



Interim Report
as of 30th September 2016

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

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of 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
Bortolomio 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.

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Main economic and financial data of the Ascopiave Group

Economic figures

	Third quarter 2016	% of revenues	Third quarter 2015	% of revenues
<i>(Thousands of Euro)</i>				
Revenues	353,337	100.0%	413,413	100.0%
Gross operative margin	61,477	17.4%	52,113	12.6%
Operating result	44,959	12.7%	35,351	8.6%
Net result for the period	34,359	9.7%	27,509	6.7%

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

Assets figures

<i>(Thousands of Euro)</i>	30.09.2016	31.12.2015	30.09.2015
Net working capital	11,892	56,689	30,932
Fixed assets and other non current assets (non-financial)	516,805	527,182	521,087
Non-current liabilities (excluding loans)	(46,661)	(49,698)	(52,721)
Net invested capital	482,036	534,173	499,298
Net financial position	(62,557)	(114,037)	(97,008)
Total Net equity	(419,479)	(420,137)	(402,290)
Total financing sources	(482,036)	(534,173)	(499,298)

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

<i>(thousands of Euro)</i>	Third quarter 2016	Third quarter 2015
Net income of the Group	32,621	26,081
Cash flows generated (used) by operating activities	94,611	76,818
Cash flows generated/(used) by investments	(13,971)	(12,067)
Cash flows generated (used) by financial activities	(97,128)	(149,734)
Variations in cash	(16,487)	(84,983)
Cash and cash equivalents at the beginning of the period	28,301	100,882
Cash and cash equivalents at the end of the period	11,814	15,900

REPORT ON MANAGEMENT

FOREWORD

The Ascopiave Group closed the first nine months of 2016 with a net consolidated profit of Euro 34.4 million (Euro 27.5 million as of 30th September 2015), with an increase of Euro 6.9 million, +24.9% as compared to the same period in the previous year.

The consolidated net assets as of 30th September 2016 amounted to Euro 419.5 million, (Euro 420,1 million as of 31st December 2015) and the net capital invested to Euro 482.5 million (Euro 534.2 million as of 31st December 2015).

During the first nine months of 2016, the Group accomplished investments for Euro 14.3 million (Euro 12.4 million as of 30th September 2015), mainly in the development, maintenance and modernisation of the networks and plant of gas distribution and the installation of electronic metres.

Activities

Ascopiave 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 electricity, heat management and co-generation.

The Group currently holds concessions and direct assignments for the supply of the service in 208 municipalities, (208 municipalities as of 31st December 2015) and has a distribution network extending for over 8,365 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 614 million cu.m¹ of gas sold in the first nine months of 2016 (634 million cu.m as of 30th September 2015).

Strategic objectives

Ascopiave aims to pursue a strategy focused on the creation of value 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.

The Group intends to consolidate its leadership position in the gas sector on a regional level and is looking to reach a prominent position also at the national level, taking advantage of the liberalisation process currently underway. In this

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.

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 operative processes.

Management trend

The volumes of gas sold in the first nine months of 2016 amounted to 614.1 million cubic metres, marking a decrease of 3.2% as compared to the same period in the previous year.

The volumes of electrical energy sold were 282.6 GWh, marking a decrease of 9.9% as compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 576.3 million cubic metres, marking an increase of 1.6% as compared to the same period in 2015. The distribution network as of 30th September 2016 has an extension of 8,365 km (8,312 km as of 31st December 2015).

Economic results and financial situation

The consolidated revenues of the Ascopiave Group in the first nine months of 2016 amounted to Euro 353.3 million, compared to Euro 413.4 million recorded in the same period in 2015. The decrease in the turnover is mainly due to the reduction in the revenues from natural gas sale (Euro -67.0 million), explained by lower amounts of gas sold and a decrease in unit sales prices.

The Operating Result of the Group equals Euro 45.0 million, marking an increase as compared to Euro 35.4 million in the same period in 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 34.4 million, increasing as compared to Euro 26.1 million in the first nine months 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.

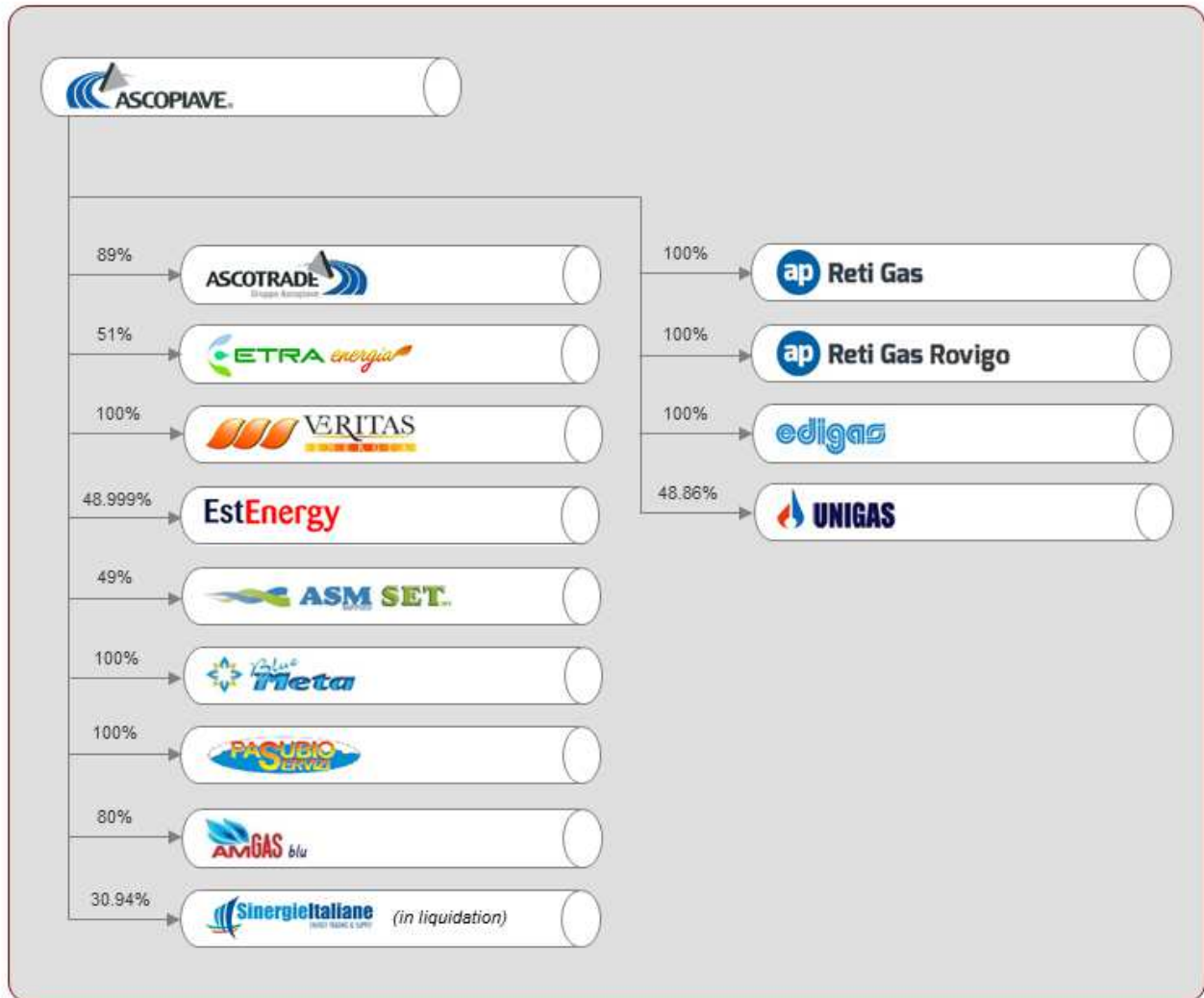
The Group's Net Financial Position as of 30th September 2016 amounted to Euro 63.0 million, with an improvement of Euro 51.1 million as compared to Euro 114.0 million on 31st December 2015, (on 30th September 2015 the Net Financial Position amounted to Euro 97.0 million).

The reduction in financial indebtedness is determined by the cash flow of the period (Euro +50.9 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which has generated financial resources for Euro 43.7 million. The investment activity has absorbed financial resources for Euro 13.6 million, whereas the management of the working capital (distribution of dividends and dividends received by the companies consolidated using the equity method) has absorbed resources for Euro 29.9 million.

The ratio between Net financial position and Net equity as of 30th September 2016 amounted to 0.15 (0.24 as of 30th September 2015).

The structure of the Ascopiave Group

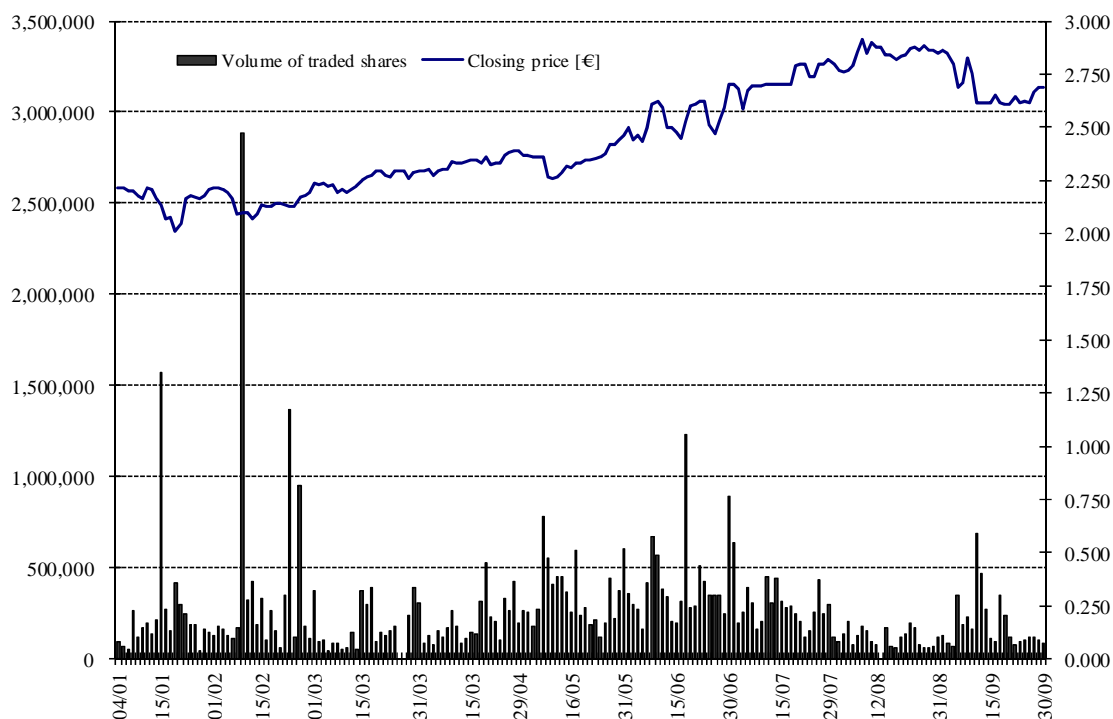
The table below shows the company structure of the Ascopiave Group as of 30th September 2016.



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

As of 30th September 2016 the Ascopiave share registered a quotation of Euro 2.690 per share, with an increase of 21.4 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).

Market capitalisation as of 30th September 2016 was equal to Euro 623.31 million².



During the first nine months of 2016 the quotation of the share showed a positive performance (+21.4%), which reflects the improvement of the industry index FTSE Italia Servizi di Pubblica Utilità (+2.6%). On the contrary, the indexes FTSE Italia All-Share (-20.0%) and FTSE Italia Star (-2.5%) have decreased.

