Court of first instance.

On 26th June 2013, the company Ascopiave S.p.A. was notified about the appeal in Cassazione (Court of Cassation) by the Inland Revenue Agency and joined proceedings because of the result of previous judgements. The directors, encouraged by the opinion of the professionals consulted, are confident about a positive result of the litigation.

Territorial areas

In 2011, the issuance of a number of ministerial decrees further defined the regulatory framework of the sector, regarding in particular the territorial calls for tenders.

Specifically:

- 1) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- 3) with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service was approved (the so-called Decree for Criteria).

The issuance of ministerial decrees played a major role in giving certainty to the competitive environment within which operators will move in the coming years, thus laying the foundations for allowing the process of market opening - that started with the implementation of European directives - to produce the benefits hoped for.

The Ascopiave Group - as indeed many other operators - has substantially appreciated the new regulatory framework, believing that it can create important opportunities of investment and development for medium-sized qualified operators, rationalising the offer.

At the end of 2013, the Government issued Law Decree 23/12/2013, no. 145, making changes to the regulatory framework with regard to the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called "Transitional Period". The Decree was converted with amendments into Law no. 9 / 2014, which substantially changed the original provisions of the Decree on that aspect.

The conversion into Law of the Decree (Law no. 9 / 2014) has made substantial changes to Article 15 of Legislative Decree no. 164/2000, providing that the new operators shall pay a reimbursement to the holders of assignments and concessions existing in the transitional period, calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. If the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

In addition, Law no. 9/2014 has established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development

Decree dated 12th November 2011, no. 226 (so-called “Decree for Criteria”), related to dispositions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

On 6th June 2014 the Decree of the Minister of Economic Development dated 22nd May 2014 was published in the Official Gazette, which approved the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” pursuant to Article 4, paragraph 6, of Law Decree no. 69/2013, converted with amendments by Law no. 98/2013 and article 1, paragraph 16, of Law Decree no. 145/2013, converted with amendments into Law no. 9/2014. Pursuant to Law no. 9/2014, the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” define the criteria to be applied to the valuation of reimbursement of facilities in order to integrate those aspects that are not already provided for in the agreements or contracts and what cannot be deduced from the will of the parties.

The “Guidelines” feature several critical issues not only as concerns the resulting valuations, but also in terms of application scope, extremely extended by the Ministry, to the extent that all the agreements regarding the valuations of the facilities entered into by the operators and the Municipalities after 12th February 2012 (date of entry into force of Ministerial Decree 226/2011) are believed to be ineffective.

Furthermore, these Guidelines contrast with the provisions of art. 5 of Ministerial Decree 226/2011 itself. This is in non-compliance with the provision of law which refers to art. 4, paragraph 6 of Law Decree 69/2013, which, in turn, makes explicit reference to Article 5 of Ministerial Decree 226/2011.

Considering such illegitimacies, Ascopiave S.p.A. has appealed the Ministerial Decree dated 21st May 2014 (and as a consequence the Guidelines) before the administrative court (Regional Administrative Court of Latium). As part of the said proceedings, the issue of constitutional legitimacy and/or preliminary ruling was raised relating to the interpretation (mainly retrospective) of the new rules on the deduction of private contributions set forth by Law 9/2014.

Lastly, by Resolution 310/2014/R/gas - “Provisions for determining the reimbursement value of natural gas distribution networks”, published on 27th June 2014, the Authority for Electricity, Gas and Water approved provisions for determining the reimbursement value of the gas distribution networks, implementing the provisions of Article 1, paragraph 16 of Law Decree dated 23rd December 2013, no. 145, converted with amendments by Law dated 21st February 2014, no. 9.

That provision states that the granting Local Authority shall send the Authority the verification documents containing a detailed calculation of the reimbursement value (RIV), if this value is 10% higher than the local RAB.

The Authority performs the checks set forth in Article 1, paragraph 16 of Law Decree no. 145/13 within 90 days from the date of receipt of the documentation by the Awarding entities, ensuring priority based on the deadlines for the publication of the calls for tenders.

With Law no. 116/2014 dated 11th August 2014 (converted with amendments to law decree 24th June 2014 no. 91) the Legislator has envisaged a further extension of deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group referred to in Annex 1 of Ministerial Decree 226/2011, the time limit was extended by eight months; for the areas belonging to the second, third and fourth groups the deadline was postponed by six months and lastly for the areas of the fifth and sixth groups the extension is four months.

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes of 20th and 29th May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1st

June 2012.

The same law, further amending Article 15, paragraph 5 of Legislative Decree 2000, has finally determined that the redemption value is to be calculated in compliance with the provisions of the agreements or contracts, provided that the latter were entered into before the date of entry into force of Ministerial Decree dated 12th November 2011 no. 226, that is to say before 12th February 2012, thus affirming the principle of retroactive application of the Guidelines, which had already been appealed during the court action against the Guidelines.

On 14th July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20th May 2015 was published in the Official Gazette, amending the decree dated 12th November 2011 no. 226 regarding the tender criteria for awarding the gas distribution service.

The most significant changes include:

- 1) the provisions concerning the value of the reimbursement of the plants to be applied in case of absence of specific agreements between the parties occurred before the entry into force of Decree no. 226/2011, which include to a large extent the provisions of the “Guidelines”.
- 2) a higher maximum threshold for the amount of the annual payments that may be offered in tenders to local authorities. This threshold, previously equal to 5% of the portion of the restriction on tariff revenues to cover the local capital costs, has been brought to 10%;
- 3) the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

Finally, the conversion into Law of the so-called “Decreto Mille Proroghe” (Law no. 21 dated 25/02/2016) provides for a further extension of the deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group as described in Annex 1 of Ministerial Decree 226/2011, the deadline is further postponed by 12 months; for the areas belonging to the second group, by 14 months; for those belonging to the third, fourth, and fifth group, by 13 months; for the areas belonging to the sixth and seventh grouping, 9 months; 5 months for the areas of the eighth group.

The same regulation establishes the deadlines within which the Regions, or, as a last resort, the Ministry of Economic Development, should intervene, and repeals the penalties previously incurred by the Municipalities for the delay.

In 2015, a number of tenders were published for the award of the service with Territorial procedure. Many of them did not follow the procedures required by law, which envisages, among other things, the prior examination by the Authority of the reimbursement amounts of the plants due to outgoing operators as well as the review of the invitation to tender's overall content and annexes before publication. Moreover, most calls are also inconsistent, even significantly, with the instructions contained in the ministerial regulations, also with regard to the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities.

In this context, the standardisation of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

Distribution of dividends

On 28th April 2016, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.15 per share with dividend date on 9th May 2016, record date on 10th May 2016 and payment on 11th May 2016.

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d), as of 30th June 2016 the company holds own shares for a value of Euro 17,522 thousand (Euro 17,522 thousand as of 31st December 2015), accounted for as a reduction from the other reserves, as can be seen in the Net Equity variations.

Outlook for the Year

As far as the gas distribution activities are concerned, in 2016 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The Group will also participate in the tenders invited, if any, for the award of the Minimum Territorial Areas in which it is interested. Most Municipalities currently managed by the Ascopiave Group belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders exceeds 31st December 2016. However, since tender authorities may anticipate the maximum terms stated in the regulations, it is possible that some Municipalities may be interested in tenders already in 2016. If this should be the case, however, even with no certainties concerning the required time for the assignment, it is reasonable to assume that, for the first call for tenders, possible transfers of management to potential new operators may be executed only after the end of 2016. Thus, the activity perimeter of the Group will likely not change compared to today.

As far as profitability is concerned, it will be negatively affected by the adjustment of the capital return rate envisaged in the recent tariff measures; in fact, the actual pre-tax rate of return for the distribution activity was reduced from 6.9% in 2015 to 6.1%, thus determining an expected decrease in global tariff revenues.

As far as gas sale is concerned, it is even more difficult to forecast result trends, also due to the impact of weather conditions, which significantly affect gas consumption. However, for the time being there is no reason to believe that in the near future there will be considerable variations in business profitability conditions, despite the competitive pressure in the retail market and the expected impact of the tariff measures defined by AEEGSI for the protected market.

As regards electricity sales, the positive result achieved in the first six months of the year should be confirmed.

However, these results could be influenced, in addition to the possible tariff provisions by the Electricity, Gas and Water System Authority (AEEGSI) – currently unforeseeable – also by the evolution of the more general competitive context, as well as by the Group's procurement strategy.

The actual results of 2016 could differ compared to those announced depending on various factors amongst which: the evolution of supply and demand and gas and electricity prices, the actual operational performance, the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, success in the development and application of new technologies, the changes in stakeholder expectations and other changes to business conditions.

Goals and policies of the group and risk description

Credit and liquidity risk

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 21.0% (29.8% as of 30th June 2015) of the total gross credit of third parties. Significant commercial operations take place in Italy.

With reference to the company financial management, the administrators consider it appropriate to generate a cash flow suitable for covering its needs.

The main payment obligations opened as of 30th June 2016 are associated with contracts for natural gas supply.

Risks relating to bids for the award of new concessions for the distribution of gas

As of 30th June 2016, the Ascopiave Group holds a portfolio of 208 natural gas distribution concessions (208 as of 31st December 2015) located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

Risks relating to the amount of reimbursement paid by the new operator

With regard to the concessions under which the Ascopiave Group also owns the gas distribution networks, Law no. 9 / 2014 establishes that the new operator shall pay a reimbursement calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. In addition, if the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

The Minister for Economic Development Decree dated 12th November 2011 no. 226 establishes that the new operator acquires the property of the plant by paying the redemption value to the outgoing operator, except for any portion of it owned by the municipality.

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is

concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognized to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognized for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognized in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services, and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

The Group intends to protect its financial performance and standing with respect to regulatory changes as described in the terms set out in the section “Territorial areas” of this report.

Evolution of the APR mechanism

AEEGSI, by virtue of law no. 481/95, is responsible for monitoring the price levels of natural gas, and for defining the economic conditions for the supply of gas to customers who are entitled to the protection service. The decisions made by AEEGSI as regards such matters may limit the ability of the gas operators to transfer the increases in raw material cost to the final price. The customers entitled to the protection service are households and condominiums with residential purposes consuming less than 200 thousand cubic meters/year.

In 2013, the Authority for electricity, gas and water (AEEGSI – “Authority”) reformed the structure of gas tariffs intended for protected customers in the civil segment with the introduction of the hub indexation of the component to cover the cost of raw material – forward prices recorded at the TTF Dutch hub – instead of the previous indexation, mostly oil-linked, in a market where hub gas prices were significantly lower than the oil-indexed prices of long-term agreements. In this context, the Authority introduced, with Resolution 447/2013/R/gas, among the compensation instruments for the operators which had signed long-term agreements, an optional mechanism “to promote the renegotiation of long-term procurement agreements”. This compensation mechanism, based on the so-called APR (amount pro renegotiation), has two aims: on the one hand it ensures these operators, which had entered into long-term (typically oil-linked) procurement agreements, a gradual transition to the new price system, by offsetting part of the higher long-term procurement costs which are no longer recoverable through the tariff; on the other hand it safeguards protected customers in the event of a trend reversal of gas spot prices and long-term formulas in the three years after the reform. The reference period of the APR mechanism corresponds to the three thermal years 2014/2016.

The initial amount of the compensation was decided by the Authority in 2013 for each operator on the basis of the documentation submitted, considering the differential between the average theoretical efficient cost of long-term agreements (so-called Ptop) and the price expressed by the hub market (TTF reference), leaving to the operators’ discretion whether or not to adopt it. The Authority has determined (with reference to the volumes of the Ascopiave Group and a forward reading of the price formulas) a maximum total compensation for the three years of validity of the mechanism equal to Euro 11.2 million. The resolution envisaged a financial settlement of the consideration with a proportion, over the three thermal years considered, equal to 40/40/20%. The mechanism involved an updating process of the APR in the three years aimed at confirming the value originally envisaged, or, in the event of reversal of

procurement price and spot price, a return to end customers up to 3 times the amount initially defined: about Euro 33.5 million. In particular, the downward trend would have been activated if the long-term procurement price had been lower than the spot price, according to the indicators and procedures set forth in Resolution 447/2013/R/GAS. The Ascopiave Group at first did not adopt the APR mechanism because of unfavourable operating conditions, challenging the measure before the Regional Administrative Court of Lombardy, requesting a stay.

It being understood that the Ascopiave Group did not deem it appropriate to adopt the APR mechanism in the previous two years, even if it had entered into long-term procurement agreements through the associate Sinergie Italiane S.r.l. in liquidation, and that during the third quarter of 2015 it finalised the renegotiation of the formulas that regulate natural gas procurement prices, the Group decided to reconsider the position originally taken.

The evolution of the general conditions of the natural gas market, the effect deriving from the renegotiation of the indexing formulas of the Group's long-term agreement and the reasonable scenarios prepared by the management, have shown that the risk of suffering financial losses caused by the adoption of the aforesaid mechanism is remote. Rather, the same scenarios have highlighted a possible loss of future economic opportunities if the mechanism is not adopted. Given the reasonableness of the scenarios developed, in the fourth quarter of 2015, the Group decided to adopt the APR mechanism and the economic effects resulting from this mechanism will be reported in the financial statements in accordance with the future AEEGSI deliberations on the matter. In November 2016, the Authority will update for the third and last time the Ptop index for the thermal year 2016.

The Ascopiave Group, at the date of publication of these Interim Financial Statements, has collected Euro 7,019 thousand from Cassa per i servizi energetici e ambientali (CSEA) because of the mechanism described: Euro 1,573 thousand in June and Euro 5,266 thousand in July. The first deposit was recorded under other current financial liabilities of this interim financial report, while the second will be added during the next quarter, because the final balance of the Group's compensation will be defined in the last two months of the year.

Evolution of the adjustment sessions of natural gas allocations

At the closing date of the Interim Report as of 30th June 2016, the regulatory framework is unchanged as compared to the scenario described in section "Assessment criteria" of the yearly financial statements as of 31st December 2015. The adjustment sessions of natural gas allocations are still suspended in compliance with the provisions of the Authority for Electricity, Gas and Water contained in Resolution 276/2015/R/GAS dated 9th June 2015. As of 30th June 2016, the Group is exposed to the positive and negative economic effects arising from the probable modification of the allocated volumes and the volumetric differences that are naturally formed in different parts of the network where natural gas is measured. In this regard, it should be noted that the economic effects that the Group has recorded as a result of the failure to perform the adjustment session affect the financial years 2013 and 2014 as well as the effects accrued in 2015 and the first quarter of 2016. Based on current regulations or conventions, it is not possible to establish when the results of the first valid adjustment session will be made available to the public.

Additional information

Seasonal nature of the activity

Gas consumption varies considerably on a seasonal basis, with a higher demand during winter, in relation to higher consumption for heating. Such seasonal nature influences the rise in gas sales and supply costs, while other

management costs are fixed and evenly supported by the Group during the year. The seasonal nature of the activity also affects the performance of the Group's net financial position, as the active and passive billing cycles are not aligned with each other and also depend on the performance of gas volumes sold and purchased during the year. Therefore, the data and information contained in the interim financial statements do not allow to draw meaningful conclusions as to the overall trend of the year.

Research and development

The main project completed in the first half of 2016 was the company transformation that led to the establishment of AP Reti Gas S.p.A., a company in charge of managing natural gas distribution and metering services. The project has involved all major software systems: accounting and management programmes and company websites. AP Reti Gas S.p.A., fully owned by Ascopiave S.p.A., started its operations on 1st July 2016.

In support of the Gas Distribution companies of the Group, new features have been introduced to the management systems to comply with regulatory updates, the need of improving internal processes and the communications standards defined by the AEEG.

The activities to enable interaction with the Integrated Information System (SII) have continued, including the implementation of a Communication Port according to the specifications issued by Acquirente Unico.

In support of the sales companies of the Group, in the first half of 2016 the innovation strategy of information systems continued with the introduction of new features to better support business processes and deliver new services to end users.

A significant project in progress is the upgrade of the management software in support of the helpdesk for both gas and electricity, which envisages the use of modern technology and more appropriate features to support the business processes involved.

The ETRM (Energy Trading Risk Management) system for the gas sector has been upgraded; in particular, the following features were developed: a customer portfolio management module, the support to the definition of gas purchase budget, the balancing of purchases and sales and the calculation of Profit and Loss. Future developments will focus on the support to the definition and monitoring of risk scenarios.

As far as regulatory changes are concerned, the main projects have involved the adaptation of invoicing to the "Bolletta 2.0" standard that has revolutionised the layout and calculation of Gas and Electricity bills, and the introduction of the Rai television license fee in the electricity bill.