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

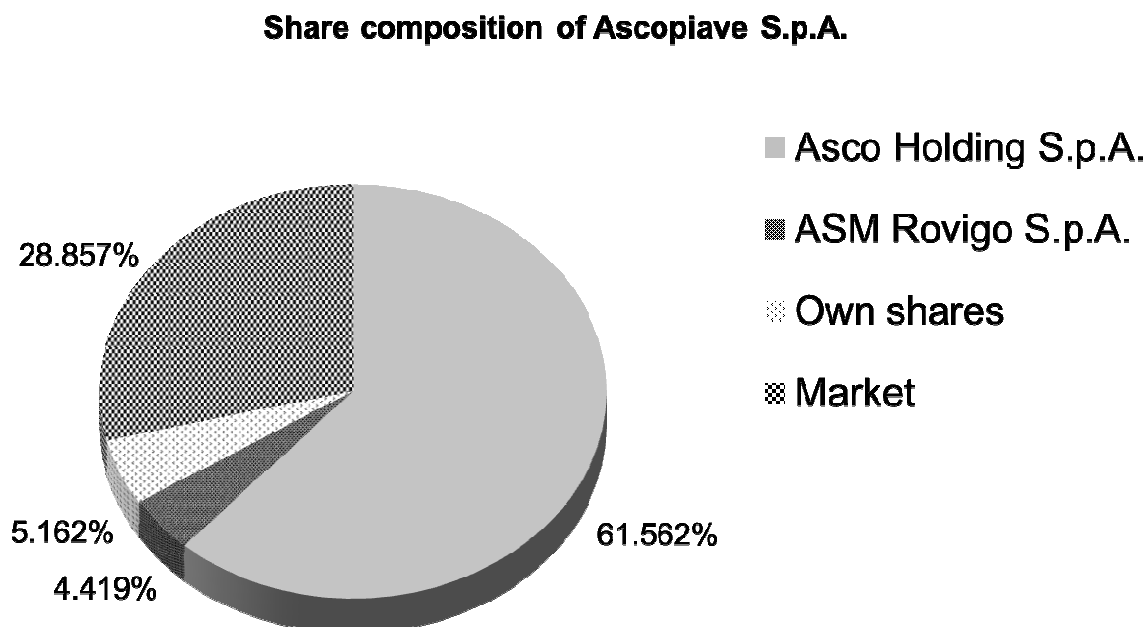
Share and stock-exchange data	30.09.2016	30.09.2015
Earning per share (Euro)	0.15	0.12
Net equity per share (Euro)	1.79	1.70
Placement price (Euro)	1.800	1.800
Closing price (Euro)	2.690	2.060
Maximum annual price (Euro)	2.910	2.460
Minimum annual price (Euro)	2.010	1.760
Stock-exchange capitalization (Million of Euro)	623.31	479.71
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 September 2016 equalled Euro 11.7 billion. Borsa Italiana website (www.borsaitaliana.it).

Control of the Company

As of 30th September 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:



In-company elaboration based on information received by Ascopiave S.p.A. pursuant to art. 120 TUF (Consolidated Finance Law).

Corporate Governance and Code of Ethics

During the first nine months of 2016, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to defend 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, based on the prioritisation of the main risks, 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, especially 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 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 staff services from Unigas Distribuzione S.r.l., jointly controlled company;
- ✓ 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;
- ✓ Debit transactions in favour of ASM Set S.r.l. jointly controlled company;
- ✓ Administrative services and staff services from 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., AP Reti Gas 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 receiva	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	9	1,149	0	6,028	0	0	12,279	0	39	0
Total parent company	9	1,149	0	6,028	0	0	12,279	0	39	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	75	0	140	0	0	389	0	172	83	58
SEVEN CENTER S.R.L.	3	0	13	0	1	147	6	0	16	0
Total affiliated companies	77	0	153	0	1	536	6	172	99	58
<i>Subsidiary companies</i>										
Estenergy S.p.A.	7	0	85	0	0	0	0	0	0	0
ASM SET S.R.L.	598	0	18	2,570	17	52	7	4,171	347	48
Unigas Distribuzione Gas S.r.l.	28	0	636	0	0	5,868	0	72	47	0
SINERGIE ITALIANE S.R.L.	16	8,193	0	0	38,235	13	0	0	37	0
Total subsidiary companies	635	8,193	739	2,570	38,252	5,933	7	4,243	430	48
Total	722	9,342	866	8,598	38,253	6,469	12,291	4,415	568	106

Significant events during the first nine months 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, 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 Towns 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 Towns 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 serves 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 Italian 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 and DCO 456/2016/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.

On 4th August 2016, the Authority issued the consultation document DCO 456/2016/R/gas illustrating the final guidelines for defining the criteria for investment cost recognition. As against the three options set forth in the consultation document 205/2016/R/gas, the new approach envisages evaluation criteria based on standard costs, and that such criteria shall apply commencing 2019 – because investigations are still to be conducted –, with reference to the investments made in 2018.

The Authority also believes that adequate mechanisms are necessary for monitoring the efficacy of the method, especially when applied in contexts where renewal activities of the existing networks prevail.

In order to develop the method, the Authority intends to accept the proposal submitted by some consultation participants: a joint technical working group should be set up assembling the distribution companies and the Authority's Offices, so as to define a shared price list structure.

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

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 Towns 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.

Ascopiave has been awarded, on an interim basis, the tender relating to the purchase of shares belonging to Pasubio Group S.p.A., a company operating in the distribution of natural gas in 22 Towns in Veneto, with over 88,000 clients

The Town of Schio, the contracting authority for bids governing the sale of 100% of the share capital belonging to Pasubio Group S.p.A., on 12th September resolved 2016 on temporarily awarding the tender to Ascopiave S.p.A..

Pasubio Group S.p.A. is the holding company of a group operating in the distribution of natural gas in 22 Towns in the provinces of Vicenza and Padua, with a client base of nearly 88,000 users.

On the basis of estimates drawn by Ascopiave regarding the aggregate figures pertinent to the Group, the 2015 consolidated revenues of Pasubio Group S.p.A. amounted to Euro 12.6 million (Euro 12.7 million in 2014), Ebitda was Euro 4.7 million (Euro 4.4 million in 2014), net operating margin stood at Euro 2.7 million (Euro 2.1 million in 2014) and net profit was Euro 1.5 million (Euro 0.7 million in 2014).

The Group's shareholder's equity, as at 31st December 2015, amounted to € 21.1 million, presenting a net financial indebtedness (adjusted to factor in accounts payable relating to concession fees owed to the respective issuing Towns and falling under pre-2015 fiscal periods) to the tune of € 6.9 million.

The concessions managed by the Group were mostly awarded (20 out of 22) on the basis of tenders pursuant to Legislative Decree n. 164/2000 (the so-called Letta Decree); they will expire between 2018 and 2024 (over 70% of clients fall under those concessions expiring in December 2024).

The economic conditions offered by Ascopiave S.p.A. have the following main features:

- 1) the purchase of the entire 100% share capital of Pasubio Group at an equity value of Euro 16.3 million;
- 2) a commitment by Pasubio Group to disburse to some issuing Towns (and its current shareholders) a one-off supplementary fee amounting to Euro 5.1 million;
- 3) a commitment by Pasubio Group to disburse to the said Towns, commencing 2017, the annual concession fees as originally envisaged i.e. prior to the amendments in force between the parties;
- 4) a commitment by Pasubio Group to make an anticipated payment to the said Towns corresponding to the annual concession fees relating to the years 2017 and 2018.

Focusing on 2016 figures, Ascopiave S.p.A. estimates that the higher annual fees that will be paid due to the commitment stated in point 3) above, will lead to higher costs and a consequent drop in operating results over the next years, to the tune of approximately Euro 1.6 million per year.

The bid features a price adjustment in relation to the variation in the net financial position, from 31st December 2015 to the share transfer date.

Furthermore, Ascopiave's bid provides guarantees with regard to the upkeep of current employment levels, an improvement in the company's staffing and the reinforcement of headcount in local offices.

Ascopiave, in the event of the final official award and successful completion, will finance the purchase by resorting to debt financing.

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 need, 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.

As of 31st May 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:

- The early redemption (normally governed with reference to Royal Decree no. 2578/1925) and
- 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 renowned 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 (made available on 15th November 2011) 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

CLASS I – ADMINISTRATIVE LITIGATIONS

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

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

As of 30th September 2016 the following litigation is pending:

MUNICIPALITY OF COSTABISSARA:

An arbitration is pending before the Court of Appeal of Venice for the establishment of the industrial residual value of the distribution plants (delivered in 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 September 2016 the following are pending:

MUNICIPALITY OF CREAZZO:

An arbitration is pending between Ascopiave S.p.A. 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 September 2016 the following are pending:

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 12th June 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.

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) were raised.

On 1st October 2015, Ascopiave filed an appeal against Ministerial Decree no. 106 dated 20th May 2015 as well, with “additional grounds” with respect to the main appeal.

The Ministerial Decree, in fact, at least as far as art. 5 is concerned, essentially introduces the regulation of the Guidelines into Ministerial Decree 226/2011.

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

With Judgement no. 10341 dated 17th October 2016, the Regional Administrative Court of Latium rejected the appeal with additional grounds and barred the main appeal from further proceedings.

The company, due to the unfavourable outcome, is considering whether to appeal this decision to the Council of State.

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.

CONTESTATION OF PASUBIO GROUP S.P.A.'S CONTRACT DOCUMENTS:

2i Rete Gas S.p.A. filed an appeal before the Regional Administrative Court of Veneto against the Town of Schio and Ascopiave S.p.A. (notified on 10th October 2016), in order to cancel, subject to protective orders, the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The protective hearing was held on 9th November 2016.

CATEGORY V – CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 30th September 2016 the following 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.

The Court-appointed Expert Witness filed his report on 30th September 2016. The subsequent hearing was held on 17th October 2016.

Relationships with Agenzia delle Entrate (Tax collection agency)

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.

In recent years, some Group companies have fallen within the scope of the regulatory framework set forth in art. 81, paragraphs 16-18 of Law Decree 25/06/2008 no. 112 converted into law no. 133 dated 06/08/2008 and subsequent amendments, introducing new requirements for the operators of the energy and oil sectors, among which the application of an extra tax in addition to IRES, called IRES surcharge.

The percentage of this tax, which had the same tax base as IRES, changed over time, increasing from an initial rate of 5.5% to a maximum threshold of 10.5%; the company size above which the tax was due changed as well. At a later stage, by judgment of the Constitutional Court no. 10 dated 11th February 2015, the tax was declared unconstitutional due to violation of Articles 3 and 53 of the Constitution.

This ruling generated uncertainty on the interpretation of the starting date and effectiveness of the ruling itself and on the temporal scope of the unconstitutionality; it was uncertain whether it also applied to IRES surcharges relating to the years before the year in which the judgment was delivered.

The company entrusted some professionals with the evaluation of the assumptions and conditions for the submission of a refund application for the IRES surcharge paid for the financial periods until 31st December 2014.

Following these checks, in December 2015, a refund application was submitted for the years 2008, 2009, 2010, 2011, 2012, 2013 and 2014, for a total amount of Euro 29,018 thousand.

For the submission of the applications, the Ascopiave Group incurred costs totalling Euro 111.2 thousand.

Agenzia delle Entrate rejected the refund application only for the companies Pasubio Servizi S.p.A. and Veritas Energia S.p.A., while all of the other companies received the so-called “tacit refusal”, as Agenzia delle Entrate did not answer within 90 days from the refund application.

In September 2016, the other Group companies involved appealed before the competent tax commissions against Agenzia delle Entrate, Treviso Provincial Directorate, in order to obtain:

- a) the cancellation of the tacit refusal formed within the 90 days after the submission of the refund applications for the IRES surcharge for the respective financial periods (Pasubio and Veritas, instead, appealed against the rejection of the refund);
- b) the payment of the refund requested, in addition to interest accrued and accruing.

The proceedings are currently pending and the first hearing has not yet been scheduled.

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 September 2016 the value of own shares held by the company is equal to Euro 17,521 thousand (Euro 17,521 thousand as of 31st December 2015), as can be seen in the Net Equity variations.

Outlook for the Year

As far as the gas distribution activities are concerned, in the last quarter of 2016 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender for the award of the Minimum Territorial Areas in which it is interested. Most Municipalities currently managed by Ascopiave belong to

Minimum Territorial Areas for which the maximum deadline to issue the call for tenders exceeds 31st December 2016. Although the tender authorities may anticipate the maximum terms stated in the regulations, it is unlikely that some Towns invite tenders before the end of 2016. This being unlikely, even with no certainties concerning the required time for the award, 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 in the last two months of the year 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. These effects will be at least offset by the profits related to the positive tariff adjustments communicated for the year 2015 and already recognised in the financial statements as of 30th September 2016.