A significant project, completed in the first half of 2016, was the migration of the management databases of the sales companies to Microsoft SQL 2014, an important technological evolution that has entailed the testing and adjustment of all of the key functions of the management programmes.

Important adjustments were developed with regard to the management process of software developments through the adoption of Team Foundation Server, a tool that allows collaborative development and control of the source code version, improving security and reliability.

In the first half of 2016, the project to extend the use of electronic billing to our suppliers based on the system created for the Public Administration continued. The project has led to the construction of a platform able to receive invoices according to the xml layout of Public Administration electronic invoices. Electronic invoices in “PA format” are automatically loaded into our systems and undergo a “3-way match” (comparison with order and incoming goods), if the comparison is successful, the invoice is automatically recorded with a number of advantages, including the reduction of manual tasks and possible mistakes.

In addition, the Predictive Analytics model was tested, analysed and enhanced; it was implemented using Big Data analysis techniques and predictive modelling, applied to the credit area. The project is aimed at finding new input data sources and, consequently, improving the effectiveness of the existing model, in order to estimate the evolution of the credit risk on a geographical basis based on the historical data (outstanding payments per customer) and the trend of external variables, including macroeconomic variables, with the possibility of building scenarios and supporting forecasts and what-if analyses.

Moreover, in 2016 a graphometric signature project started, aimed at introducing an Advanced Electronic Signature (FEA) for helpdesk activities, in order to fully digitise the flow of paper documents.

Human resources

As of 30th June 2016, the Ascopiave Group had 619 employees³, divided between the various companies of the Group as outlined below:

³ The data concerning the proportionally consolidated companies, i.e. Estenergy (48.999%), ASM Set (49%), and Unigas Distribuzione (48.86%), are represented at 100%.

Companies consolidated with full consolidation method	30/06/2016	31/12/2015	Var.
Ascopiave S.p.A.	261	259	2
AP Reti Gas S.p.A.	0	0	0
Ascotrade S.p.A.	82	82	0
AP Reti Gas Rovigo S.r.l.	18	18	0
Edigas Distribuzione S.p.A.	27	27	0
Pasubio Servizi S.r.l.	18	18	0
Etra Energia S.r.l.	6	6	0
Veritas Energia S.p.A.	39	42	-3
Blue Meta S.p.A.	23	23	0
Amgas Blu S.r.l.	8	7	1
Companies consolidated with full consolidation method	482	482	0

Companies consolidated with net equity consolidation method	30/06/2016	31/12/2015	Var.
Estenergy S.p.A.	81	78	3
ASM Set S.r.l.	10	9	1
Unigas Distribuzione S.r.l.	46	46	0
Companies consolidated with net equity consolidation method	137	133	4

Ascopiave Group	619	615	4
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As compared to 31st December 2015, the workforce of the Ascopiave Group increased by 4 units. The main changes concern the following companies:

- Ascopiave: +2 employees, by virtue of 4 hirings and 2 terminations;
- Veritas Energia S.p.A.: -3 employees, by virtue of 3 terminations;
- Amgas Blu S.r.l.: +1 employee, following 1 hiring;
- Estenergy S.p.A.: +3 employees, by virtue of 3 hirings;
- Asm Set S.r.l.: +1 employee, following 1 hiring.

The following table illustrates the division of the staff complement by skill level/grade:

Companies consolidated with full consolidation method	30/06/2016	31/12/2015	Var.
Managers	18	17	1
Office workers	361	362	-1
Manual workers	103	103	0
Companies consolidated with full consolidation method	482	482	0

Companies consolidated with net equity consolidation method	30/06/2016	31/12/2015	Var.
Managers	3	3	0
Office workers	116	112	4
Manual workers	18	18	0
Companies consolidated with net equity consolidation method	137	133	4

Ascopiave Group	30/06/2016	31/12/2015	Var.
Managers	21	20	1
Office workers	477	474	3
Manual workers	121	121	0
Ascopiave Group	619	615	4

Performance Indicators

According to Consob communication DEM 6064293 dated 28th July 2006 and by recommendation CESR/05-178b on alternative performance indicators, we specify that besides normal performance indicators fixed by International Accounting Principles IAS/IFRS, the Group considers useful for its business monitoring activity, the use of other performance indicators, which, even if they do not appear yet in the afore-stated principles, have a considerable importance. In particular, we introduced the following indicators:

- **Gross operative spread (Ebitda):** defined by the Group as the result of amortisations, credit depreciation, financial managing and taxes;
- **Operating result:** this indicator is accounted for by the accounting principles we refer to, and it is defined as operative spread (Ebit) minus the balance of costs and non-recurrent revenues. This last item includes extraordinary incomes and losses, appreciations and capital losses for alienation of assets, insurance reimbursements, taxes and others positive and negative components with less relevance.
- **Revenues from the tariff on the activity of gas distribution:** defined by the Group as the amount of revenue realised by the distribution companies of the Group for the implementation of tariffs for distribution and measurement of natural gas to their end customers, net of amounts equalisation managed by the Electricity Equalisation Fund (Cassa Conguaglio per il Settore Elettrico);
- **First margin on gas sales:** the Group defines it as the amount obtained from the difference between the sales proceeds (realised by the Group's sale companies to end customers or final market within the business of trading and selling as a wholesaler) and the sum of the following costs: the cost of transmission service (gross of amounts subject to elimination and distribution tariffs applied by the distribution companies) and the purchase cost of gas sold;
- **First margin on electric power sale:** the Group defines it as the amount obtained from the difference between the proceeds of sale of electricity and the sum of the following costs: cost of transport services, dispatching and balancing cost and purchase of electricity sold.

Comments on the economic and financial results of the first half of 2016

General operational performance and indicators

NATURAL GAS DISTRIBUTION	1st half 2016	1st half 2015	Var.	Var. %
Companies consolidated with full consolidation method				
Number of concessions	176	176	0	0.0%
Length of distribution network (km)	7,816	7,711	105	1.4%
Volumes of gas distributed (scm/mln)	449.7	448.2	1.5	0.3%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,102	1,095	6	0.6%
Volumes of gas distributed (scm/mln)	85.2	85.6	-0.5	-0.5%
Ascopiave Group*				
Number of concessions	192	192	0	0.0%
Length of distribution network (km)	8,354	8,246	108	1.3%
Volumes of gas distributed (scm/mln)	491.3	490.0	1.3	0.3%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

NATURAL GAS SALES TO FINAL MARKET	1st half 2016	1st half 2015	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of gas sold (smc/mln)	462.0	477.9	-15.9	-3.3%
Companies consolidated with net equity consolidation method				
Volumes of gas sold (smc/mln)	160.7	172.6	-11.9	-6.9%
Ascopiave Group*				
Volumes of gas sold (smc/mln)	540.7	562.4	-21.7	-3.9%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

SALE OF ELECTRIC POWER	1st half 2016	1st half 2015	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of electricity sold (GWh)	159.9	175.1	-15.2	-8.7%
Companies consolidated with net equity consolidation method				
Volumes of electricity sold (GWh)	50.2	59.6	-9.4	-15.8%
Ascopiave Group*				
Volumes of electricity sold (GWh)	184.5	204.4	-19.8	-9.7%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

Comments on the trend of the main operational indicators of the Group's activity are reported below:

The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation.

As far as the activity of gas distribution is concerned, in the first half of 2016, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 449.7 million cubic metres, increasing by 0.3% as compared to the same period in the previous year.

The company Unigas Distribuzione S.r.l., consolidated through the net equity method, distributed 85.2 million cubic metres, decreasing by 0.5 as compared to the first six months of 2015.

The volume of gas sold by the fully consolidated companies during the first half of 2016 amounted to 462.0 million cubic metres, marking a decrease of 3.3% as compared to the same period in the previous year. In the first six months of 2016, the companies consolidated through the net equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 160.7 million cubic metres (-6.9% as compared to the same period in the previous year).

In the first half of 2016, the volume of electricity sold by the fully consolidated companies is equal to 159.9 GWh, marking a decrease of 8.7% as compared to the same period in the previous year. In the first half of 2016, the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 50.2 GWh of electricity.

General operational performance - The Group's economic results

	1 st Half 2016	% of revenues	1 st Half 2015	% of revenues
<i>(Thousands of Euro)</i>				
Revenues	265,811	100.0%	321,561	100.0%
Total operating costs	216,878	81.6%	279,143	86.8%
Gross operative margin	48,933	18.4%	42,418	13.2%
Amortization and depreciation	10,076	3.8%	9,789	3.0%
Provision for risks on credits	1,151	0.4%	2,217	0.7%
Operating result	37,705	14.2%	30,411	9.5%
Financial income	126	0.0%	556	0.2%
Financial charges	411	0.2%	752	0.2%
Evaluation of subsidiary companies with the net equity method	4,171	1.6%	3,917	1.2%
Earnings before tax	41,591	15.6%	34,133	10.6%
Taxes for the period	12,351	4.6%	10,072	3.1%
Net result for the period	29,240	11.0%	24,060	7.5%
Group's Net Result	27,510	10.3%	22,621	7.0%
Third parties Net Result	1,730	0.7%	1,440	0.4%

In accordance with CONSOB communication DEM/6064293 dated 28th July 2006, the alternative performance indicators are defined in paragraph "Performance Indicators" of the present report.

In the first half of 2016, the Group incomes amount to Euro 265,811 thousand, decreasing by 17.3% as compared to the same period of the previous financial year. The following table reports the details of income.

	1 st Half 2016	1 st Half 2015
<i>(Thousands of Euro)</i>		
Revenues from gas transportation	16,730	14,990
Revenues from gas sale	209,203	267,894
Revenues from electricity sale	27,496	29,732
Revenues from connections	71	515
Revenues from heat supply	66	16
Revenues from distribution services	2,112	1,667
Revenues from services supplied to Group compan	519	568
Revenues from AEEG contributions	6,923	4,531
Other revenues	2,692	1,647
Revenues	265,811	321,561

The **revenues from gas sale** decrease from Euro 267,894 thousand to Euro 209,203 thousand, thus recording a decrease of Euro 58,691 thousand (-21.9%). The change is mainly due to lower volumes of gas sold and the decrease in unit sales prices.

The **revenues from electricity sales** decreased from Euro 29,732 thousand to Euro 27,496 thousand, marking a decrease of Euro 2,237 thousand (-7.5%), mainly due to lower volumes of electricity sold.

The **operating result** for the first half of 2016 amounts to Euro 37,705 thousand, marking an increase of Euro 7,294 thousand (+24.0%) as compared to the same period in the previous year.

The improvement is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 669 thousand;
- increase in the first margin on the activity of gas sales, equal to Euro 4,926 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 1,043 thousand;
- positive change in other items of cost and revenues, equal to Euro 1,994 thousand.

The decrease in the **revenues from tariffs in the gas distribution activity** (decreasing from Euro 30,521 thousand to Euro 29,852 thousand) is due to the entry into force of the new tariff regulation for the period 2014-2019 (so-called fourth regulatory period) envisaged by AEEGSI resolution 367/2014/R/gas.

The increase in the **first margin on the activity of gas sale** (from Euro 36,723 thousand to Euro 41,649 thousand), is mainly due to an increase in average unit sale prices, offset by lower volumes of gas sold.

The increase **in the first margin on the activity of electricity sales**, from Euro 2,229 thousand to Euro 3,272 thousand is due to higher unit margins and lower amounts of electricity sold.

The positive variation in the item **other costs and revenues**, amounting to Euro 1,994 thousand, is mainly due to:

- higher other revenues for Euro 3,438 thousand;
- higher material and service costs and other charges equalling Euro 2,098 thousand;
- higher personnel cost for Euro 125 thousand;
- higher amortisation of fixed assets for Euro 287 thousand;
- lower bad debts provisions for Euro 1,066 thousand.

The **net consolidated profit** for the first half of 2016 amounts to Euro 29,240 thousand, thus recording an increase of Euro 5.180 thousand (+21.5%) as compared to the same period in the previous year.

This change is due to the following factors:

- an increase in the operating result, as previously stated, for Euro 7,294 thousand;
- higher result of companies consolidated through the equity method for Euro 255 thousand;
- a decrease in financial revenues for Euro 430 thousand;
- a decrease in financial charges for Euro 340 thousand;
- an increase in taxes for Euro 2,279 thousand, due to the increase in the taxable income.

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 33.3% to 33.0%.

General operational performance – Financial situation

The table below shows the composition of the net financial position as requested in Consob communication no. DEM/6064293 dated 28th July 2006:

(Thousands of Euro)	30.06.2016	31.12.2015	30.06.2015
A Cash and cash equivalents on hand	13	15	16
B Bank and post office deposits	15,473	28,286	18,596
D Liquid assets (A) + (B) + (C)	15,486	28,301	18,613
E Current financial assets	659	3,487	6,106
F Payables due to banks	(11,031)	(88,238)	(55,915)
G Current portion of medium-long-term loans	(9,430)	(9,628)	(9,680)
H Current financial liabilities	(2,757)	(3,708)	(3,107)
I Current financial indebtedness (F) + (G) + (H)	(23,218)	(101,574)	(68,702)
J Net current financial indebtedness (I) - (E) - (D)	(7,073)	(69,786)	(43,984)
K Medium- and long-term bank loans	(39,185)	(43,829)	(48,653)
M Non-current financial liabilities	(381)	(422)	(456)
N Non-current financial indebtedness (K) + (L) + (M)	(39,566)	(44,250)	(49,109)
O Net financial indebtedness (J) + (N)	(46,639)	(114,037)	(93,093)

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

The financial position decreased from Euro 114,037 thousand as of 31st December 2015 to Euro 46,639 thousand as of 30th June 2016, reporting an improvement of Euro 67,398 thousand.

Some figures relating to the financial flows of the Group are reported below:

(Thousands of Euro)	30.06.2016	31.12.2015
Net Income	29,240	45,362
Depreciations and amortizations	10,076	20,029
Provisions	1,151	4,004
(a) Self financing	40,468	69,396
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	65,758	(501)
(c) Change in financial position generated by operating activities = (a) + (b)	106,226	68,894
(d) Change in financial position generated by investing activities	(8,928)	(21,892)
(e) Other financial position changes	(29,900)	(31,366)
Net financial position changes = (c) + (d) + (e)	67,398	15,637

The cash flow generated by the operating management (letters a + b), equal to Euro 106,226 thousand, was mainly due to self-financing for Euro 40,468 thousand and other financial positive variations amounting to Euro 65,758 thousand, mainly related to the management of the net circulating capital for Euro 69,929 thousand and to the assessment of companies consolidated through the equity method for Euro -4,171 thousand.

The management of net circulating capital has generated financial resources amounting to Euro 69,929 thousand and was influenced mainly by a variation in the overall balance with the Technical Office for Taxation on Building and Regional Taxation, which has generated financial resources for Euro 27,048 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 9,333 thousand, by the variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes, which has generated financial resources for Euro 10,659 thousand, and the variation in the net operating capital, which has generated financial resources for Euro 11,882 thousand.

The following table shows in detail the changes in the net working capital during the period:

(Thousands of Euro)	30.06.2016	31.12.2015
Inventories	(2,396)	(1,095)
Trade receivables and payables	31,478	(41,578)
Operating receivables and payables	(17,200)	5,918
Severance pay and other funds	922	19
Current taxes	12,351	18,519
Taxes paid	(1,695)	(13,535)
Tax receivables and payables	46,491	38,368
Non current financial assets/(liabilities)	(22)	(355)
Change in net working capital	69,929	6,262

Investment activities have generated a cash requirement of Euro 8,928 thousand.

Additional variations in the net financial position concern dividends received by the companies consolidated with the equity method, which have generated resources for Euro 5,980 thousand, and the distribution of dividends for Euro 35,569 thousand. The following table shows in detail the other changes in the financial position during the first six months of 2016:

(Thousands of Euro)	30.06.2016
Dividends paid to Ascopiave S.p.A. shareholders	(33,347)
Dividends paid to minority interest	(2,222)
Dividends / (loss coverage) associated companies or jointly controlled companies	5,980
Net change in short-term bank loans	(311)
Other changes in financial position	(29,900)

General operational performance - Investments

During the first half of 2016 the Group made investment for an amount of Euro 9,570 thousand.

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 8,367 thousand, relate to the creation of connections for Euro 2,676 thousand, the construction and maintenance of natural gas network and distribution systems for Euro 2,969 thousand and the installation/replacement of meters and the installation of correctors for Euro 2,722 thousand.