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 the AEEGSI for the protected market. As regards electricity sales, the positive results achieved in the first nine months of the year could 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, the successful development and application of new technologies, the changes in stakeholder expectations and other changes in 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 22.9% (37.2% as of 30th September 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 September 2016 are associated with contracts for natural gas supply.

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

As of 31st September 2016, the Ascopiave Group holds a portfolio of 208 (208 as of 31st December 2015) natural gas distribution concessions 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, recognised to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognised 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 recognised 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 is protecting its financial performance and standing with respect to adverse regulatory changes as described in the terms set out in the sections “Territorial areas” and “Litigations” 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 6,838 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 September 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 September 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 lead to meaningful conclusions as to the overall trend of the year.

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 nine months of 2016

General operational performance and indicators

NATURAL GAS DISTRIBUTION	9M 2016	9M 2015	Var.	Var%
Companies consolidated with full consolidation method				
Number of concessions	176	176	0	0.0%
Length of distribution network (km)	7,826	7,727	99	1.3%
Volumes of gas distributed (scm/mln)	529.7	527.9	1.9	0.4%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,103	1,097	6	0.5%
Volumes of gas distributed (scm/mln)	95.2	95.6	-0.4	-0.4%
Ascopiave Group*				
Number of concessions	192	192	0	0.0%
Length of distribution network (km)	8,365	8,263	102	1.2%
Volumes of gas distributed (scm/mln)	576.3	574.6	1.6	0.3%

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

NATURAL GAS SALES TO FINAL MARKET	9M 2016	9M 2015	Var.	Var%
Companies consolidated with full consolidation method				
Volumes of gas sold (smc/mln)	529.2	542.8	-13.7	-2.5%
Companies consolidated with net equity consolidation method				
Volumes of gas sold (smc/mln)	173.3	187.3	-14.0	-7.5%
Ascopiave Group*				
Volumes of gas sold (smc/mln)	614.1	634.6	-20.5	-3.2%

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

SALE OF ELECTRIC POWER	9M 2016	9M 2015	Var.	Var%
Companies consolidated with full consolidation method				
Volumes of electricity sold (GWh)	248.9	271.4	-22.5	-8.3%
Companies consolidated with net equity consolidation method				
Volumes of electricity sold (GWh)	80.2	95.8	-15.7	-16.3%
Ascopiave Group*				
Volumes of electricity sold (GWh)	282.6	313.7	-31.1	-9.9%

* 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 nine months of 2016, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 529.7 million cubic metres, increasing by 0.4% as compared to the same period in the previous year.

The company Unigas Distribuzione S.r.l., consolidated through the net equity method, distributed 95.2 million cubic metres, marking a decrease of 0.4% as compared to the same period in the previous year.

In the first nine months of 2016, the volume of gas sold by the fully consolidated companies amounted to 529.2 million cubic metres, marking a decrease of 2.5% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 173.3 million cubic metres of gas (-7.5% as compared to the same period in the previous year).

In the first nine months of 2016, the volume of electricity sold by the fully consolidated companies was equal to 248.9 GWh, marking a decrease of 8.3% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 80.2 GWh of electricity (-16.3% as compared to the same period in the previous year).

General operational performance - The Group's economic results

(Thousands of Euro)	3 rd Quarter 2016	% of revenues	3 rd Quarter 2015	% of revenues
Revenues	353,337	100.0%	413,413	100.0%
Total operating costs	291,860	82.6%	361,300	87.4%
Gross operative margin	61,477	17.4%	52,113	12.6%
Amortization and depreciation	15,140	4.3%	14,748	3.6%
Provision for risks on credits	1,379	0.4%	2,013	0.5%
Operating result	44,959	12.7%	35,351	8.6%
Financial income	196	0.1%	696	0.2%
Financial charges	658	0.2%	1,103	0.3%
Evaluation of subsidiary companies with the net equity method	4,571	1.3%	4,442	1.1%
Earnings before tax	49,067	13.9%	39,386	9.5%
Taxes for the period	14,708	4.2%	11,877	2.9%
Net result for the period	34,359	9.7%	27,509	6.7%
Group's Net Result	32,621	9.2%	26,081	6.3%
Third parties Net Result	1,738	0.5%	1,427	0.3%

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 nine months of 2016, the Group income amounts to Euro 351,041 thousand, decreasing by 15.1% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	3 rd Quarter 2016	3 rd Quarter 2015
Revenues from gas transportation	21,347	18,846
Revenues from gas sale	266,587	333,619
Revenues from electricity sale	44,542	45,687
Revenues from connections	107	828
Revenues from heat supply	66	23
Revenues from distribution services	3,821	2,943
Revenues from services supplied to Group companies	830	820
Revenues from AEEG contributions	11,285	6,817
Other revenues	4,753	3,830
Revenues	353,337	413,413

The **revenues from gas sale** decrease from Euro 333,619 thousand to Euro 266,587 thousand, marking a decrease of Euro 67,032 thousand (-20.1%). 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 45,687 thousand to Euro 44,542 thousand, marking a decrease of Euro 1,145 thousand (-2.5%), mainly due to lower volumes of electricity sold.

The **operating result** for the first nine months of 2016 amounts to Euro 44,959 thousand, marking an increase of Euro 9,608 thousand (+27.2%) as compared to the same period in the previous year.

The improvement is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 154 thousand;

- increase in the first margin on the activity of gas sales, equal to Euro 7,570 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 1,937 thousand;
- negative change in other items of cost and revenues, equal to Euro 53 thousand.

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 46,044 thousand to Euro 46,198 thousand) was determined by two combined effects: the new tariff regulation for the period 2014-2019 (so-called fourth regulatory period) envisaged by AEEGSI resolution 367/2014/R/gas, whose negative effect was offset by the recognition of the positive difference between the temporary and the definitive equalisation rates in 2015.

The increase in the **first margin on the activity of gas sale** (from Euro 39,191 thousand to Euro 46,761 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 2,802 thousand to Euro 4,739 thousand), is mainly due to higher unit margins offset by lower amounts of electricity and the positive trend of purchase costs during the period.

The negative variation in the item **other costs and revenues**, amounting to Euro 53 thousand, is due to:

- higher other revenues for Euro 5,601 thousand;
- higher material and service costs and other charges equalling Euro 5,952 thousand;
- lower personnel cost for Euro 55 thousand;
- higher amortisation of fixed assets for Euro 392 thousand;
- lower bad debts provisions for Euro 635 thousand.

The **net consolidated profit** for the first nine months of 2016 amounts to Euro 34,359 thousand, thus recording an increase of Euro 6,850 thousand (+24.9%) 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 9,608 thousand;
- higher result of companies consolidated through the equity method for Euro 129 thousand;
- a decrease in financial revenues for Euro 550 thousand;
- a decrease in financial charges for Euro 445 thousand;
- an increase in taxes for Euro 2,831 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 34.0% to 33.1%.

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)	30.09.2016	31.12.2015	30.09.2015
A Cash and cash equivalents on hand	17	15	20
B Bank and post office deposits	11,797	28,286	15,879
D Liquid assets (A) + (B) + (C)	11,814	28,301	15,900
E Current financial assets	90	3,487	3,478
F Payables due to banks	(18,141)	(88,238)	(56,187)
G Current portion of medium-long-term loans	(9,369)	(9,628)	(9,680)
H Current financial liabilities	(9,617)	(3,708)	(3,207)
I Current financial indebtedness (F) + (G) + (H)	(37,127)	(101,574)	(69,073)
J Net current financial indebtedness (I) - (E) - (D)	(25,223)	(69,786)	(49,696)
K Medium- and long-term bank loans	(37,399)	(43,829)	(46,868)
M Non-current financial liabilities	(364)	(422)	(444)
N Non-current financial indebtedness (K) + (L) + (M)	(37,762)	(44,250)	(47,312)
O Net financial indebtedness (J) + (N)	(62,985)	(114,037)	(97,008)

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 increased from Euro 114,037 thousand as of 31st December 2015 to Euro 62,985 thousand as of 30th September, reporting an improvement of Euro 51,052 thousand.

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

(Thousands of Euro)	30.09.2016	30.09.2015
Net Income	34,359	27,509
Depreciations and amortizations	15,140	14,748
Provisions	1,379	2,013
(a) Self financing	50,877	44,270
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	43,734	32,193
(c) Change in financial position generated by operating activities = (a) + (b)	94,611	76,463
(d) Change in financial position generated by investing activities	(13,660)	(12,338)
(e) Other financial position changes	(29,899)	(31,461)
Net financial position changes = (c) + (d) + (e)	51,052	32,665

The cash flow generated by the operating management (letters a + b), equal to Euro 94,611 thousand, was mainly due to self-financing for Euro 50,877 thousand and other financial positive variations amounting to Euro 43,734 thousand,

mainly related to the management of the net circulating capital for Euro 48,305 thousand and to the assessment of companies consolidated through the equity method for Euro -4,571 thousand.

The management of net circulating capital has generated financial resources amounting to Euro 48,305 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 11,692 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 4,832 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 4,154 thousand, and the variation in the net operating capital, which has generated financial resources for Euro 14,581 thousand.

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

(Thousands of Euro)	30.09.2016	30.09.2015
Inventories	(2,163)	(3,499)
Trade receivables and payables	39,155	6,008
Operating receivables and payables	(22,410)	(26,863)
Severance pay and other funds	979	115
Current taxes	16,631	11,594
Taxes paid	(1,695)	(4,074)
Tax receivables and payables	17,809	53,708
Assets / (liabilities) Current and non-current	0	(355)
Change in net working capital	48,305	36,635

Investment activities have generated a cash requirement of Euro 13,660 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 period:

(Thousands of Euro)	30.09.2016	30.09.2015
Dividends paid to Ascopiave S.p.A. shareholders	(33,347)	(33,332)
Dividends paid to minority interest	(2,222)	(1,768)
Dividends / (loss coverage) associated companies or jointly controlled companies	5,980	3,369
Other changes in net equity	(310)	270
Other changes in financial position	(29,899)	(31,461)

General operational performance - Investments

In the first nine months of 2016, the Group made investment for an amount of Euro 14,302 thousand.

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 12,809 thousand, relate to the creation of connections for Euro 3,527 thousand, the construction and maintenance of natural gas network and distribution systems for Euro 4,881 thousand and the installation/replacement of meters and the installation of correctors for Euro 4,391 thousand.

INVESTMENTS (thousands of Euro)	9M2016	9M2015
Connection of end customers to distribution network	3,527	2,443
Concessions	0	0
Extension, enhancement and upgrading network	4,084	4,624
Gas meters	4,391	3,899
Maintenance	807	698
Raw material (gas) investments	12,809	11,664
Lands and Buildings	554	98
Industrial and commercial equipment	14	99
Fornitures	17	2
Vehicles	318	175
Hardware and Software	134	91
Other assets	457	236
Other investments	1,492	701
Investments	14,302	12,365

Ascopiave Group

Interim financial statements
as of 30th September 2016

Consolidated statement of financial position

(Thousands of Euro)		30.09.2016	31.12.2015
ASSETS			
Non-current assets			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	316,155	316,659
Tangible assets	(3)	32,560	34,987
Shareholdings	(4)	65,864	68,078
Other non-current assets	(5)	13,566	15,366
Non-current assets from derivative financial instruments	(6)	339	0
Advance tax receivables	(7)	7,562	11,333
Non-current assets		516,805	527,182
Current assets			
Inventories	(8)	5,740	3,577
Trade receivables	(9)	61,934	172,022
Other current assets	(10)	39,764	46,518
Current financial assets	(11)	90	3,487
Tax receivables	(12)	1,178	1,368
Cash and cash equivalents	(13)	11,814	28,301
Current assets from derivative financial instruments	(14)	428	
Current assets		120,949	255,272
ASSETS		637,755	782,454
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		17,521	17,521
Reserves		198,113	198,374
Net equity of the Group		415,004	415,264
Net equity of Others		4,476	4,873
Total Net equity		419,479	420,137
Non-current liabilities			
Provisions for risks and charges	(16)	6,965	7,360
Severance indemnity	(17)	4,432	3,864
Medium- and long-term bank loans	(18)	37,399	43,829
Other non-current liabilities	(19)	19,801	18,903
Non-current financial liabilities	(20)	364	422
Deferred tax payables	(21)	15,463	19,571
Non-current liabilities		84,423	93,948
Current liabilities			
Payables due to banks and financing institutions	(22)	27,510	97,866
Trade payables	(23)	53,268	122,823
Tax payables	(24)	1,155	397
Other current liabilities	(25)	42,179	43,324
Current financial liabilities	(26)	9,617	3,708
Current liabilities from derivative financial instruments	(27)	123	252
Current liabilities		133,852	268,370
Liabilities		218,275	362,317
Net equity and liabilities		637,755	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)		3 rd Quarter 2016	3 rd Quarter 2015
Revenues	(28)	353,337	413,413
Total operating costs		293,238	363,313
Purchase costs for raw material (gas)	(29)	169,292	237,657
Purchase costs for other raw materials	(30)	14,717	15,315
Costs for services	(31)	77,611	83,221
Costs for personnel	(32)	16,043	16,098
Other management costs	(33)	15,729	11,427
Other income	(34)	155	405
Amortization and depreciation	(35)	15,140	14,748
Operating result		44,959	35,351
Financial income	(36)	196	696
Financial charges	(36)	658	1,103
Evaluation of subsidiary companies with the net equity method	(36)	4,571	4,442
Earnings before tax		49,067	39,386
Taxes for the period	(37)	14,708	11,877
Result for the period		34,359	27,509
Group's Net Result		32,621	26,081
Third parties Net Result		1,738	1,427
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		863	
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		34,912	27,567
Group's overall net result		33,086	26,138
Third parties' overall net result		1,825	1,428
Base income per share		0.147	0.117
Diluted net income per share		0.147	0.117

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	(17,521)	(99)	108,578	43,014	415,264	4,873	420,137
Result for the period						32,621	32,621	1,738	34,359
Other operations					768		768	95	863
IAS 19 TFR actualization for the period				(302)			(302)	(8)	(310)
Total result of overall income statement				(302)	768	32,621	33,086	1,825	34,912
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 September 2016	234,412	46,882	(17,521)	(401)	119,013	32,621	415,003	4,476	419,479

(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						26,081	26,081	1,427	27,509
IAS 19 TFR actualization for the period				57			57	1	58
Total result of overall income statement				57	0	26,081	26,139	1,428	27,567
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)
Other operations					(50)		(50)	(6)	(56)
Long-term incentive plans			138		74		212		212
Balance as of 30th September 2015	234,412	46,882	(17,522)	(228)	108,701	26,081	398,324	3,964	402,289

Consolidated financial statements of cash flow

(thousands of Euro)	Third quarter 2016	Third quarter 2015
Net income of the Group	32,621	26,081
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,738	1,427
Amortization	15,140	14,748
Bad debt provisions	1,379	2,013
Variations in severance indemnity	569	(48)
Current assets / liabilities on financial instruments	(897)	0
Net variation of other funds	411	163
Evaluation of subsidiaries with the net equity method	(4,571)	(4,442)
Impairment losses / (gains) on shareholdings	0	0
Interests paid	(555)	(1,067)
Interest expense for the year	599	1,080
Taxes for the year	14,708	11,594
Variations in assets and liabilities		
Inventories	(2,163)	(3,499)
Accounts payable	108,709	72,584
Other current assets	6,754	18,383
Trade payables	(69,555)	(66,576)
Other current liabilities	(12,504)	4,629
Other non-current assets	1,800	2,387
Other non-current liabilities	2,124	1,397
Total adjustments and variations	61,991	50,737
Cash flows generated (used) by operating activities	94,611	76,818
Cash flows generated (used) by investments		
Investments in intangible assets	(13,498)	(11,903)
Investments in tangible assets	(804)	(462)
Cash flows generated/(used) by investments	(13,971)	(12,067)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financers	(58)	(45)
Net changes in short-term bank borrowings	(45,287)	(45,572)
Net variation in current financial assets and liabilities	9,306	7,614
Interest expense	0	0
Ignitions loans and mortgages	76,000	66,500
Redemptions loans and mortgages	(107,500)	(146,500)
Cash flows generated (used) by financial activities	(97,128)	(149,734)
Variations in cash	(16,487)	(84,983)
Cash and cash equivalents at the beginning of the period	28,301	100,882
Cash and cash equivalents at the end of the period	11,814	15,900

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 September 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 – organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 30th September 2015 of the Ascopiave Group was authorised by resolution of the Board of Directors on 10th November 2016.

General drawing-up criteria and accounting principles adopted

The Group Financial Statements as of 30th September 2016 and of the periods considered as a comparison, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission and in force as of the date of drawing-up of this report.

The accounting standards used to draw up this interim report are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2015, as the accounting procedures described in the Interim Financial Statements as of 30th June 2015 in the section “Contributions”, and were applied consistently for all the periods considered.

The results of the interim report are not subject to accounting audit.

Use of estimates

The drawing-up of the consolidated interim financial statements as of 30th September 2016 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.

Accounting principles, amendments and interpretations not yet applicable and not adopted ahead of time by the Group

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

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 September 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)	234,411,575			
100% consolidated companies					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1,000,000	89.00%	89%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100%	0%
Etra Energia S.r.l.	Cittadella (PD)	100,000	51.00%	51%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	100.00%	100%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100%	0%
Amgas Blu S.r.l.	Foggia (FG)	10,000	80.00%	80%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606,123	100.00%	100%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250,000	100.00%	100%	0%
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100%	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 liquidazione	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, 100% controlled by Ascopiave S.p.A.. On 1st July 2016, in compliance with AEEGSI unbundling regulations, ASM Distribuzione Gas S.r.l. changed its name to AP Reti Gas Rovigo S.r.l..

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.	12,563	1,404	1,669	(2,109)	Ita Gaap
AP Reti Gas S.p.A.	19,381	4,603	303,343	(11,622)	IFRS
Ascopiave S.p.A.	52,721	34,372	393,979	124,762	IFRS
Ascotrade S.p.A.	199,683	12,727	27,475	(25,405)	IFRS
Blue Meta S.p.A.	46,355	3,767	8,608	(11,016)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	3,846	867	10,010	(129)	Ita Gaap
Estenergy S.p.A.	84,477	5,624	18,760	(11,042)	IFRS
Etra Energia S.r.l.	5,073	277	699	(951)	Ita Gaap
Pasubio Servizi S.r.l.	23,929	2,255	5,135	(8,731)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	3,220	915	13,640	(1,021)	Ita Gaap
ASM Set S.r.l.	16,825	1,280	1,549	(3,045)	Ita Gaap
Unigas Distribuzione S.r.l.	12,071	2,005	40,450	2,251	Ita Gaap
Veritas Energia S.p.A.	57,898	2,479	4,400	(793)	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 September 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	30.09.2016
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
Total goodwill	80,758			80,758

As of 30th September 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)	30.09.2016			31.12.2015		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	4,910	(4,474)	435	4,886	(4,321)	565
Concessions, licences, trademarks and similar rights	9,933	(4,651)	5,282	9,933	(4,096)	5,837
Other intangible assets	25,632	(16,704)	8,927	25,631	(14,838)	10,793
Tangible assets under IFRIC 12 concession	530,851	(240,780)	290,071	520,579	(230,243)	290,336
Intangible assets in progress under IFRIC 12 concession	11,439	0	11,439	9,128	0	9,128
Other intangible assets	582,769	(266,615)	316,155	570,157	(253,498)	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			30.09.2016		
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
<i>(Thousands of Euro)</i>						
Industrial patent and intellectual property rights	565	23	0	153	0	435
Concessions, licences, trademarks and similar rights	5,837	0	0	555	0	5,285
Other intangible assets	10,793	1	0	1,867	0	8,927
Tangible assets under IFRIC 12 concession	290,336	10,818	550	10,789	(256)	290,071
Intangible assets in progress under IFRIC 12 concession	9,128	2,656	346	0	0	11,439
Other intangible assets	316,659	13,498	896	13,362	(256)	316,155

The investments made during the first nine months of 2016 are equal to Euro 13,498 thousand and they mainly refer to costs incurred for the realisation 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 nine months 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 nine months of the financial year, the investments amounted to Euro 10,818 thousand, and mainly relate to the construction of the distribution facilities for natural gas for Euro 1,802 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 change in the item amounts to Euro 2,656 thousand and is explained by the investments made in the first nine months of the year, which were partially offset by the reclassification of the assets under construction at the end of 2015 and whose works were completed in the first nine 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:

	30.09.2016			31.12.2015		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
(Thousands of Euro)						
Lands and buildings	36,575	(9,429)	27,546	36,575	(8,629)	27,945
Plant and machinery	2,599	(1,070)	1,530	4,576	(1,879)	2,697
Industrial and commercial equipment	3,185	(2,650)	536	3,172	(2,539)	633
Other tangible assets	15,784	(12,963)	2,821	15,354	(12,232)	3,122
Tangible assets in progress and advance payments	128	0	128	590	0	590
Other tangible assets	58,672	(26,111)	32,560	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:

	31.12.2015				30.09.2016		
	Net value	Change for the period	Decrease	Amortizations during the period	Reclassification of contributions received for the construction of plants	Depreciations	Net value
(Thousands of Euro)							
Lands and buildings	27,945	542		826	(116)		27,546
Plant and machinery	2,697	153		129	(1,191)		1,530
Industrial and commercial equipment	633	18		115	0		536
Other tangible assets	3,122	430		731	0		2,821
Tangible assets in progress and advance payments	590	(356)	2	0	(104)		128
Other tangible assets	34,987	787	2	1,801	(1,411)	0	32,560

At the end of the first nine months 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 1,530 thousand on 30th September 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 18 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 nine months of financial year 2016, equal to Euro 430 thousand, mainly relate to the costs incurred for the purchase of corporate vehicles for Euro 285 thousand and hardware and phones for Euro 112 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 nine months of the year, the item decreased by Euro 356 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			30.09.2016
	Net value	Increase	Decrease	Net value
<i>(Thousands of Euro)</i>				
Shareholdings in jointly controlled companies	68,078	3,729	5,943	65,864
Shareholdings in other companies	1	0	0	1
Shareholdings	68,078	3,729	5,943	65,864

Shareholdings in joint companies

Shareholdings in joint companies decrease from Euro 68,078 thousand to Euro 65,864 thousand, marking a decrease of Euro 2,214 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 nine months of 2016 for Euro 3,766 thousand, of which Estenergy S.p.A. Euro 2,291 thousand, ASM Set S.r.l. Euro 493 thousand and Unigas Distribuzione S.r.l. Euro 982 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 September 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 14, 698 thousand, of which Euro 4,547 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 805 thousand with a positive impact on the profit and loss statement (Euro 1,270 thousand as of 30th September 2015).

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

(Values referred to pro-rata participation in Million of Euro)	Balance as of 30/09/2016	First quarter as of 31/12/2015	Balance as of 30/09/2015
Non-current assets	2.67	2.84	2.90
Current assets	6.72	9.32	9.37
Net equity	(4.35)	(5.13)	(5.39)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	12.72	16.28	16.63
Revenues	53.32	15.89	71.07
Costs	(51.38)	(15.39)	(67.62)
Gross operative margin	1.94	0.50	3.45
Amortization and depreciation	(0.80)	(0.20)	(0.80)
Operating result	1.14	0.30	2.65
Net result	1.08	0.30	1.75
NFP	2.09	2.60	2.07

5. Other non-current assets

(Thousands of Euro)	30.09.2016	31.12.2015
Security deposits	9,504	11,304
Other receivables	4,062	4,062
Other non-current assets	13,566	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 13,566 thousand marking a decrease of Euro 1,800 thousand, mainly attributable to the collection of part of the security deposit that the subsidiary Ascotrade S.p.A. had paid Sinergie Italiane S.r.l. in liquidation.