INVESTMENTS (thousands of Euro)	1st half 2016	1st half 2015
Connectrion of end customers to distribution network	2,676	1,821
Extension, enhancement and upgrading network	2,424	2,868
Gas meters	2,722	2,457
Maintenance	545	494
Raw material (gas) investments	8,367	7,639
Lands and Buildings	523	63
Industrial and commercial equipment	6	57
Fornitures	13	1
Vehicles	269	124
Hardware and Software	84	57
Other assets	308	104
Other investments	1,203	406
Investments	9,570	8,046

Ascopiave Group

Consolidated interim financial statements

as of 30th June 2016

Consolidated statement of financial position

(Thousands of Euro)		30.06.2016	31.12.2015
ASSETS			
Non-current assets			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	315,984	316,659
Tangible assets	(3)	33,062	34,987
Shareholdings	(4)	65,725	68,078
Other non-current assets	(5)	14,820	15,366
Non-current assets from derivative financial instruments	(6)	1,083	0
Advance tax receivables	(7)	7,681	11,333
Non-current assets		519,115	527,182
Current assets			
Inventories	(8)	5,973	3,577
Trade receivables	(9)	75,953	172,022
Other current assets	(10)	33,299	46,518
Current financial assets	(11)	659	3,487
Tax receivables	(12)	1,177	1,368
Cash and cash equivalents	(13)	15,486	28,301
Current assets from derivative financial instruments	(14)	34	
Current assets		132,581	255,272
ASSETS		651,696	782,454
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		(17,521)	(17,521)
Reserves		193,383	198,374
Net equity of the Group		410,274	415,264
Net equity of Others		4,515	4,873
Total Net equity	(15)	414,788	420,137
Non-current liabilities			
Provisions for risks and charges	(16)	7,230	7,360
Severance indemnity	(17)	4,370	3,864
Medium- and long-term bank loans	(18)	39,185	43,829
Other non-current liabilities	(19)	18,808	18,903
Non-current financial liabilities	(20)	381	422
Deferred tax payables	(21)	15,779	19,571
Non-current liabilities		85,753	93,948
Current liabilities			
Payables due to banks and financing institutions	(22)	20,461	97,866
Trade payables	(23)	59,383	122,823
Tax payables	(24)	755	397
Other current liabilities	(25)	67,778	43,324
Current financial liabilities	(26)	2,757	3,708
Current liabilities from derivative financial instruments	(27)	20	252
Current liabilities		151,154	268,370
Liabilities		236,907	362,317
Net equity and liabilities		651,696	782,454

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

Consolidated income statement

(Thousands of Euro)		1 st Half 2016	1 st Half 2015
Revenues	(28)	265,811	321,561
Total operating costs		218,029	281,360
Purchase costs for raw material (gas)	(29)	134,728	191,747
Purchase costs for other raw materials	(30)	8,295	9,870
Costs for services	(31)	53,478	59,895
Costs for personnel	(32)	11,313	11,188
Other management costs	(33)	10,338	8,676
Other income	(34)	123	17
Amortization and depreciation	(35)	10,076	9,789
Operating result		37,705	30,411
Financial income	(36)	126	556
Financial charges	(36)	411	752
Evaluation of subsidiary companies with the net equity method	(36)	4,171	3,917
Earnings before tax		41,591	34,133
Taxes for the period	(37)	12,351	10,072
Result for the period		29,240	24,060
Group's Net Result		27,510	22,621
Third parties Net Result		1,730	1,440
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		1,290	
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		(310)	58
Total comprehensive income		30,221	24,119
Group's overall net result		28,356	22,678
Third parties' overall net result		1,864	1,441
Base income per share		0.124	0.102
Diluted net income per share		0.124	0.102

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

N.b.: Earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of shares net of own shares. For the purposes of the calculation of the basic earnings per share, we specify that the numerator is the economic result for the period less the share attributable to third parties. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Consolidated statement of changes in shareholders' equity

(thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2016	234,412	46,882	(17,522)	(99)	108,578	43,014	415,264	4,873	420,137
Result for the period						27,510	27,510	1,730	29,240
Other operations					1,148		1,148	142	1,290
IAS 19 TFR actualization for the period				(302)			(302)	(8)	(310)
Total result of overall income statement				(302)	1,148	27,510	28,356	1,864	30,221
Allocation of 2015 result					43,014	(43,014)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(33,347)		(33,347)		(33,347)
Dividends distributed to third parties shareholders							(0)	(2,222)	(2,222)
Balance as of 30th June 2016	234,412	46,882	(17,522)	(401)	119,393	27,510	410,274	4,515	414,789

(thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2015	234,412	46,882	(17,660)	(286)	106,426	35,583	405,357	4,309	409,666
Result for the period						22,621	22,621	1,440	24,060
IAS 19 TFR actualization for the period				57			57	1	58
Total result of overall income statement				57		22,621	22,678	1,441	24,119
Allocation of 2014 result					35,583	(35,583)	0		0
Dividends distributed to Ascopiave S.p.A. shareholders'					(33,332)		(33,332)		(33,332)
Dividends distributed to third parties shareholders							0	(1,768)	(1,768)
Long-term incentive plans			138		74		212		212
Balance as of 30th June 2015	234,412	46,882	(17,552)	(228)	108,750	22,621	394,913	3,982	398,897

Consolidated financial statements

(thousands of Euro)	First half 2016	First half 2015
Net income of the Group	27,510	22,621
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,730	1,440
Amortization	10,076	9,789
Bad debt provisions	1,151	2,217
Variations in severance indemnity	506	(74)
Current assets / liabilities on financial instruments	(1,350)	0
Net variation of other funds	415	153
Evaluation of subsidiaries with the net equity method	(4,171)	(3,917)
Interests paid	(385)	(710)
Taxes paid	(1,695)	(733)
Interest expense for the year	362	732
Taxes for the year	12,351	10,072
Variations in assets and liabilities		
Inventories	(2,396)	(2,279)
Accounts payable	94,917	52,749
Other current assets	13,220	34,098
Trade payables	(63,439)	(76,304)
Other current liabilities	15,746	26,044
Other non-current assets	546	(203)
Other non-current liabilities	1,131	719
Total adjustments and variations	78,716	53,794
Cash flows generated (used) by operating activities	106,226	76,415
Cash flows generated (used) by investments		
Investments in intangible assets	(8,832)	(7,762)
Realisable value of intangible assets	640	27
Investments in tangible assets	(738)	(285)
Realisable value of tangible assets	2	0
Other net equity operations	(311)	270
Cash flows generated/(used) by investments	(9,239)	(7,749)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financiers	(40)	(33)
Net changes in short-term bank borrowings	(118,549)	(44,058)
Net variation in current financial assets and liabilities	1,877	4,887
Ignitions loans and mortgages	77,500	66,500
Redemptions loans and mortgages	(41,000)	(146,500)
Dividends distributed to Ascopiave S.p.A. shareholders'	(33,347)	(33,332)
Dividends distributed to other shareholders	(2,222)	(1,768)
Dividends distributed from subsidiary companies	5,980	3,369
Cash flows generated (used) by financial activities	(109,801)	(150,936)
Variations in cash	(12,815)	(82,270)
Cash and cash equivalents at the beginning of the period	28,301	100,882
Cash and cash equivalents at the end of the period	15,486	18,613

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this financial report.

EXPLANATORY NOTES

Company information

Ascopiave S.p.A. (hereinafter “Ascopiave”, the “Company” or the “Parent Company” and, jointly with its subsidiaries, the “Group” or the “Ascopiave Group”) is a legal entity under Italian law.

As of 30th June 2016, 61.56% of the Company’s share capital, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario – STAR Segment – organized and managed by Borsa Italiana S.p.A..

The registered office of the Company is in Pieve di Soligo (TV), via Verizzo, 1030.

The publication of the Interim financial report as of 30th June 2016 of the Ascopiave Group was authorised by resolution of the Board of Directors on 3rd August 2016. Ascopiave S.p.A. is a limited company incorporated and domiciled in Italy.

PricewaterhouseCoopers S.p.A., appointed as independent auditors of the Parent Company and the main companies of the Ascopiave Group, have performed a limited audit of this Interim financial report.

General drawing-up criteria and accounting principles adopted

The Consolidated financial statements of the Ascopiave Group are prepared in accordance with the IFRSs, understood as all the “International Financial Reporting Standards”, all the “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously known as “Standing Interpretations Committee” (SIC) that, at the closing date of the consolidated financial statements, were approved by the European Union according to the procedure laid down in Regulation (EC) no. 1606/2002 by the European Parliament and the European Council of 19th July 2002.

The Interim Financial Report of the Ascopiave Group as at 30th June 2016 is prepared in compliance with art. 154 ter c. 2 of Legislative Decree no. 58/98 – T.U.F. (Consolidated Finance Law) – and subsequent amendments.

The consolidated abridged interim financial statements as of 30th June 2016 of the Ascopiave Group were prepared in accordance with IAS 34 - ‘Intermediate financial statements’, concerning intermediate financial information (the “Consolidated abridged half-yearly financial statements”). The accounting principle IAS 34 envisages a minimum level of information significantly lower compared to general IFRS dispositions, in case complete financial statements drafted according to IFRSs were previously made available to the public.

As such, these statements, which are prepared in an abridged form, and include minimum information pursuant to IAS 34, are to be read in conjunction with the Consolidated Financial Statements of the Group for the fiscal year ended 31st December 2015. The accounting standards used to draw up this interim report, prepared in accordance with IAS 34 - ‘Intermediate financial statements’, are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2015, except as stated in the following paragraph.

These Consolidated interim financial statements are drafted in Euro, the currency of the economy in which the Group operates, and include the Consolidated Statement of Assets and Liabilities, the Income Statement, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Consolidated Shareholders’ Equity, the Consolidated Financial Statements and the Explanatory Notes. All the figures shown in the schemes and in the explanatory notes are expressed in thousands of Euro, unless otherwise indicated.

With regard to the presentation methods of the formats of financial statements, the Consolidated statement of assets has been prepared on the basis of the “current/non-current” distinction; for the comprehensive consolidated income statement the multi-step format was adopted with the classification of costs by nature and for the consolidated Cash flow statement the indirect method of representation.

Accounting principles, amendments and interpretations applied from 30th June 2016

The principles, amendments and interpretations effective since 1st January 2016 and applicable for the first time to the Financial report at 30th June 2016 are briefly described below. Their adoption, where applicable, has not had significant impacts on the interim financial statements of the Ascopiave Group, as they do not apply, or only apply to the financial disclosure:

Amendments to IAS 27: Separate financial statement

In August 2014, the IASB issued amendments to IAS 27 - Separate Financial Statements. The goal is to allow the assessment of investments in associates and joint ventures according to the equity method even in the separate financial statements.

Amendments to IAS 1: Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1. The goal is to clarify some doubts about the presentation and disclosure requirements and to ensure that companies can use professional judgement in determining what information to disclose in their financial statements focusing on relevant information.

Improvements to IFRSs 2012–2014 Cycle

In September 2014, the IASB issued the documents “Annual improvements to IFRSs – 2012–2014 Cycle” as part of the principles’ annual improvement programme. Most are clarifications or corrections of existing IFRSs or amendments subsequent to changes previously made to IFRS.

Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation

In May 2014, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

Amendments to IAS 41 and IAS 16: Clarification of accounting for bearer plants

With the amendments to the international accounting standards IAS 41 “Agriculture” and IAS 16 “Property, Plant and Equipment”, the IASB has brought bearer plants, which are used solely to grow produce during the various financial

years, into the scope of IAS 16 “Property, Plant and Equipment” so that they are accounted for in the same way as property, plant and equipment, since their “operation” is similar to that of manufacturing.

Amendments to IFRS 11: Joint arrangements: Acquisitions of Interests in Joint Operations

In May 2014, the IASB issued amendments to IFRS 11 – Joint arrangements: Acquisitions of Interests in Joint Operations, which require that an entity adopts the principles contained in IFRS 3 to recognise the accounting effects of acquisitions of an interest in a joint operation in which the activity of the joint operation constitutes a business.

Standards, amendments and interpretations issued in the period but not in force yet

Please find below a brief description of new standards and amendments to existing standards already issued but not yet approved by the European Union and therefore not applicable by the Group.

IFRS 9 “Financial Instruments”: This principle represents the first stage in a process that is intended to replace IAS 39 “Financial Instruments: Recognition and Measurement” and introduces new requirements for classifying and measuring financial assets and financial liabilities.

IFRS 14 “Regulatory Deferral Accounts”: this transitional standard permits an entity which is a first-time adopter of IAS and IFRS to continue to account for regulatory deferral account balances in accordance with its previous GAAP (including impairment).

IFRS 15 “Revenue from contracts with customers”: this standard is the result of efforts to achieve convergence between the IASB and the FASB (“Financial Accounting Standard Board”, the body whose purpose is to issue accounting principles in the United States) in order to achieve a single revenue recognition model applicable both to the IFRS and US GAAP. The new standard shall apply to all contracts with customers, including contract work in progress, and thus replace the current IAS 18 – Revenue – and IAS 11 – Construction contracts – and all related interpretations.

IFRS 16 “Leases”: This standard replaces IAS 17 and sets out the criteria for the recognition, measurement and presentation of lease agreements.

IFRS 10 “Consolidated Financial Statements”: The amendment to this principle concerns the exemption from presenting the consolidated financial statements if the parent company has investments in “investment entities” that evaluate their subsidiaries at fair value.

IAS 12 “Income taxes”. The IASB has published some amendments which aim to clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 7 “Financial Instruments: Disclosures”: the amended standard requires an entity to disclose information that enables users of its financial statements to evaluate changes in liabilities that arise from financial assets.

The Group has not adopted ahead of time any other standard, interpretation or improvement issued but not yet effective.

Use of estimates

The drawing-up of the abridged consolidated interim financial statements requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the Management’s best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph “Use of Estimates” in the Consolidated Financial Statements as of 31st December 2015.

Moreover, some evaluation procedures, in particular the most complex ones, such as the determination of any impairment of non-current assets, are usually fully carried out only while drawing-up the annual financial statements, when all the necessary information is available, except for cases in which there are impairment indicators that require an immediate evaluation of potential losses.

Income taxes are recognised on the basis of the best assessment of the weighted average tax rate expected for the entire financial year by each company included in the consolidation area.

With regard to the evaluation criteria used for measuring the relevant revenues generated from the sale of natural gas, and described in the Annual financial statements as at 31st December 2015 in the section “Assessment criteria”, during the first half of 2016 the additional reading cycle of meters (installed at the end users’ premises) was not performed as in previous years. The different interval for measuring consumption, expanding the period being measured, has changed the distribution of cubic meters of natural gas during the months concerned, thus determining a change in the quantification of the accrual basis for the period being measured.

Consequently, consistent with the calculation methods used in the previous year, in order to safeguard the correlation of costs incurred and revenues generated, the directors considered it appropriate to postpone the measurement of the possible economic effects to the third quarter of the year. The economic effect recorded in the previous years has always shown positive results.

Fair value hierarchy

Financial assets and liabilities measured at fair value are classified in a three-level hierarchy based on the methods for determining the fair value itself, or based on the relevance of the information (input) used upon determining their value:

- (i) **Level 1**, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- (ii) **Level 2**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- (iii) **Level 3**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Group, as of 30th June 2016, has only one type of financial instruments on commodities falling within the scope of level 3.

During the period, there were no shifts from one level to the other.

Consolidation area and principles

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity (including the structured entities) when the Group is exposed, or is entitled, to the variability of results from such entities and has the possibility of influencing these outcomes through the exercise of power over the entity. The financial statements of the subsidiaries are included in the Consolidated financial statements commencing the date on which control is taken until the date such control ceases. The costs incurred in the acquisition process are expensed in the year they are incurred.

The assets and liabilities, the expenses and income of companies consolidated with the line-by-line method are fully included in the consolidated financial statements; the book value of investments is eliminated against the corresponding share of equity of the investee companies. Receivables and payables, as well as the costs and revenues arising from transactions between companies included in the consolidation area are entirely eliminated; the capital gains and losses arising from transfers of assets between consolidated companies, the gains and losses deriving from transactions between consolidated companies related to the sale of assets that remain as inventories of the purchasing company, the write-downs and write-backs of investments in consolidated companies, as well as intercompany dividends are also eliminated.

At the date of acquisition of control, the net equity of the investee companies is determined by attributing to the individual assets and liabilities their current value. Any positive difference between the acquisition cost and the fair value of the net assets acquired is recognised as “Goodwill”; if negative, it is recognised in the income statement.

The equity and profit shares attributable to minority interests are recorded in specific items of the shareholders’ equity and income statement. In the case of acquisition of partial control, the equity share of minority interests is determined on the basis of the share of the current values assigned to assets and liabilities at the date of acquisition of control, excluding any goodwill attributable to them (so-called partial goodwill method); in relation to this, the minority interests are measured at their total fair value, also including the goodwill (negative goodwill) attributable to them. The choice of the methods for determining the goodwill (negative goodwill) is made based on each individual business combination operation.