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 September, 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)	30.09.2016	31.12.2015
Non-current assets from derivative financial instruments	339	
Non-current assets from derivative financial instruments	339	

Assets from derivatives are represented by the fair value of the following commodity derivatives existing as of 30th September 2016, whose cash flow effect will be divided between October 2017 and September 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-Oct-17	31-Oct-17	Long/Buy	3,720 MWh	9
2 19513462	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	14-Apr-16	1-Oct-17	30-Sep-18	Long/Buy	180,912 MWh	330
Total								184,632	339

7. Advance tax receivables

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

(Thousands of Euro)	30.09.2016	31.12.2015
Advance tax receivables	7,562	11,333
Advance tax receivables	7,562	11,333

Advance taxes decrease from Euro 11,333 thousand to Euro 7,562 thousand, marking a decrease of Euro 3,771 thousand.

The change in the item is explained by the corresponding decrease in deferred tax liabilities amounting to Euro 4,108 thousand. During the first nine months 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 September 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:

	30.09.2016			31.12.2015		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
<i>(Thousands of Euro)</i>						
Gas stockage	2,909	(478)	2,431	1,980	(562)	1,418
Fuels and warehouse materials	3,342	(33)	3,309	2,192	(33)	2,158
Fuels and warehouse materials	6,252	(512)	5,740	4,172	(595)	3,577

At the end of the first nine months of 2016, inventories are equal to Euro 5,740 thousand and show an overall increase equal to Euro 2,163 thousand as compared to 31st December 2015, mainly explained by the increase in the amount of natural gas stored (Euro +1,013 thousand) and the increase in goods in stock (Euro +1,151 thousand).

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.

Inventories are entered net of the provision for loss in value of stock, equal to Euro 512 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 September 2016, that is 16.500 €/MWh, 31st December 2015 16.500 €/MWh; source PB-GAS).

9. Trade receivables

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

	30.09.2016	31.12.2015
<i>(Thousands of Euro)</i>		
Receivables from customers	27,798	82,413
Receivables for invoices to be issued	40,515	101,660
Bad debt provisions	(6,379)	(12,052)
Trade receivables	61,934	172,022

Trade receivables decreased from Euro 172,022 thousand to Euro 61,934 thousand, marking a decrease of Euro 110,088 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 decrease is mainly explained by 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 5,673 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 nine months 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 7,051 thousand of the total uses of the provision for bad debts in the first nine months of 2016 are attributable for Euro 3,530 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 nine months of 2016 alone.

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

(Thousands of Euro)	30.09.2016	31.12.2015
Bad debt provisions	12,052	18,566
Provisions	1,379	4,004
Use	(7,051)	(10,518)
Final bad debt provision	6,379	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)	30.09.2016	31.12.2015
Gross trade receivables for invoices issued	27,798	82,413
- allowance for doubtful accounts	(6,379)	(12,052)
Net trade receivables for invoices issued	21,419	70,362
Ageing of trade receivables for invoices issued:		
- to expire	16,602	62,031
- expired within 6 months	2,921	6,892
- overdue by 6 to 12 months	2,110	3,504
- expired more than 12 months	6,166	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)	30.09.2016	31.12.2015
Tax consolidation receivables	1,941	1,570
Annual pre-paid expenses	833	736
Advance payments to suppliers	6,229	7,587
annual accrued income	0	136
Receivables due from Conguaglio Settore Elettrico	26,058	29,217
VAT Receivables	2,910	3,309
UTF and Provincial/Regional Additional Tax receivables	1,447	3,515
Other receivables	347	449
Other current assets	39,764	46,518

The variation is mainly explained by the decrease in receivables from Cassa per i servizi energetici e ambientali for the tariff and equalisation components for Euro 3,159 thousand, from Agenzia delle Dogane (Customs Office) for Euro 2,068 thousand, and the Inland Revenue for Euro 399 thousand due to the decrease in VAT receivables. These decreases are partially offset by the increase in prepaid expenses.

The change in receivables from Cassa per i servizi energetici e ambientali is mainly explained by the decrease, amounting to Euro 6,584 thousand, in receivables recorded for tariff components, which was partially offset by higher receivables booked for contributions for energy efficiency certificates, which have increased by Euro 3,325 thousand. The valuation of the contribution that will be recognised against the delivery of the certificates for the 2016 target (regulatory period June 2016 – May 2017) has resulted in fact in the recognition of receivables totalling Euro 10,826 thousand, whereas the amounts received during the first nine months of the year for the certificates delivered for the 2015 target amounted to Euro 7,501 thousand.

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)	30.09.2016	31.12.2015
Other financial current assets	90	3,487
Current financial assets	90	3,487

The current financial assets decrease from Euro 3,487 thousand to Euro 90 thousand, with a decrease of Euro 3,396 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. and to a lesser extent to the collection by Ascopiave S.p.A. of receivables from the Municipality of San Vito Leguzzano, as contractually agreed.

12. Tax receivables

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

(Thousands of Euro)	30.09.2016	31.12.2015
Receivables related to IRAP	826	368
Receivables related to IRES	0	647
Other tax receivables	352	352
Tax receivables	1,178	1,368

Tax receivables decreased from Euro 1,368 thousand to Euro 1,178 thousand, thus marking a decrease of Euro 189 thousand. The item includes the residual credit, minus the taxes for the first nine months 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)	30.09.2016	31.12.2015
Bank and post office deposits	11,797	28,286
Cash and cash equivalents on hand	17	15
Cash and cash equivalents	11,814	28,301

The cash and cash equivalents decreased from Euro 28,301 thousand to Euro 11,814 thousand, marking a decrease of Euro 16,487 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 nine months 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)	30.09.2016	31.12.2015
Cash and cash equivalents	11,814	28,301
Current financial assets	90	3,487
Current financial liabilities	(9,548)	(3,641)
Payables due to banks and financing institutions	(27,510)	(97,866)
Payables to leasing institution within 12 months	(70)	(67)
Net short-term financial position	(25,223)	(69,786)
Medium- and long-term bank loans	(37,399)	(43,829)
Non-current financial liabilities	(364)	(422)
Net medium and long-term financial position	(37,762)	(44,250)
Net financial position	(62,985)	(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 nine months of 2016" of the report on management 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 at the end of each period considered:

(Thousands of Euro)	30.09.2016	31.12.2015
Current assets from derivative financial instruments	428	
Current assets from derivative financial instruments	428	

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 30th September 2016, which will have financial manifestation over the next 12 months:

# 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	1
2 19355256	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	22-Mar-16	1-Sep-17	30-Sep-17	Long/Buy	9,360 MWh	10
3 374160156	Unicredit	Commodity Swap	TTF Month Ahead	14-Apr-16	1-Oct-16	30-Sep-17	Long/Buy	195,027 MWh	395
4 20477027	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	1-Sep-16	1-Oct-16	31-Oct-16	Long/Buy	14,900 MWh	4
5 20477112	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	1-Sep-16	1-Oct-16	31-Oct-16	Long/Buy	22,350 MWh	5
6 20594628	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	20-Sep-16	1-Nov-16	30-Nov-16	Long/Buy	21,600 MWh	13
Total								276,317	428

Consolidated shareholders' equity*15. Shareholders' equity*

Ascopiave S.p.A.'s share capital as of 30th September 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:

<i>(Thousands of Euro)</i>	30.09.2016	31.12.2015
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	118,610	108,478
Group's Net Result	32,621	43,014
Net equity of the Group	415,004	415,264
Net equity of Others	2,738	2,524
Third parties Net Result	1,738	2,349
Net equity of Others	4,476	4,873
Total Net equity	419,479	420,137

In the first nine months of 2016, the variations in the consolidated net equity, excluding the result achieved in the period, were due to the distribution of dividends by the Parent company for Euro 33,347 thousand as well as 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) and a positive variation of Euro 864 thousand related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 30th September 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:

<i>(Thousands of Euro)</i>	
Opening balance	194
Effectiveness gained during the period	761
Effectively released in the income statement during the period	(311)
Closing balance	644

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

14. Reserves for risks and charges

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

<i>(Thousands of Euro)</i>	30.09.2016	31.12.2015
Other reserves for risks and charges	6,554	7,360
Reserves for risks and charges	6,965	7,360

Reserves for risks and charges decreased from Euro 7,360 thousand to Euro 6,965 thousand, marking a decrease of Euro 394 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:

<i>(Thousands of Euro)</i>	
Reserves for risks and charges as of 1 st January 2016	7,360
Provisions for risks hedging losses of associates with the equity method	(805)
Use of provisions for risks and charges	411
Provisions for risks and charges as of 30th September 2016	6,965

17. Severance indemnity

Severance indemnity increases from Euro 3,864 thousand as of 1st January 2016 to Euro 4,432 thousand as of 30th September 2016 with an increase of Euro 569 thousand.

<i>(Thousands of Euro)</i>	
Severance indemnity as of 1 st January 2016	3,864
Retirement allowance	(1,042)
Payments for current services and work	1,194
Actuarial loss/(profits) of the period (*)	416
Severance indemnity as of 30th September 2016	4,432

* 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)	30.09.2016	31.12.2015
Loans from Prealpi	684	757
Loans from European Investment Bank	31,000	34,500
Loans from Unicredit S.p.A.	5,714	8,571
Medium- and long-term bank loans	37,399	43,829
Current portion of medium and long-term loans	9,369	9,628
Medium and long-term loans	46,767	53,456

Medium and long term loans, mainly represented as of 30th September 2016 by the payables of the Parent Company to the European Investment Bank for Euro 34,500 thousand and Unicredit for Euro 11,429 thousand, decrease from Euro 53,456 thousand as of 31st December 2015 to Euro 46,767 thousand, thus marking a decrease of Euro 6,689 thousand, explained by the payment of the loan instalments during the first nine months of 2016.

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 September 2016 is equal to Euro 34,500 thousand, with Euro 3,500 thousand classified in due to banks and short-term loans, and envisages the fulfilment of some financial covenants to be checked twice a year on the Group's consolidated data prepared in compliance with IFRSs. As of 30th June 2016 these parameters 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 September 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 twice a year 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)	30.09.2016
Financial year 2016	2,939
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	46,767

19. *Other non-current liabilities*

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

(Thousands of Euro)	30.09.2016	31.12.2015
Security deposits	12,172	12,054
Multi-annual passive prepayments	7,629	6,849
Other non-current liabilities	19,801	18,903

Other non-current liabilities increased from Euro 18,903 thousand to Euro 19,801 thousand, with an increase of Euro 898 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 section “Tangible assets” of this Interim Report.

20. *Non-current financial liabilities*

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

(Thousands of Euro)	30.09.2016	31.12.2015
Payables due to leasing companies (over 12 months)	364	422
Non-current financial liabilities	364	422

Non-current financial liabilities decreased from Euro 422 thousand as of 31st December 2015 to Euro 364 thousand, marking a decrease of Euro 58 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)	30.09.2016	31.12.2015
Deferred tax payables	15,463	19,571
Deferred tax payables	15,463	19,571

Payables for deferred taxation decrease from Euro 19,571 thousand to Euro 15,463 thousand, marking a decrease of Euro 4,108 thousand, mainly due to the dynamics of amortisations in the client lists. This change is mainly explained by the dynamics described in section “Advance taxes” of this Interim 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 September 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)	30.09.2016	31.12.2015
Payables due to banks	18,141	88,238
Current portion of medium-long-term loans	9,369	9,628
Payables due to banks and financing institutions	27,510	97,866

Payables to banks decrease from Euro 97,866 thousand to Euro 27,510 thousand, marking a decrease of Euro 70,357 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)	30.09.2016	31.12.2015
Payables to suppliers	4,193	43,078
Payables to suppliers for invoices not yet received	49,075	79,744
Trade payables	53,268	122,823

Trade payables decrease from Euro 122,823 thousand to Euro 53,268 thousand, a decrease of Euro 69,555 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)	30.09.2016	31.12.2015
IRAP payables	879	176
IRES payables	275	221
Tax payables	1,155	397

Tax payables increase from Euro 397 thousand to Euro 1,155 thousand, with an increase of Euro 758 thousand and include payables accrued at the end of the first nine months 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)	30.09.2016	31.12.2015
Advance payments from customers	2,333	1,821
Amounts due to parent companies for tax consolidation	6,599	3,020
Amounts due to social security institutions	1,028	1,441
Amounts due to employees	4,177	4,419
VAT payables	7,076	2,643
Payables to revenue office for withholding tax	641	951
Annual passive prepayments	523	1,102
Annual passive accruals	310	1,059
UTF and Provincial/Regional Additional Tax payables	12,505	2,881
Other payables	6,988	23,986
Other current liabilities	42,179	43,324

Other current liabilities decreased from Euro 43,324 thousand to Euro 42,179 thousand, marking a decrease of Euro 1,145 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 September 2016.

Tax consolidation payables

This heading includes the accrued payables to 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 September 2016 and has increased by Euro 3,579 thousand as

compared to 31st December 2015.

Amounts due to employees

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

VAT payables

VAT payables increased by Euro 4,433 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 the item is mainly related to the reclassification from other payables of deferred income on revenues from co-generation/heat supply.

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 period. As of 30th September, the Group's total amount of payables is Euro 12,505 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 16,980 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)	30.09.2016	31.12.2015
Financial payables within 12 months	9,548	3,641
Payables to leasing companies within 12 months	70	67
Current financial liabilities	9,617	3,708

Current financial liabilities increased from Euro 3,708 thousand to Euro 9,617 thousand, marking an increase of Euro 5,910 thousand, due primarily to the recognition of the amount collected from Cassa per i servizi energetici e ambientali (CSEA), amounting to Euro 6,838 thousand, related to the APR mechanism described in section “Evolution of the APR mechanism” of this Interim Report, which was partially offset for Euro 2,838 thousand by 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.

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)	30.09.2016	31.12.2015
Current liabilities from derivative financial instruments	123	252
Current liabilities from derivative financial instruments	123	252

Liabilities from derivatives are represented by the fair value of the following commodity derivatives as of 30th September 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	27
2 377846650	Unicredit	Commodity Swap	TTF Quarter Ahead	17-Apr-16	1-Oct-16	31-Dec-16	Long/Buy	41,940 MWh	53
3 377847968	Unicredit	Commodity Swap	TTF Quarter Ahead	17-Apr-16	1-Jan-17	31-Mar-17	Long/Buy	43,922 MWh	44
Total								131,702	123

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:

<i>(Thousands of Euro)</i>	3rd Quarter 2016	3rd Quarter 2015
Revenues from gas transportation	21,347	18,846
Revenues from gas sale	266,587	333,619
Revenues from electricity sale	44,542	45,687
Revenues from connections	107	828
Revenues from heat supply	66	23
Revenues from distribution services	3,821	2,943
Revenues from services supplied to Group companies	830	820
Revenues from AEEG contributions	11,285	6,817
Other revenues	4,753	3,830
Revenues	353,337	413,413

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 353,337 thousand, with a decrease of Euro 60,075 thousand as compared to the same period in the previous year.

The revenues from natural gas sale, equalling Euro 266,587 thousand, record a decrease as compared to the same period of the previous financial year totalling Euro 67,032 thousand. 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 (-13.7 million cubic metres); during the first nine months of 2016, 529.2 million cubic metres were sold as compared to 542.8 million in the same period in the previous year.

At the end of the first nine months 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 35,750 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 quarter 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 21,347 thousand, with an increase as compared to the same period of the previous year of Euro 2,501 thousand, involving the transport of 529.7 million cubic metres (+1.9 million as compared to the first nine months 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. In September, in fact, CSEA notified the Group companies of the preliminary equalisation results for the year 2015. This communication shows – for the companies consolidated using the line-by-line method – a positive difference of Euro 1,173,576 with respect to the equalisation amounts entered in the 2015 financial statements; this amount was recognised in the accounts as of 30th September 2016.

The difference recorded is mainly due to the different valuation of the restriction on revenue, since the equalisation amounts allocated in the 2015 financial statements were calculated on the basis of the temporary reference rates published in the Annex to Resolution 147/2015/R/GAS, whereas the equalisation amounts notified by CSEA were calculated based on the definitive reference rates published in the Annex to Resolution 99/2016/R/GAS.

At the end of the first nine months of the reference year, the revenues from electricity sales amounted to Euro 44,542 thousand, showing a decrease over the first nine months of the previous year of Euro 1,145 thousand. The KWhs sold in the first nine months of the year amount to 248.9 million, marking a decrease of 22.5 million over the first nine months of the previous year.

The revenues from connection services to the distribution network are equal to Euro 107 thousand, with a decrease of Euro 721 thousand as compared to the first nine months 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 3,821 thousand, show an increase of Euro 878 thousand as compared to the same period in the previous year. The change is mainly explained by the reclassification of revenues recognised by the sales companies for the chargeback of connection costs which in the same period in the previous year were booked in the item “Revenue from connection services”.

The revenues from contributions made by the Authority for Electricity, Gas and Water amount to Euro 11,285 thousand recording an increase of Euro 4,468 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 September 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 used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution announced by GSE for the 2016 target (regulatory period June 2016 - May 2017) measured at 30th September 2016 and amounting to Euro 134.82 (source: iCASCO).

The item “Other revenues” increased from Euro 3,830 thousand in the first nine months of 2015, to Euro 4,753 thousand in the period considered, showing an increase of Euro 924 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 require 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)	3 rd Quarter 2016	3 rd Quarter 2015
Purchase costs for raw material (gas)	169,292	237,657
Purchase costs for raw material (gas)	169,292	237,657

At the end of the first nine months of the reference year, the costs for natural gas procurement amounted to Euro 169,292 thousand, showing a decrease of Euro 68,365 thousand as compared to the same period in 2015. The decrease in costs 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 529.2 million cubic metres, which translates into a decrease of 13.7 million in consumption.

In the period considered, the company purchased and stored natural gas for a total amount of Euro 2,905 thousand as compared to Euro 2,475 thousand in the first nine months of 2015.

The accounting of the economic effects of the hedging derivatives accrued during the first nine months of the year has determined the recognition of costs totalling Euro 311 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 & Power S.p.A..

30. Purchase cost 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)	3 rd Quarter 2016	3 rd Quarter 2015
Purchase of electricity	13,421	14,383
Purchase of other raw material	1,296	933
Purchase costs for other raw materials	14,717	15,315

At the end of the first nine months of 2016, the costs incurred for the purchase of other raw materials register a decrease equal to Euro 598 thousand mainly explained by the lower costs incurred to procure electricity.

The costs incurred for the purchase of electricity showed a decrease of Euro 961 thousand, from Euro 14,383 thousand, to Euro 13,421 thousand in the reference period. The decrease is mainly explained by the decrease in KWh traded (-22.5 million), which at the end of the first nine months of 2016 amount to 248.9 million.

The costs incurred for the purchase of other raw materials register an increase equal to Euro 363 thousand, from Euro 933 thousand in the first nine months of 2015 to Euro 1,296 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)	3 rd Quarter 2016	3 rd Quarter 2015
Costs of conveyance on secondary networks	52,142	57,959
Costs for counting meters reading	464	569
Costs for mailing bills	485	361
Mailing and telegraph costs	1,048	1,004
Maintenance and repairs	1,859	2,030
Consulting services	3,590	3,327
Commercial services and advertisement	1,780	1,577
Sundry suppliers	970	1,478
Directors' and Statutory Auditors' fees	871	852
Insurances	672	857
Personnel costs	765	616
Other managing expenses	4,984	4,447
Costs for use of third-party assets	7,521	8,062
Storage services	460	81
Costs for services	77,611	83,221

The costs for services incurred during the first nine months of 2016 showed a decrease of Euro 5,610 thousand, from Euro 83,221 thousand in 2015, to Euro 77,611 thousand in the reference period. This decrease is mainly explained by the lower costs related to the carriage costs on the secondary and primary networks (Euro -3,989 thousand), for the transportation of electricity (Euro -1,828 thousand), and utilities services (Euro -507 thousand) as well as costs connected to use of third party asset (Euro -541 thousand). This decrease is partially offset by the higher costs for consultancy services (Euro +263 thousand), other operating expenses (Euro +516 thousand) and storage services (Euro +378 thousand).

The lower costs incurred for the transportation of natural gas are mainly explained by the decrease in consumption recorded in the period considered (-13.7 million cubic metres) and lower costs incurred for the transportation of electricity (-22.5 million KWh).

The costs incurred for consultancy services increase from Euro 3,327 thousand in the first nine months of 2015, to Euro 3,590 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. (Euro 757 thousand).

Other operating costs increase by Euro 516 thousand, mainly explained by the higher costs incurred for bank and postal fees (Euro 225 thousand) and higher costs for front-desk and call centre services amounting to Euro 208 thousand.

The costs incurred for the use of third party assets decreased by Euro 541 thousand as compared to the same period 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 periods considered:

(Thousands of Euro)	3 rd Quarter 2016	3 rd Quarter 2015
Wages and salaries	13,806	13,515
Social security contributions	4,593	4,287
Severance indemnity	1,067	995
Current severance indemnity actualization		29
Other costs	28	179
Total personnel costs	19,494	19,005
Capitalized personnel costs	(3,451)	(2,906)
Personnel costs	16,043	16,098

The cost for staff is net of capitalised costs of the Group 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 19,005 thousand in the first nine months of 2015 to Euro 19,494 thousand in the reference period, showing an increase of Euro 489 thousand. The increase is mainly explained by wage increases paid during the quarter due to personal rewards and increases provided for by contract.

The capitalised staff cost shows an increase equal to Euro 544 thousand, from Euro 2,906 thousand in the previous period, to Euro 3,451 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	30.09.2016	30.09.2015	Variation
Managers (average)	17	17	0
Office workers (average)	363	356	7
Manual workers (average)	103	105	(2)
No. of personnel employed	483	479	6

33. *Other management costs*

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

(Thousands of Euro)	3 rd Quarter 2016	3 rd Quarter 2015
Provision for risks on credits	1,379	2,013
Membership and AEEG fees	614	648
Capital losses	610	27
Extraordinary losses	214	182
Other taxes	669	719
Other costs	539	642
Costs of contracts	375	292
Energy efficiency certificates	11,330	6,602
Other management costs	15,729	11,427

Other operating costs, increasing from Euro 11,427 thousand in the first nine months of 2015, to Euro 15,729 thousand in the reference period, show an increase of Euro 4,303 thousand, mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +4,728 thousand), partially offset by lower allowances for doubtful accounts (Euro -635 thousand) made possible thanks to the appropriate capacity of the bad debt provision.

The item “Capital losses” has increased by Euro 583 thousand as compared to the same period in 2015. The item includes the net book value of fixed assets divested during the reference period, namely natural gas metering equipment for Euro 281 thousand and distribution systems for the remaining amount.

The costs recognised as of 30th September 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 September 2016, and amounting to Euro 148.00 (Euro 108.13 on 30th September 2015).

34. *Other income*

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

(Thousands of Euro)	3 rd Quarter 2016	3 rd Quarter 2015
Other income	155	405
Other income	155	405

At the end of the first nine months of 2016, the item “other operating income” shows a decrease of Euro 250 thousand, from Euro 405 thousand in 2015, to Euro 155 thousand.

35. *Amortisation and depreciation*

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

(Thousands of Euro)	3 rd Quarter 2016	3 rd Quarter 2015
Intangible fixed assets	13,339	12,854
Tangible fixed assets	1,801	1,894
Amortization and depreciation	15,140	14,748

Amortisation and depreciation record an increase of Euro 392 thousand, from Euro 14,748 thousand in the first nine months of 2015, to Euro 15,140 thousand in the reference period.