In the case of shares acquired subsequent to the acquisition of control (purchase of minority interests), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised in the equity; similarly, the effects arising from the sale of minority interests without loss of control are recognised in equity.

If the acquisition value of the shares is higher than the net equity pro-quota value of the investees, the positive difference is attributed, where possible, to the net assets acquired based on their fair value while the remainder is recorded in an item of assets, “Goodwill”.

The value of goodwill is not amortised but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realised. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognised in the income statement. The acquisition costs are booked in the income statement.

Associated companies are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment. The interim financial statements of subsidiaries and jointly controlled Companies used for the purpose of preparing the Interim Consolidated Financial Statements of the first six months of 2016 are those approved by the respective Boards of Directors. The data of the Consolidated companies are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 30th June 2016 and consolidated through the line-by-line, proportional method or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
Ascopiave S.p.A.	Pieve di Soligo (TV)				
100% consolidated companies					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1,000,000	89.00%	89.00%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	200,000	100.00%	100.00%	0%
Etra Energia S.r.l.	Cittadella (PD)	100,000	51.00%	51.00%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100.00%	0%
Amgas Blu S.r.l.	Foggia (FG)	10,000	80.00%	80.00%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606,123	100.00%	100.00%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250,000	100.00%	100.00%	0%
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100.00%	0%
Companies under joint control consolidated with net equity method					
ASM Set S.r.l.	(1) Rovigo (RO)	200,000	49.00%	49%	0%
Estenergy S.p.A.	(2) Trieste (TS)	1,718,096	48.999%	48.999%	0%
Unigas Distribuzione S.r.l.	(3) Nembro (BG)	3,700,000	48.86%	48.86%	0%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l. in liquidation	Milano (MI)	1,000,000	30.94%	30.94%	0%

(1) Joint control with ASM Rovigo S.p.A.;

(2) Joint control with AcegasApsAmga S.p.A.;

(3) Joint control with Anita S.p.A..

As compared to the financial statements closed at 31st December 2015, on 18th March 2016 the company AP Reti Gas S.p.A. was established with a share capital of Euro 200 thousand, fully paid-in, 100% controlled by Ascopiave S.p.A..

Synthesis data of fully consolidated companies and jointly controlled companies consolidated through the equity method

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Amgas Blu S.r.l.	10,595	1,308	1,574	(2,420)	Ita Gaap
AP RETI GAS S.p.A.		(1)	199	(200)	IFRS
Ascopiave S.p.A.	40,203	34,884	394,492	105,056	IFRS
Ascotrade S.p.A.	156,974	12,183	27,360	(28,631)	IFRS
Blue Meta S.p.A.	38,153	3,227	8,069	(11,051)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	2,528	556	9,699	(772)	Ita Gaap
Estenergy S.p.A.	70,308	5,706	18,842	(9,631)	IFRS
Etra Energia S.r.l.	3,983	322	744	(1,422)	Ita Gaap
Pasubio Servizi S.r.l.	20,221	2,127	5,008	(10,723)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	2,176	592	13,317	(1,557)	Ita Gaap
ASM Set S.r.l.	14,355	1,356	1,625	(1,772)	Ita Gaap
Unigas Distribuzione S.r.l.	7,983	1,221	39,666	2,426	Ita Gaap
Veritas Energia S.p.A.	40,716	1,666	3,588	(1,641)	Ita Gaap

The financial statements of the subsidiaries prepared in accordance with the national accounting standards are homogenised during consolidation.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 80,758 thousand as of 30th June 2016, remains unchanged as compared to 31st December 2015. This amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some company branches related to the distribution and sale of natural gas.

In accordance with International Accounting Standard 36, goodwill is not subject to depreciation, but its impairment is verified at least annually.

In order to determine the recoverable amount, the goodwill is allocated to the Cash Generating Unit composed of the natural gas distribution activity (gas distribution CGU) and to the Cash Generating Unit consisting in the natural gas sale activity (gas sale CGU). The cash-generating units to which goodwill was allocated are the following:

(thousands of Euro)	31.12.2015	Increase	Decrease	30.06.2015
Distribution of natural gas	24,396			24,396
Sale of natural gas	56,362			56,362
Total goodwill	80,758			80,758

As of 30th June 2016, considering the outcome of the impairment tests carried out while preparing the balance sheet as of 31st December 2015, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

2. Other intangible fixed assets

The changes in the historical cost and accumulated amortisation of intangible assets at the end of the each period considered are shown in the following table:

(thousands of Euro)	30.06.2016			31.12.2015		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patents and intellectual property rights	4,910	(4,421)	489	4,886	(4,321)	565
Concessions, licences, trademarks and similar rights	9,933	(4,466)	5,467	9,933	(4,096)	5,837
Other intangible assets	25,631	(16,082)	9,549	25,631	(14,838)	10,793
Intangible assets under IFRIC 12 concession	530,824	(237,144)	293,681	520,579	(230,243)	290,336
Intangible assets in progress under IFRIC 12 concession	6,798	0	6,798	9,128	0	9,128
Other intangible assets	578,102	(262,118)	315,984	570,163	(253,503)	316,659

The changes in the inventory allowance for intangible assets in the year under examination are shown in the following table:

	31.12.2015			30.06.2016		
(thousands of Euro)	Net Value	Change in the period	Decrease	Amortizations during the period	Depreciation	Net value
Industrial patents and intellectual property rights	565	23		99		489
Concessions, licences, trademarks and similar rights	5,837	0		370		5,467
Other intangible assets	10,793	0		1,244		9,549
Intangible assets under IFRIC 12 concession	290,336	10,793	550	7,153	(256)	293,681
Intangible assets in progress under IFRIC 12 concession	9,128	(1,984)	346	0		6,798
Other intangible assets	316,659	8,832	896	8,867	(256)	315,984

The investments made during the first six months of the financial year amount to Euro 8,832 thousand and refer to costs incurred for the construction of the infrastructures for natural gas distribution.

Industrial patents and intellectual property rights

During the period considered, the item “Industrial patents and intellectual property rights” shows an increase equal to Euro 23 thousand explained by the purchase of software.

Concessions, licences, trademarks and similar rights

This item includes costs paid to awarding entities (Municipalities) and/or outgoing operators after the award and/or the renewal of the relevant tenders for the assignment of the natural gas distribution service, rather than the costs incurred for the acquisition of licenses. During the year, the item did not register increases and the variation is explained by amortisation. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortised with a useful life of 12 years in compliance with the period provided for by the decree.

Other intangible fixed assets

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years. The analysis of customers switching performed at the end of the first half of 2016 has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or impairments.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the first half of the financial year, the investments amounted to Euro 10,793 thousand, and mainly relate to the construction of the distribution facilities for natural gas for Euro 1,777 thousand, to the construction of the distribution network for Euro 5,454 thousand and connections for Euro 1,389 thousand as well as the installation of meters for Euro 1,403 thousand. The latter are mainly related to the campaign to replace the so-called traditional meters with electronic meters, in compliance with AEEGSI resolution 155.

The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the AEEGSI in tariff regulations. The technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

Intangible assets under construction under concession

The item includes the costs incurred for the building of the natural gas distribution plants and systems constructed

partially on a time and materials basis and not completed at the end of the period considered. The item has decreased by Euro 1,984 thousand due to the reclassification of the assets under construction at the end of 2015 and whose works were completed in the first six months of 2016.

3. Tangible assets

The changes in the historical cost and accumulated amortisation of tangible assets at the end of the period under examination are shown in the following table:

(thousands of Euro)	30.06.2016			31.12.2015		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	36,975	(9,149)	27,826	36,575	(8,629)	27,945
Plants and machinery	2,599	(1,056)	1,543	4,576	(1,879)	2,697
Industrial and commercial equipment	3,178	(2,617)	560	3,172	(2,539)	633
Other tangible assets	15,735	(12,722)	3,013	15,354	(12,232)	3,122
Tangible assets in progress and advance payments	120	0	120	590	0	590
Other tangible assets	58,607	(25,545)	33,062	60,266	(25,278)	34,987

The changes in the inventory allowance for tangible assets in the period under examination are shown in the following table:

(thousands of Euro)	31.12.2015					30.06.2016	
	Net Value	Change in the period	Decrease	Amortizations during the period	Reclassification of contributions received for the construction of plants	Decrease in accumulated depreciation	Net value
Lands and buildings	27,945	542		545	(116)		27,826
Plants and machinery	2,697	153		116	(1,191)		1,543
Industrial and commercial equipment	633	9		81			560
Other tangible assets	3,122	382		490			3,013
Tangible assets in progress and advance payments	590	(364)	2	0	(104)		120
Other tangible assets	34,987	721	2	1,233	(1,411)	0	33,062

At the end of the first half of the reporting period, the contributions received for the construction of the cogeneration plants located in the Venice area were reclassified for a total amount of Euro 1,411 thousand, thus reducing the net book value of the fixed assets recorded by the same amount. These contributions, at the end of the previous year, were booked in the item “other current and non-current liabilities” and recognised in the income statement consistent with the useful life of the plants.

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. At the end of the period, the item increased by Euro 542 thousand and the change is mainly explained by costs incurred for the renovation of company headquarters.

Plants and machinery

The item “Plants and machinery” decreases from Euro 2,697 thousand in the previous year, to Euro 1,543 thousand on 30th June 2016. The change is mainly explained by the reclassification of the contributions received for the construction of cogeneration plants.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 9 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first half of financial year 2016, equal to Euro 382 thousand, mainly relate to the costs incurred for the purchase of corporate vehicles for Euro 269 thousand and hardware and phones for Euro 101 thousand.

Tangible assets under construction and advance payments

The item basically includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the first half of the year, the item decreased by Euro 364 thousand due to the reclassification of the assets under construction at the end of 2015 and whose works were completed during the reporting period.

4. Shareholdings

The following table shows the changes in the shareholdings in joint companies and in other companies at the end of each period considered:

	31.12.2015			30.06.2016	
	Net value	Increase	Decrease	Net value	
(Thousands of Euro)					
Shareholdings in jointly controlled companies	68,078	3,590	5,943	65,724	
Shareholdings in other companies	1			1	
Shareholdings	68,078	3,590	5,943	65,725	

Shareholdings in joint companies

Shareholdings in joint companies decrease from Euro 68,078 thousand to Euro 65,725 thousand, marking a decrease of Euro 2,353 thousand. In particular, the decrease is mainly explained by the dividends distributed by the jointly controlled companies for Euro 5,943 thousand, of which Estenergy S.p.A. Euro 4,378 thousand, ASM Set S.r.l. Euro 881 thousand and Unigas Distribuzione S.r.l. Euro 684 thousand, partially offset by the results achieved in the first half of 2016 for Euro 3,627 thousand, of which Estenergy S.p.A. Euro 2,471 thousand, ASM Set S.r.l. Euro 631 thousand and Unigas Distribuzione S.r.l. Euro 525 thousand.

The evaluation of the shareholdings in jointly controlled companies with the net equity method and their profit and loss statement and balance sheet figures are shown in the section “Synthesis data as of 30th June 2016 of the jointly controlled companies consolidated through the net equity method” of the Explanatory Notes.

Shareholdings in affiliate companies

Sinergie Italiane S.r.l. in liquidation

The Group has a 30.94% stake in the affiliate company Sinergie Italiane S.r.l., in liquidation, which meets part of the needs for natural gas. The associate closes its financial year on 30th September.

The scope of activity of the associate company during the financial year 2015-2016 only included the import of Russian gas and its transfer to the sales companies in which shareholders hold a stake as well as the management of agreements, transactions and disputes concerning the regulation of contractual relations, finalised prior to the liquidation.

In August 2013, the associate completed the renegotiation of natural gas purchase prices envisaged by the “Take or pay” agreements with the supplier “Gazprom Export LLC”; the economic benefit resulting from the renegotiation affected the two-year periods 2013-2014 and 2014-2015.

In September 2015, the affiliate signed the second renegotiation of the long-term agreement with the same supplier, mainly focussed on the renegotiation of the raw material purchase price. At the same time, it was possible to achieve a significant reduction in the minimum contractual amounts. The economic effects of this renegotiation will also affect the three thermal years 2015/2016 - 2017/2018.

Based on the results of the financial statements for the year 2015-2016, as approved by the Shareholders’ meeting on 18th December 2015 and on preliminary operating data of financial year 2015-2016 restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 15,539 thousand, of which Euro 4,808 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2015 amounted to Euro 17,300 thousand, of which Euro 5,353 thousand attributable to the Ascopiave Group, the Directors have adjusted the related provision for risks and charges allocated against the capital deficit of the affiliate company for Euro 545 thousand with a positive impact on the profit and loss statement (Euro 670 thousand as of 30th June 2015).

The essential data of the shareholdings in the subsidiary as of 30th June 2016, 31st December 2015 and 30th June 2015 are reported below:

(Values referred to pro-rata participation in Million of Euro)	Interim report as of 30/06/2016	First quarter as of 31/12/2015	Interim report as of 30/06/2015
Non-current assets	2.73	2.84	3.15
Current assets	12.36	9.32	12.08
Net equity	(4.62)	(5.13)	(5.99)
Non-current liabilities	(0.00)	0.00	0.00
Current liabilities	18.68	16.28	20.25
Revenues	40.96	15.89	50.60
Costs	(39.50)	(15.39)	(48.18)
Gross operative margin	1.46	0.50	2.42
Amortization and depreciation	(0.60)	(0.20)	(0.60)
Operating result	0.86	0.30	1.82
Net result	0.81	0.30	1.15
NFP	6.96	2.60	4.43

5. Other non-current assets

(Thousands of Euro)	30.06.2016	31.12.2015
Security deposits	10,756	11,304
Other receivables	4,065	4,062
Other non-current assets	14,820	15,366

Non-current assets are mostly made up of security deposits that the companies selling natural gas have issued for the monthly payments due for the import of gas from Russia and deposits paid to Gestore Mercati Energetici for the purchase of energy efficiency certificates. Other non-current assets decreased from Euro 15,366 thousand to Euro 14,820 thousand, marking a decrease of Euro 546 thousand.

The other items in “Other receivables” are made up of:

- Receivables from the Municipality of Creazzo, for a value of Euro 1,678 thousand, which are written off for Euro 464 thousand as compared to 31st December 2006. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2004. The value of the receivables from the municipality corresponds to what the municipality of Creazzo has been asked to retrocede, as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal. A litigation is going on with the municipality, in order to define the value of the compensation of the distribution plants delivered to new distributors, whose evolution can be found in the paragraph “Litigations” of these interim financial statements.
- Receivables from the Municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to retrocede as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.
- Receivables from the municipality of Costabissara, for Euro 1,537 thousand. This amount corresponds to the net book value of the distribution systems delivered on 1st October 2011.

As of 30th June 2016 there is an on-going litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain.

6. Non-current assets from derivative instruments

The table below shows the balance of non-current assets from derivative instruments at the end of each reporting period:

(Thousands of Euro)	30.06.2016	31.12.2015
Non-current assets from derivative financial instruments	1,083	
Non-current assets from derivative financial instruments	1,083	

Assets from derivatives are represented by the fair value of the following commodity derivatives existing as of 30th June 2016, whose cash flow effect will be divided between July 2017 and 2018:

# Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€)
1 19355256	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	22-Mar-16	1-Sep-17	31-Oct-17	Long/Buy	13.080 MWh	31
2 19513462	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	14-Apr-16	1-Oct-17	30-Sep-18	Long/Buy	180.912 MWh	456
3 374160156	Unicredit	Commodity Swap	TTF Month Ahead	14-Apr-16	1-Oct-16	30-Sep-17	Long/Buy	195.027 MWh	596
Total								389.019	1,083

7. Advance tax receivables

The following table highlights the balance of advance tax receivables at the end of each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Advance tax receivables	7,681	11,333
Advance tax receivables	7,681	11,333

Advance taxes decrease from Euro 11,333 thousand to Euro 7,681 thousand, marking a decrease of Euro 3,653 thousand.

The change in the item is explained by the corresponding decrease in deferred tax liabilities amounting to Euro 3,792 thousand. During the first half of 2016, a check on the methods for calculating the temporary tax differences on depreciation and amortisation showed the misallocation of amount changes by recognising the offsetting of stocks of deferred taxes.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 2016 and at the time when it is estimated that any temporary differences will be carried forward.