Financial income and expense

36. *Financial income and expense*

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

(Thousands of Euro)	3 rd Quarter 2016	3 rd Quarter 2015
Interest income on bank and post office accounts	10	280
Other interest income	183	414
Other financial income	3	2
Financial income	196	696
Interest expense on banks	88	511
Interest expense on loans	422	551
Other financial expenses	148	42
Financial charges	658	1,103
Evaluation of subsidiary companies with net equity method	805	1,270
Evaluation of subsidiary companies with net equity method	3,766	3,172
Evaluation of subsidiary companies with the net equity method	4,571	4,442
Total net financial expenses	4,108	4,034

At the end of the reference period, the balance between financial income and expenses showed a loss of Euro 463 thousand, an increase from the same period of the previous year of Euro 55 thousand.

The increase is explained by the combined effect of the failure to perform during the first nine months of 2016 arbitrage transactions on interest rates, which had instead characterised the same period in 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 805 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 of the previous year equal to Euro 465 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 594 thousand, totalling Euro 3,766 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)	3 rd Quarter 2016	3 rd Quarter 2015
IRES current taxes	13,389	10,716
IRAP current taxes	1,553	1,659
(Advance)/Deferred taxes	(234)	(498)
Taxes for the period	14,708	11,877

Taxes increase from Euro 11,877 thousand in the first nine months of 2015 to Euro 14,708 thousand in the reference period, thus registering an increase of Euro 2,831 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)	3 rd Quarter 2016	3 rd Quarter 2015
Earnings before tax	49,067	39,386
Taxes for the period	14,708	11,877
Percentage of income before taxes	30.0%	30.2%

The tax-rate as of 30th September 2016 is equal to 30.0%, decreasing by 0.2% as compared to 30th September 2015.

Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005 it is noted that no non-recurrent economic components exist as of 30th September 2016 in this interim report.

Transactions deriving from unusual and/or atypical operations

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

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 30TH SEPTEMBER 2016

Commitments and risks

Guarantees given

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

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30 th September 2016	31 th Dicembre 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)	1,181	943
Agreements on incentives art. 4 of Law no. 92/2012	59	119
On UTF offices and regions for taxes on gas (letter of comfort)	5,682	6,232
On UTF offices and regions for taxes on electricity (letter of comfort)	319	669
On distribution concession (letter of comfort)	7,475	2,789
On conveyance agreements (letter of comfort)	5,827	8,778
On agreements for transport of electricity (letter of comfort)	16,767	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	410	110
Total	49,326	45,072

The increase in guarantees given is mainly connected with the higher coverage required by the national operator in charge of distributing electricity, as well as by higher guarantees issued in favour of the gas carriage companies, not belonging to the Group.

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

(Thousands of Euro)	30 th September 2016	31 th Dicembre 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 UTF offices and regions for taxes on gas (letter of comfort)	928	928
On UTF 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 September 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 leasing, lease contracts with the possibility of purchase and bank deposits at sight and short-term. The recourse to such forms of investment,

mainly at a variable rate, exposes the Group to the risk connected with the fluctuation of interest tax 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 September 2016 of Euro 46,767 thousand and due dates between 1st October 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., which 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 34,500 thousand as of 30th September 2016, and by the loan granted in 2011 by Unicredit S.p.A. with an outstanding debt of Euro 11,429 thousand as of 30th September 2016, 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	July	August	September
Net Financial Position 2016	(120,610)	(94,608)	(70,635)	(42,423)	(64,081)	(46,639)	(69,473)	(76,740)	(62,985)
Positive average rate	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%
Negative average rate	0.63%	0.66%	0.71%	0.67%	0.58%	0.62%	0.63%	0.61%	0.55%
Positive average rate increased of 200 basis point	2.01%	2.01%	2.01%	2.01%	2.02%	2.01%	2.01%	2.01%	2.01%
Negative average rate increased of 200 basis point	2.63%	2.66%	2.71%	2.67%	2.58%	2.62%	2.63%	2.61%	2.55%
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	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%	0.13%	0.11%	0.05%
Net Financial Position recalculated with increase of 200 basis point	(120,815)	(94,759)	(70,755)	(42,492)	(64,190)	(46,716)	(69,591)	(76,870)	(63,088)
Net Financial Position recalculated with decrease of 50 basis point	(120,559)	(94,571)	(70,605)	(42,405)	(64,054)	(46,620)	(69,444)	(76,707)	(62,959)
Effect to income before taxes with increase of 200 basis point	(205)	(150)	(120)	(70)	(109)	(77)	(118)	(130)	(104)
Effect to income before taxes with decrease of 50 basis point	51	38	30	17	27	19	30	33	26
									271

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 1,082 thousand (2015: Euro 1,611 thousand) or positive for Euro 271 thousand (2015: Euro 403 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, in addition to hedging derivative contracts aimed at aligning the various purchase/sale formulas.

The risk is therefore connected to possible volume mismatchings 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 Group’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 September, the existing derivative instruments, detailed in sections no. 6 “*Non-current assets from derivative financial instruments*”, no. 14 “*Current assets from derivative financial instruments*” and no. 27 “*Current liabilities from derivative financial instruments*” whose mark to market totals Euro +644 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 equivalent.

(Thousands of Euro)	30.09.2016	31.12.2015	30.09.2015
Financial position in the short term	(25,223)	(69,786)	(49,696)
Financial position in the medium-long term	(37,762)	(44,250)	(47,312)
<i>Financial gross debt</i>	<i>62,985</i>	<i>114,037</i>	<i>97,008</i>
Share capital	234,412	234,412	234,412
Own shares	(17,521)	(17,521)	(17,521)
Reserves	169,968	160,233	159,318
Undistributed net profit	32,621	43,014	26,081
<i>Total Net equity</i>	<i>419,479</i>	<i>420,137</i>	<i>402,290</i>
<i>Total capital and gross debt</i>	<i>482,464</i>	<i>534,173</i>	<i>499,298</i>
<i>Debt/Net assets ratio</i>	<i>0.15</i>	<i>0.27</i>	<i>0.24</i>

The debt/net equity ratio as of 30th September 2016 is 0.15, a decrease as compared to 31st December 2015, equal to 0.27, and also as compared to 30th September 2015, when it amounted to 0.24.

The decrease in this indicator is related to the combined effect of the increase in the Net financial position (Euro +51,052 thousand in the first nine months of 2016 and Euro 34,023 thousand as of 30th September 2015), and the Shareholders' equity, which has increased by Euro 658 thousand as compared to 31st December 2015 and Euro 17,189 thousand as compared to 30th September 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 September and as of 31st December 2015 is as follows:

30.09.2016								
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value
Other non-current assets				13,566			13,566	13,566
Non-current assets from derivative financial instruments		339					339	339
Trade receivables and Other current assets				94,636			94,636	94,636
Current financial assets				90			90	90
Cash and cash equivalents				11,814			11,814	11,814
Current assets from derivative financial instruments		428					428	428
Medium- and long-term bank loans						37,399	37,399	37,399
Other non-current liabilities						12,172	12,172	12,172
Non-current financial liabilities						364	364	364
Payables due to banks and financing institutions						27,510	27,510	27,510
Trade payables and Other current liabilities						92,590	92,590	92,590
Current financial liabilities						9,617	9,617	9,617
Current liabilities from derivative financial instruments		123					123	123

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

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 nine months of 2016 and the first nine months of 2015.

9M 2016 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	31,663	276,379	44,542	754		353,337
Intra-group revenues among the segments	35,025	3,518	21,062	11,727	(71,333)	0
Segment revenues	66,688	279,898	65,604	12,481	(71,333)	353,337
Result before taxes	17,566	29,105	4,668	(2,272)		49,067

9M 2015 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	25,903	341,834	45,675	0		413,413
Intra-group revenues among the segments	34,529	2,471	23,940	0	(60,939)	(0)
Segment revenues	60,432	344,305	69,615	0	(60,939)	413,413
Result before taxes	14,996	23,484	905	0		39,386

The figures above have been restated subsequent to the application of a different method to allocate pre-tax earnings to the SBUs.

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 receiva	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	9	1,149	0	6,028	0	0	12,279	0	39	0
Total parent company	9	1,149	0	6,028	0	0	12,279	0	39	0
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	75	0	140	0	0	389	0	172	83	58
SEVEN CENTER S.R.L.	3	0	13	0	1	147	6	0	16	0
Total affiliated companies	77	0	153	0	1	536	6	172	99	58
<i>Subsidiary companies</i>										
Estenergy S.p.A.	7	0	85	0	0	0	0	0	0	0
ASM SET S.R.L.	598	0	18	2,570	17	52	7	4,171	347	48
Unigas Distribuzione Gas S.r.l.	28	0	636	0	0	5,868	0	72	47	0
SINERGIE ITALIANE S.R.L.	16	8,193	0	0	38,235	13	0	0	37	0
Total subsidiary companies	635	8,193	739	2,570	38,252	5,933	7	4,243	430	48
Total	722	9,342	866	8,598	38,253	6,469	12,291	4,415	568	106

Ascopiave S.p.A., AP Reti Gas 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 Asm Dg 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 Asm DG 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 afore-

mentioned 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 made 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 September 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)	30.09.2016	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)	316,155							316,659									
Tangible assets (3)	32,560							34,987									
Shareholdings (4)	65,864			65,864		65,864	100.0%	68,078		68,078			68,078	100.0%			
Other non-current assets (5)	13,566			8,193		8,193	60.4%	15,366		48,060			48,060	312.8%			
Non-current assets from derivative financial instruments (6)	339							0									
Advance tax receivables (7)	7,562							11,333									
Non-current assets	516,805			78,020		78,020	15.1%	521,087		117,888			117,888	22.4%			
Current assets																	
Inventories (8)	5,740							3,577									
Trade receivables (9)	61,934	9	77	635		722	1.2%	172,022	45	1,319			1,364	0.8%			
Other current assets (10)	39,764	1,149	52	9,900		11,101	27.9%	46,518	1,330				1,330	2.9%			
Current financial assets (11)	90							3,487									
Tax receivables (12)	1,178							1,368	3,509				3,509	256.5%			
Cash and cash equivalents (13)	11,814							28,301									
Current assets from derivative financial instruments (14)	428																
Current assets	120,949	1,159	77	635		1,871	1.5%	255,272	4,839	45	1,319		6,203	2.4%			
ASSETS	637,755	1,159	77	78,655		79,891	12.5%	782,454	4,839	45	119,206		124,091	15.9%			
Net equity and liabilities																	
Total Net equity																	
Share capital	234,412							234,412									
Own shares	(17,521)							(17,521)									
Reserves	198,113							198,374									
Net equity of the Group	415,004							415,264									
Net equity of Others	4,476							4,873									
Total Net equity (15)	419,479							420,137									
Non-current liabilities																	
Provisions for risks and charges (16)	6,965							7,360									
Severance indemnity (17)	4,432							3,864									
Medium- and long-term bank loans (18)	37,399							43,829									
Other non-current liabilities (19)	19,801							18,903									
Non-current financial liabilities (20)	364							422									
Deferred tax payables (21)	15,463							19,571									
Non-current liabilities	84,423							93,948									
Current liabilities																	
Payables due to banks and financing institutions (22)	27,510							97,866									
Trade payables (23)	53,268		179	10,639		10,818	20.3%	69,603	106	8,734			8,839	7.2%			
Tax payables (24)	1,155							397									
Other current liabilities (25)	42,179	6,028				6,028	14.3%	43,324	4,838				4,838	11.2%			
Current financial liabilities (26)	9,617			2,570		2,570	26.7%	3,708		99			99	2.7%			
Current liabilities from derivative financial instruments (27)	123							252									
Current liabilities	133,852	6,028	127	3,309		9,464	7.1%	268,370	4,838	106	8,833		13,777	5.1%			
Liabilities	218,275	6,028	127	3,309		9,464	4.3%	362,317	4,838	106	8,833		13,777	3.8%			
Net equity and liabilities	637,755	6,028	127	3,309		9,464	1.5%	782,454	4,838	106	8,833		13,777	1.8%			

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 overall consolidated income statement