Current assets

8. Inventories

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016			31.12.2015		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Gas stockage	2,021	(415)	1,607	1,980	(562)	1,418
Fuels and warehouse materials	4,399	(33)	4,366	2,192	(33)	2,158
Fuels and warehouse materials	6,421	(448)	5,973	4,172	(595)	3,577

As of 30th June 2016, the inventories are equal to Euro 5.973 thousand and show an overall increase equal to Euro 2,396 thousand as compared to 31st December 2015, mainly explained by the increase in the amount of natural gas stored

(Euro +189 thousand) and the increase in goods in stock (Euro +2,208 thousand).

The increase in natural gas inventories is determined by the increase in the cubic meters of natural gas stored at the end of the reporting period, from 8.12 million as of 31st December 2015, to 9.14 million cubic meters as of 30th June 2016. This effect is partially offset by the lower costs incurred for the purchase of the raw material, explained by the performance of the price basket to which the raw material is adjusted. The change in the raw material stored is attributable to the seasonal nature of the sales of natural gas, which determines that the gas stored is used in winter (period of highest consumption by residential customers); therefore stocks are replenished in spring and summer.

Inventories are entered net of the provision for loss in value of stock, equal to Euro 448 thousand, in order to adapt their value to the opportunities for their clearance or use.

The value of gas inventories is calculated based on the weighted average purchase price of the raw material, whereas the provision for gas inventory depreciation is evaluated on the basis of the market price recorded on the last day of the reporting period (30th June 2016, that is 16.600 €/MWh, 31st December 2015 16.500 €/MWh; source PB-GAS).

The warehouse materials are used for maintenance works or for the construction of distribution plants. In the latter case materials are reclassified as Tangible Fixed Assets once installation is complete.

9. Trade receivables

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Receivables from customers	36,842	82,413
Receivables for invoices to be issued	46,850	101,660
Bad debt provisions	(7,739)	(12,052)
Trade receivables	75,953	172,022

Trade receivables decreased from Euro 172,022 thousand to Euro 75,953 thousand, marking a decrease of Euro 96,069 thousand.

Receivables from customers are owed from national debtors and are expressed net of the billing down payments and are payable within the following 12 months.

The increase is mainly explained by the timings of billing and collection in the sale of natural gas and electricity and the seasonal nature of the business cycle which, at this time of the year, significantly affects the balances of receivables from end customers.

The lower provisions, equal to Euro 4,313 thousand, are mainly explained by the important use due to the intensive activity of cancellation of older receivables for which all the recovery activities have been completed unsuccessfully, and by the lower provision made in the first half of 2016 due to the good capacity of the existing provisions and the results of the debt collection process by external agencies and the network of appointed lawyers.

In particular, Euro 5,464 thousand of the total uses of the provision for bad debts in the first half of 2016, are attributable for Euro 3,166 thousand to the company Veritas Energia S.p.A.. Commencing 2014, the year in which 100% of capital was acquired, and until 10th February 2016, an intense credit management activity for the receivables outstanding at the time of purchase was started for Veritas Energia S.p.A.. Subsequent to these operations, the oldest outstanding receivables have been written off, after performing all the activities required by the Group's debt collection

policy. The outstanding receivables as of 10th February 2014 equalled Euro 28,085 thousand; of this total amount, as of 10th February 2016, Euro 20,119 thousand were collected and Euro 7,622 thousand were written off, of which Euro 2,579 during the first half of 2016 alone.

The changes in the provision for doubtful accounts are shown in the following table:

(Thousands of Euro)	30.06.2016	31.12.2015
Bad debt provisions	12,052	18,566
Provisions	1,151	4,004
Use	(5,464)	(10,518)
Final bad debt provision	7,739	12,052

The following table highlights the composition of accounts receivables for invoices issued based on ageing, highlighting the capacity of the allowance for doubtful accounts as compared to receivables with higher ageing:

(Thousands of Euro)	30th June 2016	31st December 2015
Gross trade receivables for invoices issued	36,842	82,413
- allowance for doubtful accounts	(7,739)	(12,052)
Net trade receivables for invoices issued	29,103	70,362
Aging of trade receivables for invoices issued:		
- to expire	15,304	62,031
- expired within 6 months	13,168	6,892
- overdue by 6 to 12 months	1,590	3,504
- expired more than 12 months	6,780	9,986

10. Other current assets

The following table shows the composition of the other current assets at the end of the period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Tax consolidation receivables	1,570	1,570
Annual pre-paid expenses	1,504	736
Advance payments to suppliers	7,086	7,587
Annual active accruals	0	136
Receivables due from Conguaglio Settore Elettrico	19,560	29,217
VAT Receivables	2,311	3,309
UTF and Provincial/Regional Additional Tax receivables	967	3,515
Other receivables	301	449
Other current assets	33,299	46,518

Other current assets decreased from Euro 46,518 thousand to Euro 33,299 thousand, marking a decrease of Euro 13,219 thousand.

The variation is mainly explained by the decrease in receivables from Cassa Conguaglio Settore Elettrico for the tariff and equalisation components for Euro 9,657 thousand, from Agenzia delle Dogane (Customs Office) for Euro 2,548

thousand, and the decrease in VAT receivables for Euro 998 thousand. These decreases are partially offset by the increase in prepaid expenses.

The variation of UTF (Customs Office) and Regional/provincial surtax receivables is related to the modality of payment of taxes on consumption based on the monthly billings to end users as opposed to monthly advances envisaged by the tax returns in the first months of the year and based on the consumption of previous year.

The IRES receivables for the Italian National Tax Consolidation Convention refer to receivables from the parent company Asco Holding S.p.A. with reference to the companies of the Group which have adopted this option.

11. Current financial assets

The following table shows the composition of the other current assets at the end of the period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Other financial current assets	659	3,487
Current financial assets	659	3,487

The current financial assets decrease from Euro 3,487 thousand to Euro 659 thousand, with a decrease of Euro 2,827 thousand.

The decrease is mainly attributable to the settlement of the repurchase agreements, expired on 10th February 2016, for Euro 2,838 thousand, purchased with the liquidity paid in February 2014 by Veritas S.p.A. as a security deposit envisaged as a guarantee on trade receivables of Veritas Energia S.p.A. when Ascopiave S.p.A. purchased 49% of Veritas Energia S.p.A..

A marginal note is the inclusion in other current financial assets of the receivables due to Ascopiave S.p.A. from the Municipality of San Vito Leguzzano, expiring on 30th June 2016.

12. Tax receivables

The following table shows the composition of tax receivables at the end of each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Receivables related to IRAP	179	368
Receivables related to IRES	646	647
Other tax receivables	352	352
Tax receivables	1,177	1,368

Tax receivables are unchanged since 31st December 2015. The item includes the residual credit, minus the taxes for the first half of 2016, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

13. Cash and cash equivalents

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Bank and post office deposits	15,473	28,286
Cash and cash equivalents on hand	13	15
Cash and cash equivalents	15,486	28,301

The cash and cash equivalents decreased from Euro 28,301 thousand to Euro 15,486 thousand, with a decrease of Euro 12,815 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the variations of cash flows in the first half of 2016, please refer to the consolidated financial statement.

Net financial position

At the end of the periods considered, the net financial position of the Group is the following:

(Thousands of Euro)	30.06.2016	31.12.2015
Cash and cash equivalents	15,486	28,301
Current financial assets	659	3,487
Current financial liabilities	(2,688)	(3,641)
Payables due to banks and financing institutions	(20,461)	(97,866)
	(69)	(67)
Net short-term financial position	(7,073)	(69,786)
Medium- and long-term bank loans	(39,185)	(43,829)
Non-current financial liabilities	(381)	(422)
Net medium and long-term financial position	(39,566)	(44,250)
Net financial position	(46,639)	(114,037)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of the first half of financial year 2016" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

14. Current assets from derivative financial instruments

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Current assets from derivative financial instruments	34	
Current assets from derivative financial instruments	34	

Assets from derivatives are represented by the fair value of the following commodity derivatives existing as of 30th June 2016, whose cash flow effect will be distributed in the second half of 2016:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€)
1	19355207	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	22-Mar-16	1-Sep-16	31-Oct-16	Long/Buy	13.080 MWh	34
Total									13.080	34

Consolidated shareholders' equity

15. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 30th June 2016 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

The shareholders' equity at the end of the periods considered is analysed in the following table:

(Thousands of Euro)	30.06.2016	31.12.2015
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	118,991	108,478
Group's Net Result	27,510	43,014
Net equity of the Group	410,274	415,264
Net equity of Others	2,785	2,524
Third parties Net Result	1,730	2,349
Net equity of Others	4,515	4,873
Total Net equity	414,788	420,137

In the first half of 2016, the changes in the consolidated net equity, excluding the result achieved in the period, have concerned the distribution of dividends by the Parent company for Euro 33,347 thousand and the distribution of dividends to Third-party Shareholders by the subsidiary companies Ascotrade S.p.A. and Amgas Blu S.r.l. respectively for Euro 1,873 and 349 thousand.

In addition, we specify a negative variation for Euro 310 thousand in the reserve of re-measurement of defined benefits plans (IAS 19R), a positive variation for Euro 1,291 thousand related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 30th June 2016.

The hedging effects accrued during the year and those transferred to the profit and loss account in order to adjust the underlying supply costs with reference to all derivatives designated as hedge accounting during the year are:

(Thousands of Euro)	
Opening balance	194
Effectiveness gained during the period	1,187
Effectively released in the income statement during the period	(283)
Closing balance	1,097

Net equity of minority interests

This item includes the net assets and the result not attributable to the Group, and refers to third party shares of the subsidiaries Ascotrade S.p.A., Etra Energia S.r.l., Amgas Blu S.r.l..

Non-current liabilities

16. Reserves for risks and charges

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Other reserves for risks and charges	7,230	7,360
Reserves for risks and charges	7,230	7,360

Reserves for risks and charges decreased from Euro 7,360 thousand to Euro 7,230 thousand, marking a decrease of Euro 130 thousand.

The variation is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation.

The changes in the period under examination are shown in the following table:

(Thousands of Euro)	
Reserves for risks and charges as of 1 st January 2016	7,360
Provisions for risks hedging losses of associates with the equity method	(545)
Provisions for risks and charges	415
Provisions for risks and charges as of 30th June 2016	7,230

17. Severance indemnity

Severance indemnity increases from Euro 3,864 thousand as of 1st January 2016 to Euro 4,370 thousand as of 30th June 2016, with an increase equal to Euro 506 thousand.

(Thousands of Euro)	
Severance indemnity as of 1 st January 2016	3,864
Retirement allowance	(760)
Payments for current services and work	851
Actuarial loss/(profits) of the period (*)	416
Severance indemnity as of 30th June 2016	4,370

* including the interest cost booked in the income statement.

18. Medium- and long-term loans

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Loans from Prealpi	721	757
Loans from European Investment Bank	32,750	34,500
Loans from Unicredit S.p.A.	5,714	8,571
Medium- and long-term loans	39,185	43,829
Current portion of medium / long-term loans	9,430	9,628
Medium- and long-term loans	48,615	53,456

Medium and long term loans, mainly represented as of 30th June 2016 by the payables of the Parent Company to the European Investment Bank for Euro 36,250 thousand and Unicredit for Euro 11,429 thousand, decrease from Euro 53,456 thousand as of 31st December 2015 to Euro 48,615 thousand, marking a decrease of Euro 4,841 thousand, explained by the payment of the loan instalments during the first six months of the year.

Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 30th June 2016 is equal to 36,250 thousand, with Euro 3,500 thousand classified in due to banks and short-term loans, and it envisages the fulfilment of some covenants to be checked twice a year applied to consolidated data prepared in accordance with IFRS, which as of 30th June 2016 were respected.

The medium long-term loan with Unicredit S.p.A. was signed by the Parent Company in 2011, to finance important company aggregation operations. The original amount of the loan was Euro 40,000 thousand. It has an outstanding debt as of 30th June 2016 amounting to Euro 11,429 thousand, with Euro 5,714 thousand classified in due to banks and short-term loans, and envisages the fulfilment of some financial covenants to be checked yearly on the pro-forma consolidated data based on the sum of the consolidated financial statements and the pro-rata share of the jointly controlled companies. As of 31st December 2015 these parameters were respected.

As a guarantee of the fulfilment of the obligations associated with the loan agreement, the Parent Company has sold to the European Investment Bank a share of future receivables arising from the reimbursement of the value of assets

related to gas distribution concessions.

Chart of medium- and long-term loans deadlines:

(Thousands of Euro)	30.06.2016
Financial year 2016	4,787
Financial year 2017	9,287
Financial year 2018	7,681
Financial year 2019	4,826
After 31 st December 2019	22,034
Total medium and long-term loans	48,615

19. Other non-current liabilities

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Security deposits	11,894	12,054
Multi-annual passive prepayments	6,914	6,849
Other non-current liabilities	18,808	18,903

Other non-current liabilities decreased from Euro 18,903 thousand to Euro 18,808 thousand, marking a decrease of Euro 95 thousand.

Security deposits refer to deposits of gas and electricity users.

Long-term deferred income was recognised against revenues on connections to the gas network and related to the useful life of the gas distribution plants and against revenues on contributions for the construction of distribution network. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution. The increase resulting from the suspension of these items was partially offset by the reclassification of the contributions received for the construction of cogeneration and heat supply plants described in the section “Tangible fixed assets” of these interim financial statements.

20. Non-current financial liabilities

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Payables due to leasing companies (over 12 months)	381	422
Non-current financial liabilities	381	422

Non-current financial liabilities decreased from Euro 422 thousand as of 31st December 2015 to Euro 381 thousand,

marking a decrease of Euro 40 thousand, and mainly include payables to leasing companies due after 12 months.

21. Deferred tax payables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Deferred tax payables	15,779	19,571
Deferred tax payables	15,779	19,571

Payables for deferred taxation decrease from Euro 19,571 thousand to Euro 15,779 thousand, marking a decrease of Euro 3,792 thousand, mainly due to the dynamics described in the paragraph “deferred taxes” of this half-year report.

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th June 2016 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

22. Amounts due to banks and current portion of medium- / long-term loans

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Payables due to banks	11,031	88,238
Current portion of medium-long-term loans	9,430	9,628
Payables due to banks and financing institutions	20,461	97,866

Payables to banks decrease from Euro 97,866 thousand to Euro 20,461 thousand, marking a decrease of Euro 77,405 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

23. Trade payables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Payables to suppliers	9,206	43,078
Payables to suppliers for invoices not yet received	50,177	79,744
Trade payables	59,383	122,823

Trade payables decrease from Euro 122,823 thousand to Euro 59,383 thousand, marking a decrease of Euro 63,440

thousand. This variation is mainly explained by the decrease in the purchase cost related to the trend of the price basket to which the raw material is adjusted.

24. Payables to tax authorities

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
IRAP payables	434	176
IRES payables	321	221
Tax payables	755	397

Tax payables increase from Euro 397 thousand to Euro 755 thousand, marking an increase of Euro 358 thousand and include payables accrued at the end of the first half of 2016 for IRAP, and the IRES payable related to the companies which do not adhere to Asco Holding S.p.A.'s tax consolidation system.

25. Other current liabilities

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Advance payments from customers	2,005	1,821
Amounts due to parent companies for tax consolidation	13,131	3,020
Amounts due to social security institutions	1,697	1,441
Amounts due to employees	4,427	4,419
VAT payables	10,978	2,643
Payables to revenue office for withholding tax	1,542	951
Annual passive prepayments	751	1,102
Annual passive accruals	429	1,059
UTF and Provincial/Regional Additional Tax payables	27,380	2,881
Other payables	5,438	23,986
Other current liabilities	67,778	43,324

Other current liabilities increased from Euro 43,324 thousand to Euro 67,778 thousand, marking an increase of Euro 24,454 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 30th June 2016.

Tax consolidation payables

This heading includes the accrued payables to the parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES payables accrued for taxation up to 30th June 2016 with an increase of Euro 10,111 thousand as compared to 31st December 2015.

Amounts due to employees and social security bodies

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30th June 2016 but not paid out on that date as well as the related contributions.

VAT payables

VAT payables increased by Euro 8,335 thousand as compared to 31st December 2015. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas, in that they fall within the category of the subjects billing a high number of end customers.

Annual deferred income

The change in other deferred income is mainly explained by the reclassification of contributions received for the construction of cogeneration and heat supply plants described in paragraph “Tangible fixed assets” of this interim financial report.

Annual accrued liabilities

Accrued liabilities refer mainly to State fees and the fees granted to local licensing bodies for the extension of the concession for the distribution of natural gas, awaiting the territorial calls for tenders.

UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company with reference to the previous year. As of 30th June 2016 the Group’s total amount of payables is Euro 27,380 thousand.