(Thousands of Euro)	Note	3 rd Quarter 2016							3 rd Quarter 2015						
		A	B	C	D	Total	%	A	B	C	D	Total	%		
Revenues	(28)	353,337	39	329	4,719		5,087	1.4%	413,413	39	596	5,362		5,997	1.5%
Total operating costs		293,238		542	44,185	1,225	45,952	15.7%	363,313		921	117,532		118,453	32.6%
Purchase costs for raw material (gas)	(29)	169,292			38,246		38,246	22.6%	237,657			111,412		111,412	46.9%
Purchase costs for other raw materials	(30)	14,717		1	6		6	0.0%	15,315		7			7	0.0%
Costs for services	(31)	77,611		536	5,933	427	6,896	8.9%	83,221		904	6,121		7,025	8.4%
Costs for personnel	(32)	16,043				798	798	5.0%	16,098						
Other management costs	(33)	15,729		6			6	0.0%	11,427		10			10	0.1%
Other income	(34)	155							405						
Amortization and depreciation	(35)	15,140							14,748						
Operating result		44,959	39	(213)	(39,466)	(1,225)	(40,865)	-90.9%	35,351	39	325	112,171		112,456	-318.1%
Financial income	(36)	196			2		2	1.0%	696			11		11	1.6%
Financial charges	(36)	658			7		7	1.0%	1,103		0	3		3	0.3%
Evaluation of subsidiary companies with the net equity method	(36)	4,571		3	(0)		3	0.1%	4,442		(10)			(10)	-0.2%
Earnings before tax		49,067	39	(210)	(39,471)	(1,225)	(40,866)	-83.3%	39,386	39	334	112,162		112,458	-285.5%
Taxes for the period	(37)	14,708			12,279		12,279	83.5%	11,877		10,497			10,497	88.4%
Result for the period		34,359	(12,240)	(210)	(39,471)	(1,225)	(53,146)	-154.7%	27,509	10,459	334	112,162		122,955	-447.0%
Net result for the period		34,359	(12,240)	(210)	(39,471)	(1,225)	(53,146)	-154.7%	27,509	10,459	334	112,162		122,955	-447.0%
Group's Net Result		32,621							26,081						
Third parties Net Result		1,738							1,427						
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		863													
2. Components that can not be reclassified to the income statement															
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		(310)	(14)				(14)	4.4%	58						
Total comprehensive income		34,912	(12,254)	(210)	(39,471)	(1,225)	(53,159)	-152.3%	27,567	10,459	334	112,162		122,955	-446.0%
Group's overall net result		33,085	(12,236)	(192)	(39,453)	(1,225)	(53,141)	-160.6%	26,139	(10,441)	(317)	(112,144)		(122,938)	-470.3%
Third parties' overall net result		1,825	(18)	(18)	(18)		(18)	-1.0%	1,428	(18)	(18)	(18)		(18)	-1.3%
Base income per share		0.147							0.117						
Diluted net income per share		0.147							0.117						

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)	Third quarter 2016	Of which related parties						Third quarter 2015	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
Net income of the Group	32,621							26,081						
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash														
Third-parties operating result	1,738					0	0%	1,427					0	0%
Amortization	15,140					0	0%	14,748					0	0%
Bad debt provisions	1,379					0	0%	2,013					0	0%
Variations in severance indemnity	569					0	0%	(48)					0	0%
Current assets / liabilities on financial instruments	(897)					0	0%	0					0	0%
Net variation of other funds	411					0	0%	163					0	0%
Evaluation of subsidiaries with the net equity method	(4,571)	(3,766)				(3,766)	82%	(4,442)	0	(3,369)	(36,045)	0	(39,414)	887%
Interests paid	(555)					0	0%	(1,067)					0	0%
Taxes paid	(1,695)					0	0%	(4,074)					0	0%
Interest expense for the period	599					0	0%	1,080					0	0%
Taxes for the period	14,708					0	0%	11,594					0	0%
Variations in assets and liabilities														
Inventories	(2,163)					0	0%	(3,499)					0	0%
Accounts payable	108,709	(9)	(32)	684	0	642	1%	72,584	9	60	830	0	898	1%
Other current assets	6,754	180	(52)	(9,900)	0	(9,771)	-145%	18,383	(1,037)	(52)	(9,900)	0	(10,989)	-60%
Tax receivables and tax payables	0					0	0%	35					0	0%
Trade payables	(69,555)	0	73	1,905	0	1,978	-3%	(66,576)	(42)	(64)	7,481	0	7,375	-11%
Other current liabilities	(12,504)	1,190	0	0	0	1,190	-10%	4,629	922	0	0	0	922	20%
Other non-current assets	1,800	0	0	39,867	0	39,867	2215%	2,387					0	0%
Other non-current liabilities	2,124	0	0	0	0	0	0%	1,397					0	0%
Total adjustments and variations	61,991	1,361	(3,777)	32,558	0	30,141	49%	50,737	(149)	(3,425)	(37,634)	0	(41,208)	-81%
Cash flows generated (used) by operating activities	94,611	1,361	(3,777)	32,558	0	30,141	32%	76,818	(149)	(3,425)	(37,634)	0	(41,208)	-54%
Cash flows generated (used) by investments														
Investments in intangible assets	(13,498)					0	0%	(11,903)					0	0%
Realisable value of intangible assets	640					0	0%	27					0	0%
Investments in tangible assets	(804)					0	0%	(462)					0	0%
Realisable value of tangible assets	2					0	0%	0					0	0%
Other net equity operations	(310)					0	0%	270					0	0%
Cash flows generated/(used) by investments	(13,971)	0	0	0	0	0	0%	(12,067)	0	0	0	0	0	0%
Cash flows generated (used) by financial activities														
Net changes in debts due to other financiers	(58)	0	0	0	0	0	0%	(45)					0	0%
Net changes in short-term bank borrowings	(45,287)					0	0%	(45,572)					0	0%
Net variation in current financial assets and liabilities	9,306	0	0	2,471	0	2,471	27%	7,614	0	0	13,488	0	13,488	177%
Ignitions loans and mortgages	76,000					0	0%	66,500					0	0%
Redemptions loans and mortgages	(107,500)					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	(97,128)	0	5,980	2,471	0	8,450	-9%	(149,734)	0	3,369	13,488	0	16,857	-11%
Variations in cash	(16,487)					0	0%	(84,983)					0	0%
Cash and cash equivalents at the beginning of the period	28,301					0	0%	100,882					0	0%
Cash and cash equivalents at the end of the period	11,814					0	0%	15,900					0	0%

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

(migliaia di Euro)	30.09.2016	Of which related parties						31.12.2015	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
A Cash and cash equivalents on hand	17							15						
B Bank and post office deposits	11,797							28,286						
D Liquid assets (A) + (B) + (C)	11,814							28,301						
E Current financial assets	90							3,487						
F Payables due to banks	(18,141)							(88,238)						
G Current portion of medium-long-term loans	(9,369)							(9,628)						
H Current financial liabilities	(9,617)			(2,570)		(2,570)	26.7%	(3,708)		(249)	(249)		6.7%	
I Current financial indebtedness (F) + (G) + (H)	(37,127)			(2,570)		(2,570)	6.9%	(101,574)		(249)	(249)		0.2%	
J Net current financial indebtedness (I) - (E) - (D)	(25,223)			(2,570)		(2,570)	10.2%	(69,786)		(249)	(249)		0.4%	
K Medium- and long-term bank loans	(37,399)							(43,829)						
M Non-current financial liabilities	(364)							(422)						
N Non-current financial indebtedness (K) + (L) + (M)	(37,762)							(44,250)						
O Net financial indebtedness (J) + (N)	(62,985)			(2,570)		(2,570)	4.1%	(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 - Affiliates and jointly controlled companies:

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

Group C - Associates:

- 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

Tender relating to the purchase of shares belonging to Pasubio Group S.p.A.: appeal filed by the second-ranked competitor

On 4th October 2016, the second-ranked competitor appealed against the Town of Schio and Ascopiave S.p.A. in order to cancel, subject to protective orders, the temporary award of the tender and all subsequent acts to Ascopiave, requesting that the tender be awarded to the appellant or, subordinately, be cancelled.

On 17th October 2016, the Town of Schio notified to Ascopiave that, by decision dated 5th October 2016, the tender was awarded to the company because it had achieved the best score in accordance with the tender provisions.

The town of Schio also informed the company that the execution of the tender transaction, by signing the agreement for the sale of Pasubio Group S.p.A.'s shares, is suspended awaiting the outcome of the aforementioned appeal (the pre-trial hearing, before the Regional Administrative Court of Veneto, has not yet been scheduled).

The Aeb-Gelsia Group and Ascopiave extend the terms of the period of exclusivity in negotiations

On 27th October 2016, the parties agreed to extend the terms of the period of exclusivity in negotiations until 31st January 2017.

First instance decision of the litigation on Ministerial Decree 22.05.2014 (Guidelines for the determination of the residual industrial value of natural gas distribution plants)

Ascopiave, along with other industry players, had filed an appeal before 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 of natural gas distribution plants. As part of the same proceedings, issues emerged regarding constitutional legitimacy and/or preliminary ruling as concerns Laws 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, together with the other appellants, 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.

With Judgement no. 10341 dated 17th October 2016, the Regional Administrative Court of Latium rejected the appeal with additional grounds and barred the main appeal from further proceedings.

The company is considering whether to appeal this decision to the Council of State.

Synthesis data as of 30th September 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)	30.09.2016	31.12.2015
Current assets	37,777	61,728
of which		
Cash and cash equivalents	11,093	2,751
Non-current assets	72,734	73,452
Current liabilities	18,811	38,647
of which		
Current financial liabilities	50	18
Non - current liabilities	5,399	5,974
	86,301	90,560
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	42,287	44,373

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

Income Statement - summary data

(Thousands of Euro)	3rd Quarter 2016	3rd Quarter 2015
Revenues	84,477	97,357
Total operating costs	76,258	90,536
Gross operative margin	8,219	6,821
Amortization and depreciation	1,346	1,469
Operating result	6,873	5,352
Financial income	238	234
Financial charges	9	72
Earnings before tax	7,102	5,514
Taxes of the period	2,426	1,826
Result of the period	4,676	3,688
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	2,291	1,807

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)	30.09.2016	31.12.2015
Current assets	15,528	14,848
of which		
Cash and cash equivalents	4,135	3,322
Non-current assets	45,930	46,146
Current liabilities	18,548	18,764
of which		
Current financial liabilities	0	0
Non - current liabilities	1,045	929
	41,865	41,302
Group inteterest	48.860%	48.860%
Net profit for the period attributable of the Group	20,455	20,180

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

Income Statement - summary data

(Thousands of Euro)	3rd Quarter 2016	3rd Quarter 2015
Revenues	12,071	11,070
Total operating costs	7,215	6,840
Gross operative margin	4,855	4,230
Amortization and depreciation	1,772	1,705
Operating result	3,083	2,525
Financial income	3	0
Financial charges	55	41
Earnings before tax	3,031	2,485
Taxes of the period	1,022	671
Result of the period	2,009	1,813
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	982	886

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)	30.09.2016	31.12.2015
Current assets	5,358	10,707
of which		
Cash and cash equivalents	477	4,375
Non-current assets	5,360	5,538
Current liabilities	3,366	8,058
of which		
Current financial liabilities	0	0
Non - current liabilities	981	995
	6,371	7,192
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	3,122	3,524

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

Income Statement - summary data

(Thousands of Euro)	3rd Quarter 2016	3rd Quarter 2015
Revenues	16,825	19,178
Total operating costs	15,200	17,594
Gross operative margin	1,625	1,584
Amortization and depreciation	153	156
Operating result	1,472	1,428
Financial income	21	32
Financial charges	7	13
Earnings before tax	1,486	1,448
Taxes of the period	479	471
Result of the period	1,007	976
Group interest	49.00%	49.00%
Net profit for the period attributable of the Group	493	478

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, 10th November 2016

Chairman of the Board of Directors
Fulvio Zugno

DECLARATION

(Translation from the original issued in Italian)

CERTIFICATION OF THE QUARTERLY REPORT as of 30th September 2016

Pursuant to Article 154-bis paragraph 5, part IV, section III, sub-section II, heading 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

The undersigned, dr. Cristiano Belliato, in his position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declares, to the best of his knowledge, pursuant to the provisions of Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting information stated in the Quarterly Report as of 30th September 2016 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 10th November 2016

Ascopiave S.p.A.
dr. Cristiano Belliato