Other payables

Other payables, mainly consisting of payables to Cassa Conguaglio Settore Elettrico for the tariff components connected to the gas transportation activity, payables for contributions to employees for family allowances and payables for incentive plans, have decreased as compared to 31st December 2015 by Euro 18,548 thousand.

The Group grants additional benefits to some employees in strategic positions within the Group. These benefits are partially based on financial instruments (so-called “Long-term incentive plan 2015-2017”).

In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the reaching of pre-set objectives.

26. Current financial liabilities

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Financial payables within 12 months	2,688	3,641
Payables to leasing companies within 12 months	69	67
Current financial liabilities	2,757	3,708

Current financial liabilities decreased from Euro 3,708 thousand to Euro 2,757 thousand, marking a decrease of Euro 951 thousand, due for Euro 2,838 thousand to the definition, in February 2016, of the compensation due to Ascopiave S.p.A. by Veritas S.p.A., agreed upon when Ascopiave S.p.A. purchased 49% of Veritas Energia S.p.A., as a guarantee on trade receivables of the company purchased in February 2014, partially offset by the recognition of the amount collected from Cassa per i servizi energetici e ambientali (CSEA), equal to Euro 1,573 thousand, related to the APR mechanism described in paragraph “Evolution of the APR mechanism” of this interim financial report.

27. *Current liabilities from derivative financial instruments*

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	30.06.2016	31.12.2015
Current liabilities from derivative financial instruments	20	252
Current liabilities from derivative financial instruments	20	252

Liabilities on derivatives are represented by the fair value of the following commodity derivatives as of 30th June 2016, which will have financial manifestation in 2016 and 2017:

# Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€)
1 19989586	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	17-Apr-16	1-Jul-16	30-Sep-16	Long/Buy	45.840 MWh	9
2 377846650	Unicredit	Commodity Swap	TTF Quarter Ahead	17-Apr-16	1-Oct-16	31-Dec-16	Long/Buy	41.940 MWh	2
3 377847968	Unicredit	Commodity Swap	TTF Quarter Ahead	17-Apr-16	1-Jan-17	31-Mar-17	Long/Buy	43.922 MWh	9
Total								131.702	20

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS
Revenues*28. Revenues*

The following table shows the composition of the item by type of activity in the fiscal years considered:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Revenues from gas transportation	16,730	14,990
Revenues from gas sale	209,203	267,894
Revenues from electricity sale	27,496	29,732
Revenues from connections	71	515
Revenues from heat supply	66	16
Revenues from distribution services	2,112	1,667
Revenues from services supplied to Group compan	519	568
Revenues from AEEG contributions	6,923	4,531
Other revenues	2,692	1,647
Revenues	265,811	321,561

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 265,811 thousand, with a decrease of Euro 55,750 thousand as compared to the same period in the previous year.

The revenues from natural gas sale, equalling Euro 209,203 thousand, record a decrease totalling Euro 58,691 thousand as compared to the same period of the previous financial year. The decrease is mainly explained by a decline in unit sales prices as well as the lower volumes of natural gas sold to the end market (-15.9 million cubic meters); during the first half of the year, 462 million cubic meters were sold as compared to 477.9 million in the same period in the previous year.

At the end of the first half of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 23,319 thousand. They mainly relate to the amounts of natural gas imported from Russia. These sales are aimed at the redemption of the procurement risk and at improving the effectiveness of the purchase price of the raw material. The natural gas shipping activity was not performed by the Group during the first half of 2015, when those quantities were managed under the framework contract signed for the thermal year 2014-2015 with the Group's reference shipper.

The transportation of natural gas to the distribution network generated revenues for Euro 16,730 thousand, with an increase of Euro 1,740 thousand as compared to the first half of the previous year, involving the transport of 449.7 million cubic meters (+1.5 million as compared to the first half of 2015).

The Restriction on total revenues is determined, year after year, on the basis of the number of redelivery points the Company actually served during the reference period, as well as on the reference price, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before that in which the price becomes effective.

At the end of the period, the revenues from electricity sales amounted to Euro 27,496 thousand, showing a decrease over the previous year of Euro 2,236 thousand. The KWhs sold in the period considered amount to 159.9 million, a decrease of 15.2 million as compared to the first half of the previous year.

The revenues from connection services to the distribution network are equal to Euro 71 thousand, with a decrease of Euro 444 thousand as compared to the first half of 2015. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss statement based on the useful life of the plants built.

The revenues derived from services provided by distributors, being equal to Euro 2,112 thousand, show an increase of Euro 445 thousand as compared to the first half of 2015. The change is mainly explained by the reclassification of the revenues recorded by the sales company for the chargeback of the connection costs which in the period considered were entered under “Revenue from connection services”.

The revenues from contributions made by the Authority for Electricity, Gas and Water amount to Euro 6,923 thousand recording an increase of Euro 2,392 thousand as compared to the previous year. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors.

The contributions recognised as of 30th June 2016 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2016 target (regulatory period June 2016 - May 2017). The unit contribution is equal to the forecast contribution announced by GSE for the 2016 target (Euro 119.6).

The item “Other revenues” increased from Euro 1,647 thousand in the first half of 2015, to Euro 2,692 thousand in the period considered, showing an increase of Euro 1,045 thousand. The item includes Euro 396 thousand resulting from the execution of the agreements entered into with Veritas S.p.A. for the acquisition of the investee company Veritas Energia S.p.A., which required the seller to pay a compensation for trade receivables existing at the closing date and not cashed in within the two following years.

Costs

29. Purchase costs for raw material (gas)

The following table reports the costs relating to the purchase of gas over the relevant financial periods:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Purchase costs for raw material (gas)	134,728	191,747
Purchase costs for raw material (gas)	134,728	191,747

At the end of the first half of the year, the costs for natural gas procurement amounted to Euro 134,728 thousand, showing a decrease of Euro 57,019 thousand compared to the first half of 2015. The decrease in costs incurred is mainly explained by the trend of the price basket to which the raw material is adjusted as well as lower consumption recorded in the period considered. The procurement activity of the raw material to be sold to the end market has in fact involved the purchase of 462 million cubic metres, which translates into a decrease of 15.9 million in consumption.

In the period considered, the company purchased and stored natural gas for a total amount of Euro 2,017 thousand.

The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of costs totalling Euro 283 thousand which have increased the item by an equivalent amount.

It is to be noted that, during the financial period, no trading activities were performed and that the most significant amounts of natural gas for the supply to end customers were provided to the Ascopiave Group by the company Eni Gas

30. Purchase costs of other raw materials

The following table reports on costs relating to the purchase of other raw materials during the relevant financial periods:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Purchase of electricity	7,316	9,098
Purchase of other raw material	979	772
Purchase costs for other raw materials	8,295	9,870

At the end of the first half of 2016, the costs incurred for the purchase of other raw materials registered a decrease equal to Euro 1,575 thousand, mainly explained by the lower costs incurred to procure electricity.

The costs incurred for the purchase of electricity showed a decrease of Euro 1,782 thousand, from Euro 9,098 thousand, to Euro 7,316 thousand in the reference period. The decrease is mainly explained by the decrease in kilowatt-hour traded (-15.2 million) which at the end of the period amounted to 159.9 million.

The costs incurred for the purchase of other raw materials register an increase equal to Euro 207 thousand, from Euro 772 thousand in the first half of 2015, to Euro 979 thousand in the reference period. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

31. Costs for services

Costs for services for the relevant periods are analysed in the following table:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Costs of conveyance on secondary networks	36,370	42,281
Costs for counting meters reading	339	453
Costs for mailing bills	217	241
Mailing and telegraph costs	817	637
Maintenance and repairs	1,145	1,571
Consulting services	2,756	2,012
Commercial services and advertisement	1,188	1,150
Sundry suppliers	748	1,300
Directors' and Statutory Auditors' fees	547	570
Insurances	427	545
Personnel costs	510	420
Other managing expenses	3,107	3,289
Costs for use of third-party assets	5,014	5,427
Stockage services	293	0
Costs for services	53,478	59,895

The costs for services incurred during the first six months of the year showed a decrease of Euro 6,417 thousand, from Euro 59,895 thousand in 2015, to Euro 53,478 thousand in the reference period. This variation is mainly explained by the lower costs related to the carriage costs on the secondary and primary networks (Euro -4,732 thousand), for the transportation of electricity (Euro -1.258 thousand), and utilities services (Euro -552 thousand). This decrease is partially offset by the higher costs for consultancy services (Euro +744 thousand).

The lower costs incurred for the transportation of natural gas are mainly explained by the decrease in consumption recorded in the period considered (-15.9 million cubic meters) as well as the decrease in electricity distribution costs (-15.2 million kWh).

The costs incurred for consultancy services increase from Euro 2,012 thousand in the first half of 2015, to Euro 2,756 thousand in the reference period. The increase is mainly explained by the costs incurred for the establishment of the company AP Reti Gas S.p.A..

Other operating costs decrease by Euro 182 thousand, mainly explained by the lower costs incurred for services provided by distributors for Euro 254 thousand, partially offset by the increase in costs incurred for bank and postal fees for Euro 132 thousand.

The costs incurred for the use of third-party assets decreased by Euro 413 thousand as compared to the first half of the previous year. The item mainly includes the fees paid to Local Authorities for the management of natural gas distribution concessions.

32. Costs for personnel

The following table shows the breakdown of personnel costs in the years considered:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Wages and salaries	9,627	9,290
Social security contributions	3,291	2,910
Severance indemnity	762	705
Current severance indemnity actualization		29
Other costs	22	150
Total personnel costs	13,702	13,084
Capitalized personnel costs	(2,389)	(1,896)
Personnel costs	11,313	11,188

The cost for staff is net of costs capitalised by the companies of natural gas distribution in comparison with increases in intangible assets for works performed on a time and material basis, which are directly attributed to the implementation of facilities for the distribution of natural gas and recorded as an asset.

Costs for staff increase from Euro 13,084 thousand in the first half of 2015 to Euro 13,702 thousand in the reference period, showing an increase of Euro 618 thousand. The increase is mainly explained by wage increases paid during the period due to personal rewards and increases provided for by contract.

The capitalised staff cost shows an increase equal to Euro 494 thousand, from Euro 1,896 thousand in the previous year, to Euro 2,389 thousand in 2016, thus reducing the cost for staff by an equal amount.

The table below shows the average number of Group employees by category at the end of the indicated periods:

Description	30.06.2016	30.06.2015	Variation
Managers (average)	18	17	1
Office workers (average)	362	356	6
Manual workers (average)	103	101	2
No. of personnel employed	482	475	8

33. Other management costs

The following table shows the breakdown of other operating costs in the periods considered:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Provision for risks on credits	1,151	2,217
Other provisions		300
Membership and AEEG fees	482	355
Capital losses	607	27
Extraordinary losses	118	170
Other taxes	514	484
Other costs	339	441
Costs of contracts	241	259
Energy efficiency certificates	6,886	4,423
Other management costs	10,338	8,676

Other operating costs, increasing from Euro 8,676 thousand in the first half of 2015 to Euro 10,338 thousand in the first half of 2016, show an increase of Euro 1,662 thousand, mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +2,463 thousand), partially offset by lower allowances for doubtful accounts (Euro -1,066 thousand) made possible thanks to the appropriate capacity of the bad debt provision.

Capital losses increased by Euro 580 thousand compared to the first half of the previous year. This item includes the net book value of fixed assets that were disposed of during the period and that has affected natural gas metering equipment for Euro 281 thousand and distribution systems for the remainder.

The costs recognised as of 30th June 2016 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2016 target (regulatory period June 2016 - May 2017). The unit cost is the fair value of the prices recorded in the relevant market, calculated on 30th June 2016 and amounting to Euro 125.28 (source GME).

34. Other income

The following table shows a breakdown of other operating income in the periods considered:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Other income	123	17
Other income	123	17

At the end of the reference period, the item “other operating income” shows an increase of Euro 107 thousand, from Euro 17 thousand in 2015, to Euro 123 thousand.

35. Amortisation and depreciation

Amortisation and depreciation for the relevant periods are analysed in the following table:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Intangible fixed assets	8,844	8,512
Tangible fixed assets	1,233	1,277
Amortization and depreciation	10,076	9,789

Amortisation and depreciation record an increase of Euro 287 thousand, from Euro 9,789 thousand in the first half of 2015, to Euro 10,076 thousand in the reference period.

Financial income and expense and evaluation of companies consolidated using the equity method

36. Financial income and expense

The following table shows a breakdown of financial income and expenses in the periods considered:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Interest income on bank and post office accounts	9	269
Other interest income	115	286
Other financial income	2	2
Financial income	126	556
Interest expense on banks	86	378
Interest expense on loans	225	336
Other financial expenses	100	37
Financial charges	411	752
Evaluation of subsidiary companies with net equity method	545	670
Evaluation of subsidiary companies with net equity method	3,626	3,246
Evaluation of subsidiary companies with the net equity method	4,171	3,917
Total net financial expenses	3,886	3,722

At the end of the first half of 2016, the balance between financial income and expenses showed a loss of Euro 285 thousand, an increase from the same period in the previous year of Euro 90 thousand.

The increase is explained by the combined effect of the failure to perform during the first half of 2016 arbitrage transactions on interest rates, which had instead characterised the first half of 2015, the reduction in interest rates

applied by banks to lines of credit and by the improvement of the Group's financial position, which reduced the recourse to lines of credit.

The item "Evaluation of associated companies using the equity method" amounts to Euro 545 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiane S.r.l. in liquidation following the profit achieved during the period as detailed in the section "Shareholdings" of these explanatory notes. The item registers a decrease as compared to the same period in the previous year equal to Euro 126 thousand.

The item "Result quota from jointly controlled companies" includes the net results achieved by the jointly controlled companies in the reference period; they have increased by Euro 380 thousand, totalling Euro 3,626 thousand.

Taxes

37. Taxes for the period

The table below shows the breakdown of income taxes over the periods considered, distinguishing the current component from the deferred and advance ones:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
IRES current taxes	10,761	9,364
IRAP current taxes	1,627	1,384
(Advance)/Deferred taxes	(37)	(675)
Taxes for the period	12,351	10,072

Taxes increase from Euro 10,072 thousand in the first half of 2015 to Euro 12,351 thousand in the reference period, thus registering an increase of Euro 2,279 thousand. The increase recorded is mainly explained by the higher profit achieved in the reference period.

The table below shows the incidence of tax on the result before tax for the periods considered:

(Thousands of Euro)	1 st Half 2016	1 st Half 2015
Earnings before tax	41,591	34,133
Taxes for the period	12,351	10,072
Percentage of income before taxes	29.7%	29.5%

The tax-rate as of 30th June 2016 is equal to 29.7% with an increase of 0.2% as compared to the same period in the previous year.

Non-recurrent components

In accordance with CONSOB communication 15519/2005, we report that there were no non-recurring economic components reported in the interim financial statements as of 30th June 2016.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that during the first half of 2016 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE FINANCIAL STATEMENTS AS OF 30TH JUNE 2016**Commitments and risks****Bank guarantees**

As of 30th June 2016, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30 th June 2016	31 th December 2015
On credit lines	6,400	6,400
On financial leasing agreements	956	956
Guarantees on credit lines (letter of comfort)	1,653	1,653
On execution of works (letter of comfort)	1,176	943
Agreements on incentives art. 4 of Law no. 92/2012	76	119
On U'TF offices and regions for taxes on gas (letter of comfort)	5,532	6,232
On U'TF offices and regions for taxes on electricity (letter of comfort)	319	669
On distribution concession (letter of comfort)	7,453	2,789
On leases	13	0
On conveyance agreements (letter of comfort)	4,510	8,778
On agreements for transport of electricity (letter of comfort)	16,778	13,849
On purchase of gas agreements (letter of comfort)	578	556
On purchase of electricity agreements (letter of comfort)	2,000	2,000
On contest	19	19
On storage of natural gas service	520	110
Total	47,982	45,072

Guarantees to the jointly controlled companies and affiliate companies assessed with the equity method:

(Thousands of Euro)	30 th June 2016	31 th December 2015
On credit lines	34,333	34,333
On execution of works (letter of comfort)	8	8
Agreements on incentives art. 4 of Law no. 92/2012	495	0
On U'TF offices and regions for taxes on gas (letter of comfort)	928	928
On U'TF offices and regions for taxes on electricity (letter of comfort)	68	79
On distribution concession (letter of comfort)	180	180
On conveyance agreements (letter of comfort)	1,123	671
On agreements for transport of electricity (letter of comfort)	220	406
On leases	114	114
Total	37,469	36,719

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 30th June 2016 to Euro 34,333 thousand.

Risk and uncertainty factors**Management of financial risk: objectives and criteria**

The investments in the operative activities of the Group mainly consist of bank loans, financial lease, lease contracts with the possibility of purchase and bank deposits at sight and short-term. The recourse to such forms of investment exposes the Group to the risk connected with the fluctuation of interest rate, that successively determine possible variations on financial costs.

The operative activity, on the contrary, put the Group on the position of possible receivable risks with the counterparts.

The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

The Board of Directors re-examines and agrees the policies for risk management, described hereinafter.

Interest rate risks

Because of the seasonality of the natural gas business cycle, the Group aims at managing the need for cash by means of temporary and medium-term loans mainly at variable rates.

Furthermore, the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 30th June 2016 of Euro 48,615 thousand and due dates between 1st July 2016 and 5th February 2026.

Furthermore, the Group manages credit lines at fixed rates (loans) for minor amounts, which originated upon assignment of gas distribution networks by local authorities that are now partners of Asco Holding S.p.A., that will expire within the end of the fiscal year.

The medium - long term loans are mainly represented by the loan granted in August 2013 by the European Investment Bank with an outstanding debt of Euro 36,250 thousand as of 30th June 2016, and by the loan granted in 2011 by Unicredit S.p.A. with an outstanding debt of Euro 11,429 thousand, subject to a securitisation operation by the lender. Both are subject to covenants which are met.

For further details, please see paragraph no. 16 “*Medium- long term loans*”.

Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Group’s Pre-tax result of the possible variations in interest rates in a reasonably possible interval.

	January	February	March	April	May	June	
Net Financial Position 2016	(120,610)	(94,608)	(70,635)	(42,423)	(64,081)	(46,639)	
Positive average rate	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	
Negative average rate	0.63%	0.66%	0.71%	0.67%	0.58%	0.62%	
Positive average rate increased of 200 basis point	2.01%	2.01%	2.01%	2.01%	2.02%	2.01%	
Negative average rate increased of 200 basis point	2.63%	2.66%	2.71%	2.67%	2.58%	2.62%	
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Negative average rate decreased of 50 basis point	0.13%	0.16%	0.21%	0.17%	0.08%	0.12%	
Net Financial Position recalculated with increase of 200 basis point	(120,815)	(94,759)	(70,755)	(42,492)	(64,190)	(46,716)	
Net Financial Position recalculated with decrease of 50 basis point	(120,559)	(94,571)	(70,605)	(42,405)	(64,054)	(46,620)	Total
Effect to income before taxes with increase of 200 basis point	(205)	(150)	(120)	(70)	(109)	(77)	(730)
Effect to income before taxes with decrease of 50 basis point	51	38	30	17	27	19	183

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 730 thousand (2015: Euro 1,098 thousand) or positive for Euro 183 thousand (2015: Euro 275 thousand).

Receivable risk

The operative activity put the Group in a position of possible receivable risk caused by the missed respect of trading obligations between the counterparts.

The Group constantly monitors this type of risk through an appropriate credit management procedure, helped in that

sense also by the division of a significant component of accounts receivable. The policy prescribes to fully write down the receivables that show an older expiry date than the year (that is to say which have expired for over a year) and in any case all the existing receivables from insolvent clients or clients subject to bankruptcy proceedings, and to apply write-down percentages determined by historical series on the most recent receivables, checking the capacity of the allowance for bad debts, so that it can entirely cover all receivables having an ageing higher than 12 months and most receivables expired between 6 and 12 months.

Liquidity risk

The liquidity risk concerns the risk that the Group is not able to meet its financial obligations because of insufficient financial resources, in the expected terms and deadlines, due to the impossibility of raising new funds or selling assets on the market, affecting the income statement if the Group is obliged to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

The Group constantly aims at highest balance and flexibility of financing sources and uses, minimising that risk. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Risk of prices of raw materials

The company is exposed to the risk of fluctuation of the cost of the raw material due to the misalignment between the baskets of tariff index of natural gas sale and the basket of purchase costs index, which can be different.

In order to reduce the afore-stated risk, the company subscribed contracts of provisioning that envisage the almost full coverage of the indexing clauses of cost in the raw material purchase portfolio and of the indexing clauses of price in the sale portfolio.

The risk is therefore connected to possible volume mismatches between the amounts in the final balance underlying the various indexing formulas and the related amounts budgeted on the basis of which the purchase portfolio has been structured.

Risk management and control policy

Since September 2015, the Group has been adopting the “Energy and Financial Risk Management and Control” policy, aimed at containing the volatility implied by energy risks on overall margins and at stabilising cash flows, as well as at maintaining the balance between funding sources and uses and containing funding costs.

In accordance with the provisions of the Policies, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks, following the “Compliance with EMIR Regulation” Procedure, which defines the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 – European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market.

Price risk management and methods of accounting presentation

The Group is exposed to commodity price risk due to its operations in the gas and electricity sectors; the overall objective of risk management is to reduce the impact on the company's Income statement of the effects arising from the portfolio purchases and sales as a result of changes in market prices.

The risk exposure is currently defined in terms of volumetric gap between the different indexing formulas of contracts

in portfolio and taking into consideration, therefore, any natural hedging situations in the portfolio; as concerns risk management activities, the Group uses derivative financial instruments and specifically Swap transactions in order to reduce the overall exposure of the portfolio, through a reduction in the gaps detected between the different formulas.

The derivative instruments that may be used by the Group are Commodity swaps on the price of gas and/or Contracts For Difference on the price of electricity which involve the periodic swap of a differential between a fixed price and a variable price indexed to a specific market benchmark.

As of 30th June 2016, the three existing derivative instruments, detailed in section “26. *Current liabilities from derivative financial instruments*” whose mark to market totals Euro +1,097 thousand, are prospectively and retrospectively effective.

Specific risks in the business sectors in which the Group operates

Regulations

The activities carried out by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the Authority for Electricity, Gas and Water can have a significant impact on the operations, the operating results and the financial balance. Future changes in the regulatory policy adopted by the European Union or at a national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the Ascopiave Group.

Management of Capital

The primary objective of the management of the Group’s capital is to guarantee that a solid credit rating is maintained, as well as suitable levels of the capital indicator. The Group can adapt the dividends paid to shareholders, reimburse capital or issue new shares.

The Group checks its capital by means of a debt/capital ratio.

The Group includes financial charges, trade and other payables in its net debt, net of liquid funds and equivalents.

(Thousands of Euro)	30.06.2016	31.12.2015	30.06.2015
Financial position in the short term	(7,073)	(69,786)	(43,984)
financial position in the medium-long term	(39,566)	(44,250)	(49,109)
<i>Financial gross debt</i>	<i>46,639</i>	<i>114,037</i>	<i>93,093</i>
Share capital	234,412	234,412	234,412
Own shares	(17,521)	(17,521)	(17,521)
Reserves	170,388	160,233	159,386
Undistributed net profit	27,510	43,014	22,621
<i>Total Net equity</i>	<i>414,788</i>	<i>420,137</i>	<i>398,897</i>
<i>Total capital and gross debt</i>	<i>461,428</i>	<i>534,173</i>	<i>491,990</i>
<i>Debt/Net assets ratio</i>	<i>0.11</i>	<i>0.27</i>	<i>0.23</i>

The debt/net equity ratio as of 30th June 2016 is 0.11, a decrease as compared to 31st December 2015, equal to 0.27, and also as compared to 30th June 2015, when it amounted to 0.23.

The decrease in this indicator is related to the combined effect of the increase in the Net financial position, which improved by Euro 67,398 thousand in the first half of 2016 and Euro 46,454 thousand as compared to 30th June 2015, and the Shareholders' equity, which has decreased by Euro 5,349 thousand as compared to 31st December 2015 and increased by Euro 15,891 thousand as compared to 30th June 2015.

Representation of financial assets and liabilities by categories

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 30th June 2016 and 31st December 2015 is as follows:

(Thousands of Euro)	30.06.2016						Total	Fair value
	A	B	C	D	E	F		
Other non-current assets				14,820			14,820	14,820
Non-current assets from derivative financial instruments		1,083					1,083	1,083
Non current financial assets							0	0
Trade receivables and Other current assets				100,663			100,663	100,663
Current financial assets				659			659	659
Cash and cash equivalents				15,486			15,486	15,486
Current assets from derivative financial instruments		34					34	34
Medium- and long-term bank loans						39,185	39,185	39,185
Other non-current liabilities						11,894	11,894	11,894
Non-current financial liabilities						381	381	381
Payables due to banks and financing institutions						20,461	20,461	20,461
Trade payables and Other current liabilities						124,424	124,424	124,424
Current financial liabilities						2,757	2,757	2,757
Current liabilities from derivative financial instruments		20					20	20

	31.12.2015								
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value	
Other non-current assets				15,366			15,366	15,366	
Non current financial assets							0	0	
Trade receivables and Other current assets				210,217			210,217	210,217	
Current financial assets				3,487			3,487	3,487	
Cash and cash equivalents				28,301			28,301	28,301	
Medium- and long-term bank loans						43,829	43,829	43,829	
Other non-current liabilities						12,054	12,054	12,054	
Non-current financial liabilities						422	422	422	
Payables due to banks and financing institutions						97,866	97,866	97,866	
Trade payables and Other current liabilities						163,224	163,224	163,224	
Current financial liabilities						3,708	3,708	3,708	
Current liabilities from derivative financial instruments		252					252	252	

Legend

- A - Assets and liabilities at fair value directly recognised in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognised in Equity (including hedging derivatives)
- C - Investments held to maturity
- D - Assets for granted loans and receivables (including cash equivalents)
- E - Assets available for sale
- F - Financial liabilities recognised at amortised cost and payables

Business segment reporting

The sector information is provided with reference to the business sectors in which the Group operates. Business sectors are identified as primary segments of activities. The criteria used for identifying the activity segments have been inspired by the methods whereby management runs the Group and assigns managerial responsibilities.

Based on the information required by the IFRS 8 “Business Segment Reporting, Operative segments”, the company has identified as segments subjects of the reporting the activities of gas and electricity sales and distribution.

Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.

The following tables show the information on revenues concerning the business segments of the Group for the first half of 2016 and the first half of 2015.

1stH 2016 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	28,607	209,203	27,496	505		265,811
Intra-group revenues among the segments	33,836	536	15,404	0	(49,776)	0
Segment revenues	62,443	209,739	42,900	505	(49,776)	265,811
Result before taxes	8,771	29,851	3,193	(223)		41,591

1stH 2015 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	23,875	267,894	29,732	59		321,561
Intra-group revenues among the segments	31,442	1,676	15,494	107	(48,720)	0
Segment revenues	55,318	269,571	45,226	167	(48,720)	321,561
Result before taxes	7,874	24,583	1,730	(53)		34,133

Transactions with related parties

The transactions with related parties in the financial period considered are detailed in the following tables:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.		1,570	0	13,368	0		10,385	0	31	0
Total parent company	0	1,570	0	13,368	0	0	10,385	0	31	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	39	0	0	0	0	259	0	0	54	172
SEVEN CENTER S.R.L.	0	0	10	25	1	96	3	0	13	0
Total affiliated companies	39	0	10	25	1	355	3	0	67	172
<i>Subsidiary companies</i>										
Estenergy S.p.A.	0	0	362	8	0	0	0	0	0	0
ASM SET S.R.L.	396	0	84	925	6	45	7	3,340	266	24
Unigas Distribuzione Gas S.r.l.	1	0	278	0	0	5,409	0	59	36	0
SINERGIE ITALIANE S.R.L.	54	9,900	0	0	25,313	9	0	0	32	0
Total subsidiary companies	452	9,900	724	933	25,319	5,464	7	3,399	335	25
Total	490	11,470	734	14,276	25,319	5,819	10,394	3,399	433	196

Ascopiave S.p.A., Ascotrade S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Distribuzione S.r.l., Pasubio Servizi S.r.l., Blue Meta S.p.A. and Veritas Energia S.p.A. joined the consolidation of the tax relationships of the parent company Asco Holding S.p.A., recorded under the items “Other current assets” and “Other current liabilities”.

As far as the jointly controlled companies are concerned:

- Estenergy S.p.A.:
 - o The costs for assets are related to the purchase of electricity by Etra Energia S.r.l. and Ascotrade S.p.A.;
 - o The revenues for services are connected to services of gas transportation by Ascopiave S.p.A.;
 - o The other revenues relate to interests on the intragroup current account.
- ASM Set S.r.l.:
 - o The other receivables: are related to intragroup current account agreements with Ascopiave S.p.A.;
 - o The costs for assets are related to the purchase of Gas with AP Reti Gas Rovigo S.r.l.;
 - o The costs for assets are related to the purchase of Electricity with Veritas Energia S.p.A.;
 - o The costs for services are connected to administrative services provided to Ascopiave S.p.A.;
 - o The other costs relate to interest payable on the current account with Ascopiave S.p.A.;
 - o The revenues for services are connected to gas transportation revenues and distribution services with AP Reti Gas Rovigo S.r.l.;
 - o The other revenues relate to interests accrued on the current account with Ascopiave S.p.A.

- Unigas Distribuzione S.r.l.;
 - o The costs for services are connected to gas transportation costs and distribution services with Blue Meta S.p.A.;
 - o The revenues for assets concern the gas sale with Blue Meta S.p.A..

Costs for services to the subsidiary Asco TLC S.p.A. refer to a rental fee for the servers. Revenues for the aforementioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

The costs for assets due to Sinergie Italiane S.r.l. in liquidation relate to the purchase of natural gas by Ascotrade S.p.A. while costs and revenues for services relate to service contracts between the parties and re-invoicing of consultancy.

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount to Euro 34,333 thousand as of 30th June 2016 (unchanged value as compared to 31st December 2015).

The costs for services for the subsidiary Seven Centre S.r.l. mainly refer to maintenance services for the natural gas distribution network.

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with correlated parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Legislative Decree no. 58 of 24th February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

Financial statements representation pursuant to Consob resolution 15519/2006

Please find below the Financial statements representation showing the effects of the transactions with related parties pursuant to Consob resolution no. 15519 dated 27th July 2006:

Consolidated assets and liabilities statement

(thousands of Euro)	30.06.2016	Of which related parties						31.12.2015	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill (1)	80,758							80,758						
Other intangible assets (2)	315,984							316,659						
Tangible assets (3)	33,062							34,987						
Shareholdings in other company (4)	65,725			65,724		65,724	100.0%	68,078		68,078		68,078	100.0%	
Other non-current assets (5)	14,820			9,900		9,900	66.8%	15,366						
Non-current assets from derivative financial instruments (6)	1,083							0						
Advanced tax receivables (7)	7,681							11,333						
Non-current assets	519,115			75,624		75,624	14.6%	527,182		68,078		68,078	12.9%	
Current assets														
Inventories (8)	5,973							3,577						
Trade receivables (9)	75,953		14	443		458	0.6%	172,022	40	179	980	1,198	0.7%	
Other current assets (10)	33,299	1,570	52			1,622	4.9%	46,518	3,940			3,940	8.5%	
Current financial assets (11)	659							3,487			2,321	2,321	66.6%	
Tax receivables (12)	1,177							1,368						
Cash and cash equivalents (13)	15,486							28,301						
Current assets from derivative financial instruments (14)	34													
Current assets	132,581	1,570	66	443		2,080	1.6%	255,272	3,980	179	3,301	7,459	2.9%	
Assets	651,696	1,570	66	76,067		77,704	11.9%	782,454	3,980	179	71,379	75,537	9.7%	
NET EQUITY AND LIABILITIES														
Total net equity														
Share capital	234,412							234,412						
Own shares	(17,521)							(17,521)						
Reserves	193,383							198,374						
Net equity of the Group	410,274							415,264						
Net equity of Others	4,515							4,873						
Total net equity (15)	414,788							420,137						
Non-current liabilities														
Provisions for risks and charges (16)	7,230							7,360						
Severance indemnity (17)	4,370							3,864						
Medium and long-term bank loans (18)	39,185							43,829						
Other non-current liabilities (19)	18,808							18,903						
Non-current financial liabilities (20)	381							422						
Deferred tax payables (21)	15,779							19,571						
Non-current liabilities	85,753							93,948						
Current liabilities														
Payables due to banks and financing institutions (22)	20,461							97,866						
Trade payables (23)	59,383		62	10,623		10,686	18.0%	122,823	52	8,553		8,605	7.0%	
Tax payables (24)	755							397						
Other current liabilities (25)	67,778	13,368				13,368	19.7%	43,324	9,631			9,631	22.2%	
Current financial liabilities (26)	2,757			925		925	33.6%	3,708						
Current liabilities from derivative financial instruments (27)	20							252						
Current liabilities	151,154	13,368	62	11,548		24,979	16.5%	268,370	9,631	52	8,553	18,236	6.8%	
Liabilities	236,907	13,368	62	11,548		24,979	10.5%	362,317	9,631	52	8,553	18,236	5.0%	
Net Equity and Liabilities	651,696	13,368	62	11,548		24,979	3.8%	782,454	9,631	52	8,553	18,236	2.3%	

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Income statement and comprehensive consolidated income statement

(thousands of Euro)	Notes	First half 2016		Of which related parties					First half 2015		Of which related parties				
		A	B	C	D	Total	%	A	B	C	D	Total	%		
Revenues	(28)	265,811	31	239	3,756	885	4,026	1.5%	321,561	28	275	3,684	3,987	1.2%	
Total operating costs		218,029		358	30,783	885	32,026	14.7%	281,360	594	46,168	680	47,442	16.9%	
Purchase costs for raw material (g/s)	(29)	134,728			25,313		25,313	18.8%	191,747			40,673	40,673	21.2%	
Purchase costs for other raw materials	(30)	8,295		1	6		7	0.1%	9,870						
Costs for services	(31)	53,478		355	5,464	284	6,103	11.4%	59,895	381	5,495	286	6,163	10.3%	
Costs for personnel	(32)	11,313				601	601	5.3%	11,188			393	393	3.5%	
Other management costs	(33)	10,338		3			3	0.0%	8,676	213			213	2.5%	
Other income	(34)	123							17						
Amortization and depreciation	(35)	10,076							9,789						
Operating result		37,705	31	(120)	(27,026)	(885)	(28,000)	-74.3%	30,411	28	320	42,484	680	43,455	-142.9%
Financial income	(36)	126			2		2	1.5%	556	0	8		8	1.5%	
Financial charges	(36)	411			7		7	1.6%	752		2		2	0.3%	
Evaluation of companies consolidated with the net equity method	(36)	4,171		(1)			(1)	0.0%	3,917	(1)			(1)	0.0%	
Earnings before tax		41,591	31	(120)	(27,031)	(885)	(28,005)	-67.3%	34,133	28	321	42,478	680	43,450	-127.3%
Taxes for the period	(37)	12,351	10,385				10,385	84.1%	10,072	8,884				8,884	88.2%
Result for the period		29,240	(10,354)	(120)	(27,031)	(885)	(38,390)	-131.3%	24,060	8,856	321	42,478	680	52,335	-217.5%
Net result for the period		29,240	(10,354)	(120)	(27,031)	(885)	(38,390)	-131.3%	24,060	8,856	321	42,478	680	52,335	-217.5%
Group's Net Result		27,510							22,621						
Third-Party Net Result		1,730							1,440						
Consolidated statement of comprehensive income															
1. Components that can be reclassified to income statement															
Fair value of derivatives, changes in the period net of tax		(194)													
2. Components that can not be reclassified to income statement															
Actuarial (losses) / gains from remeasurement on defined-benefit obligation net tax		190	(14)				(14)	-7.1%	(253)						
Total comprehensive income		29,236	(10,367)	(120)	(27,031)	(885)	(38,404)	-131.4%	23,807	8,856	321	42,478	680	52,335	-219.8%
Group's overall net result		27,523	(10,349)	(102)	(27,013)	(885)	(38,386)	-139.5%	22,371	(8,838)	(303)	(42,460)	(680)	(52,317)	-233.9%
Third parties' overall net result		1,712	(18)	(18)	(18)		(18)	-1.0%	1,437	(18)	(18)	(18)	(18)	-1.2%	
Base income per share		0.124							0.102						
Diluted net income per share		0.124							0.102						

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated financial statement

(thousands of Euro)	First half 2016		Of which related parties					First half 2015		Of which related parties				
	A	B	C	D	Total	%	A	B	C	D	Total	%		
Net income of the Group	27,510							22,621						
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash														
Third-parties operating result	1,730				0	0%	1,440				0	0%		
Amortization	10,076				0	0%	9,789				0	0%		
Bad debt provisions	1,151				0	0%	2,217				0	0%		
Variations in severance indemnity	506				0	0%	(74)				0	0%		
Current assets / liabilities on financial instruments	(1,350)				0	0%	0				0	0%		
Net variation of other funds	415				0	0%	153				0	0%		
Evaluation of subsidiaries with the net equity method	(4,171)		(3,627)		(3,627)	87%	(3,917)	0	(3,369)	0	(3,369)	86%		
Interests paid	(385)				0	0%	(710)				0	0%		
Taxes paid	(1,695)				0	0%	(733)				0	0%		
Interest expense for the period	362				0	0%	732				0	0%		
Taxes for the period	12,351				0	0%	10,072				0	0%		
Variations in assets and liabilities														
Inventories	(2,396)				0	0%	(2,279)				0	0%		
Accounts payable	94,917	40	164	536	0	740	1%	52,749	(31)	(94)	(242)	0	(366)	-1%
Other current assets	13,220	2,370	(52)	0	0	2,318	18%	34,098	(788)	(52)	(9,900)	0	(10,740)	-31%
Trade payables	(63,439)	0	11	2,070	0	2,081	-3%	(76,304)	(28)	46	18,322	0	18,340	-24%
Other current liabilities	15,746	3,737	0	0	0	3,737	24%	26,044	1,649	0	0	0	1,649	6%
Other non-current assets	546	0	0	0	0	0	0%	(203)					0	0%
Other non-current liabilities	1,131	0	0	0	0	0	0%	719					0	0%
Total adjustments and variations	78,716	6,147	(3,504)	2,607	0	5,250	7%	53,794	803	(3,469)	8,180	0	5,514	10%
Cash flows generated (used) by operating activities	106,226	6,147	(3,504)	2,607	0	5,250	5%	76,415	803	(3,469)	8,180	0	5,514	7%
Cash flows generated (used) by investments														
Investments in intangible assets	(8,832)				0	0%	(7,762)				0	0%		
Realisable value of intangible assets	640				0	0%	27				0	0%		
Investments in tangible assets	(738)				0	0%	(285)				0	0%		
Realisable value of tangible assets	2				0	0%	0				0	0%		
Other net equity operations	(311)				0	0%	270				0	0%		
Cash flows generated/(used) by investments	(9,239)	0	0	0	0	0	0%	(7,749)	0	0	0	0	0%	
Cash flows generated (used) by financial activities														
Net changes in debts due to other financiers	(40)	0	0	0	0	0	0%	(33)					0	0%
Net changes in short-term bank borrowings	(118,549)				0	0%	(44,058)						0	0%
Net variation in current financial assets and liabilities	1,877	0	0	3,246	0	3,246	173%	4,887	0	0	5,050	0	5,050	103%
Ignitions loans and mortgages	77,500				0	0%	66,500				0	0%		
Redemptions loans and mortgages	(41,000)				0	0%	(146,500)				0	0%		
Dividends distributed to Ascopiave S.p.A. shareholders'	(33,347)				0	0%	(33,332)				0	0%		
Dividends distributed to other shareholders	(2,222)				0	0%	(1,768)				0	0%		
Dividends distributed from subsidiary companies	5,980		5,980		5,980	100%	3,369	3,369			3,369	100%		
Cash flows generated (used) by financial activities	(109,801)	0	5,980	3,246	0	9,225	-8%	(150,936)	0	3,369	5,050	0	8,419	-6%
Variations in cash	(12,815)						0	0%	(82,270)					
Cash and cash equivalents at the beginning of the period	(28,301)						0	0%	(100,882)					
Cash and cash equivalents at the end of the period	(15,486)						(0)	0%	(18,613)					

Legend for the Related parties column heading:

A Parent companies
B Associates
C Affiliates and Jointly controlled companies
D Other related parties

Consolidated net debt

(thousands of Euro)	30.06.2016	Of which related parties					31.12.2015	Of which related parties							
		A	B	C	D	Totale		%	A	B	C	D	Totale	%	
A Cash	13						15								
B Other liquid assets	15,473						28,286								
C Negotiable shares															
D Liquid assets (A) + (B) + (C)	15,486						28,301								
E Current financial receivables	659						3,487								
F Current bank debt	(11,031)						(88,238)								
G Current share of non current debt	(9,430)						(9,628)								
H Other current financial debts	(2,757)			(925)	(925)	33.5%	(3,708)			(249)	(249)	6.7%			
I Current financial indebtedness (F) + (G) + (H)	(23,218)			(925)	(925)	4.0%	(101,574)			(249)	(249)	0.2%			
J Net current financial indebtedness (I) - (E) - (D)	(7,073)			(925)	(925)	13.1%	(69,786)			(249)	(249)	0.4%			
K Non-current bank debt	(39,185)						(43,829)								
L Bonds issued / Non-current financial credits	0						0								
M Other non-current debts	(381)						(422)								
N Non-current financial indebtedness (K) + (L) + (M)	(39,566)						(44,250)								
O Net financial indebtedness (J) + (N)	(46,639)			(925)	(925)	2.0%	(114,037)			(249)	(249)	0.2%			

Legend for the Related parties column heading:

A Parent companies
B Associates
C Affiliates and Jointly controlled companies
D Other related parties

The values reported in the tables above refer to the related parties listed below:

Group A – Parent companies:

- Asco Holding S.p.A.

Group B – Associates and jointly controlled companies:

- Asco TLC S.p.A.
- Seven Center S.r.l.

Group C – Affiliates:

- Estenergy S.p.A.
- ASM Set S.r.l.
- Unigas Distribuzione S.r.l.
- Sinergie Italiane S.r.l. in liquidation

Group D – other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events after the end of the period considered

AP Reti Gas, a company of the Ascopiave Group in charge of managing natural gas distribution and metering services, started operations on 1st July 2016

AP Reti Gas S.p.A., a wholly owned subsidiary of Ascopiave S.p.A., started its operations on 1st July 2016 with about 170 employees and manages the natural gas distribution service in 150 Municipalities in the Provinces of Treviso, Vicenza, Venice, Padua, Rovigo, Belluno, Varese, Piacenza and Pavia, totalling approximately 6,800 Km of network and over 335,400 redelivery points.

Ascopiave is still the holding company and acts as the Group's reference in the stock market, focusing its activities on the provision of services to other companies of the Ascopiave Group.

The transfer of the gas distribution business to AP Reti Gas ensures compliance with the provisions contained in AEEGSI resolution 296/15/R/com (Article 17) which envisages unbundling for the distribution and the sales companies in the natural gas and electricity sector.

On 1st July, ASM DG S.r.l. became AP Reti Gas Rovigo S.r.l.

On 1st July, in compliance with AEEGSI's unbundling regulations, ASM Distribuzione Gas S.r.l., a company of the Ascopiave Group operating in the gas distribution sector in the area of Rovigo, changed its name to AP Reti Gas Rovigo S.r.l..

The Aeb-Gelsia Group and Ascopiave sign a letter of intent for the development of a future business combination

On 12th July 2016, the Aeb-Gelsia and Ascopiave Groups signed a letter of intent defining the guidelines and principles of a programme aimed at the combination of the gas and energy sales and distribution businesses in Lombardy, which could also be extended to other areas.

The agreement, which envisages a period of reciprocal exclusivity in negotiations until 31st October 2016, defines hypotheses, insights and the path to be pursued by the Parties in order to finalise the combination within the end of the year.

Synthesis data as of 30th June 2016 of jointly controlled companies consolidated through the net equity method

Estenergy S.p.A.

The Group holds a 48.999% stake in Estenergy S.p.A., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Estenergy S.p.A. is recognised in the consolidated financial statements through the net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	30.06.2016	31.12.2015
Current assets	44,072	61,728
of which		
Cash and cash equivalents	9,650	2,751
Non-current assets	72,945	73,452
Current liabilities	24,716	38,647
of which		
Current financial liabilities	18	18
Non - current liabilities	5,633	5,974
	86,669	90,560
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	42,467	44,373

Statement of profit/(loss) for the period (synthesis data);

Income Statement - summary data

(Thousands of Euro)	First half 2016	First half 2015
Revenues	70,308	82,173
Total operating costs	61,977	74,519
Gross operative margin	8,332	7,655
Amortization and depreciation	904	1,000
Operating result	7,428	6,654
Financial income	145	118
Financial charges	8	71
Earnings before tax	7,566	6,702
Taxes of the period	2,522	2,075
Result of the period	5,043	4,626
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	2,471	2,267

Unigas Distribuzione S.r.l.

The Group holds a 48.86% stake in Unigas Distribuzione S.r.l., a jointly controlled entity active in the distribution of natural gas.

The stake of the Group in Unigas Distribuzione S.r.l. is recognised in the consolidated financial statements through the net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	30.06.2016	31.12.2015
Current assets	14,607	14,848
of which		
Cash and cash equivalents	4,066	3,322
Non-current assets	46,038	46,146
Current liabilities	18,667	18,764
of which		
Current financial liabilities	0	0
Non - current liabilities	1,048	929
	40,930	41,302
Group inteterest	48.860%	48.860%
Net profit for the period attributable of the Group	19,999	20,180

Statement of profit/(loss) for the period (synthesis data);

Income Statement - summary data

(Thousands of Euro)	First half 2016	First half 2015
Revenues	8,111	7,128
Total operating costs	5,201	4,801
Gross operative margin	2,910	2,326
Amortization and depreciation	1,173	1,131
Operating result	1,737	1,195
Financial income	3	0
Financial charges	43	27
Earnings before tax	1,697	1,169
Taxes of the period	624	287
Result of the period	1,074	882
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	525	431

Asm Set S.r.l.

The Group holds a 49% stake in Asm Set S.r.l., a jointly controlled entity selling natural gas and electricity to end customers and wholesalers.

The stake of the Group in Asm Set S.r.l. is recognised in the consolidated financial statements through the net equity method. Please find below the economic and financial synthesis data related to the company, based on the financial statements prepared in compliance with IFRSs, and the reconciliation with the accounting value of the stake in the consolidated financial statements:

Balance sheet - summary data

(Thousands of Euro)	30.06.2016	31.12.2015
Current assets	6,348	10,707
of which		
Cash and cash equivalents	863	4,375
Non-current assets	5,425	5,538
Current liabilities	4,115	8,058
of which		
Current financial liabilities	0	0
Non - current liabilities	1,008	995
	6,651	7,192
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	3,259	3,524

Statement of profit/(loss) for the period (synthesis data);

Income Statement - summary data

(Thousands of Euro)	First half 2016	First half 2015
Revenues	14,355	16,505
Total operating costs	12,366	14,772
Gross operative margin	1,990	1,733
Amortization and depreciation	103	105
Operating result	1,887	1,628
Financial income	17	22
Financial charges	5	12
Earnings before tax	1,898	1,638
Taxes of the period	612	519
Result of the period	1,287	1,119
Group inteterest	49.00%	49.00%
Net profit for the period attributable of the Group	631	548

Goals and policies of the group

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership.

As for the segment of gas sale, the Group intends to implement the necessary actions to safeguard the current levels of profitability in an ever-changing market, through a trade policy focused on the proposition of differential pricing formulas and improvement of the quality of service.

In this segment, the Group intends to pursue the objectives of increasing its market share by direct acquisition of new customers, and through extraordinary company mergers and/or partnerships.

Pieve di Soligo, 3rd August 2016

Chairman of the Board of Directors
Fulvio Zugno

DECLARATION

(Translation from the original in Italian)

Certification of the Half Year Report as of 30th June 2016

Pursuant to Article 154-bis paragraph 5 and 5-bis, part IV, section III, section II, heading III 2), section V-bis, Legislative Decree n. 58, dated 24th February 1998: Consolidated Law on Finance compliant with Articles 8 and 21, Law 52 dated 6th February 1996

1) The undersigned dr. Fulvio Zugno in his capacity as Chairman of the Board of Directors, and dr. Cristiano Belliato, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 2, 3 and 4, Legislative Decree n. 58, dated 24th February 1998:

- the appropriateness of the Financial Statements with respect to the characteristics of the company
- and
- the effective adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2016 –30th June 2016

2) Moreover, it is herein stated that the financial statements

- (a) correspond to the information in the books and other accounting records;
- (b) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.
- (d) the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Group as well as the related and associated companies, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 3rd August 2016

<i>Chairman of the Board of Directors</i>	<i>Officer Responsible for the preparation of Corporate Financial Reports</i>
<i>signature</i>	<i>signature</i>
dr. Fulvio Zugno	dr. Cristiano Belliato



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Ascopiave SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Ascopiave SpA and its subsidiaries (the Ascopiave Group) as of 30 June 2016, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flow and related notes. The directors of Ascopiave SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the Ascopiave Group as of 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 3 August 2016

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311