Annual Financial Report

as of 31December 2016

Table of contents

Annexes:

- Individual Financial Statement of Ascopiave S.p.A. as of 31 December 2016.

In-Company Control:

- Declaration by the Manager - Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob regulation no. 11971;
- Report on Corporate Governance and Company Structure.

Statutory Auditors:

- Report of the Board of Statutory Auditors on Financial Statements as of 31 December 2016.

Auditing Company:

- Independent Auditors' Report on the Consolidated Financial Statements as of 31 December 2016;
- Independent Auditors' Report on the Financial Statements as of 31 December 2016.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

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

In-Company Control Committee	From	To
Coin Dimitri	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

Independent Auditors
PriceWaterhouseCoopers S.p.A.

Legal headquarters and Company data
Ascopiave S.p.A.
Via Verizzo, 1030
I-31053 Pieve di Soligo TV Italia
Tel: +39 0438 980098
Fax: +39 0438 82096
Share Capital: Euro 234,411,575 fully paid in
VAT ID 03916270261
E-mail: info@ascopiave.it

Investor relations
Tel. +39 0438 980098
fax +39 0438 964779
e-mail: investor.relations@ascopiave.it

Main economic and financial data of the Ascopiave Group

Economic figures

(Thousands of Euro)	Financial year 2016	% of revenues	Financial year 2015	% of revenues
Revenues	497,689	100.0%	581,655	100.0%
Gross operative margin	95,255	19.1%	80,983	13.9%
Operating result	72,137	14.5%	56,950	9.8%
Net result for the period	56,942	11.4%	45,362	7.8%

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

Capital data

(Thousands of Euro)	31.12.2016	31.12.2015
Net working capital	63,905	56,689
Fixed assets and other non current assets	522,574	527,182
Non-current liabilities (excluding loans)	(48,151)	(49,698)
Net invested capital	**538,328**	**534,173**
Net financial position	(94,119)	(114,037)
Total Net equity	(444,209)	(420,137)
Total financing sources	**(538,328)**	**(534,173)**

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

Monetary flow data

(thousands of Euro)	FY 2016	Restated* FY 2015
Net income of the Group	53,635	43,014
Cash flows generated (used) by operating activities	68,461	69,249
Cash flows generated/(used) by investments	(18,348)	(21,527)
Cash flows generated (used) by financial activities	(69,593)	(120,304)
Variations in cash	(19,479)	(72,582)
Cash and cash equivalents at the beginning of the period	28,301	100,882
Cash and cash equivalents at the end of the period	8,822	28,301

REPORT ON MANAGEMENT

FOREWORD

The Ascopiave Group closed 2016 with a net consolidated profit of Euro 56.9 million (Euro 45.4 million as of 31 December 2015), with an increase of Euro 11.6 million, +25.5% compared to the previous year.

The consolidated net assets at year-end amount to Euro 444.2 million, (Euro 420.1 million as of 31 December 2015) and the net capital invested to 538.3 million (534.2 million as of 31 December 2015).

In 2016, the Group accomplished investments for Euro 20.8 million (Euro 22.0 million as of 31 December 2015), mainly in the development, maintenance and modernization of the networks and plants of gas distribution and the installation of electronic meters.

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 electric power, heat management and co-generation.

The Group currently holds concessions and direct assurances for the supply of the service in 208 municipalities (208 municipalities as of 31 December 2015) and has a distribution network extending for over 8,380km[1] (over 8,200 km as of 31 December 2015), and 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 about 934 million cu.m[1] of gas sold in 2016 (961 million cu.m[1] as of 31 December 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 liberalization process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth,

[1] The data specified about 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 previously pondering the data of the companies consolidated with the equity method according to the relevant share.

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 2016 are equal to 934.6 million cubic meters, marking a decrease of 2.8% compared to the previous year.

The volumes of electrical energy sold were 384.9 GWh, marking a decrease of 6.0% compared to the previous year.

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 873.4 million cu.m., marking an increase of 1.6% as compared to 2015. The distribution network as of 31 December 2016 has an extension of 8,382 km (8,312 km as of 31 December 2015).

Economic results and financial situation

Consolidated revenues in 2016 of the Ascopiave Group equal Euro 497.7 million, compared to Euro 581.7 million of the previous year. The decrease in the turnover is mainly due to the reduction in the revenues on natural gas sale (Euro -93.2 million), due to lower volumes sold and a decrease in sale prices.

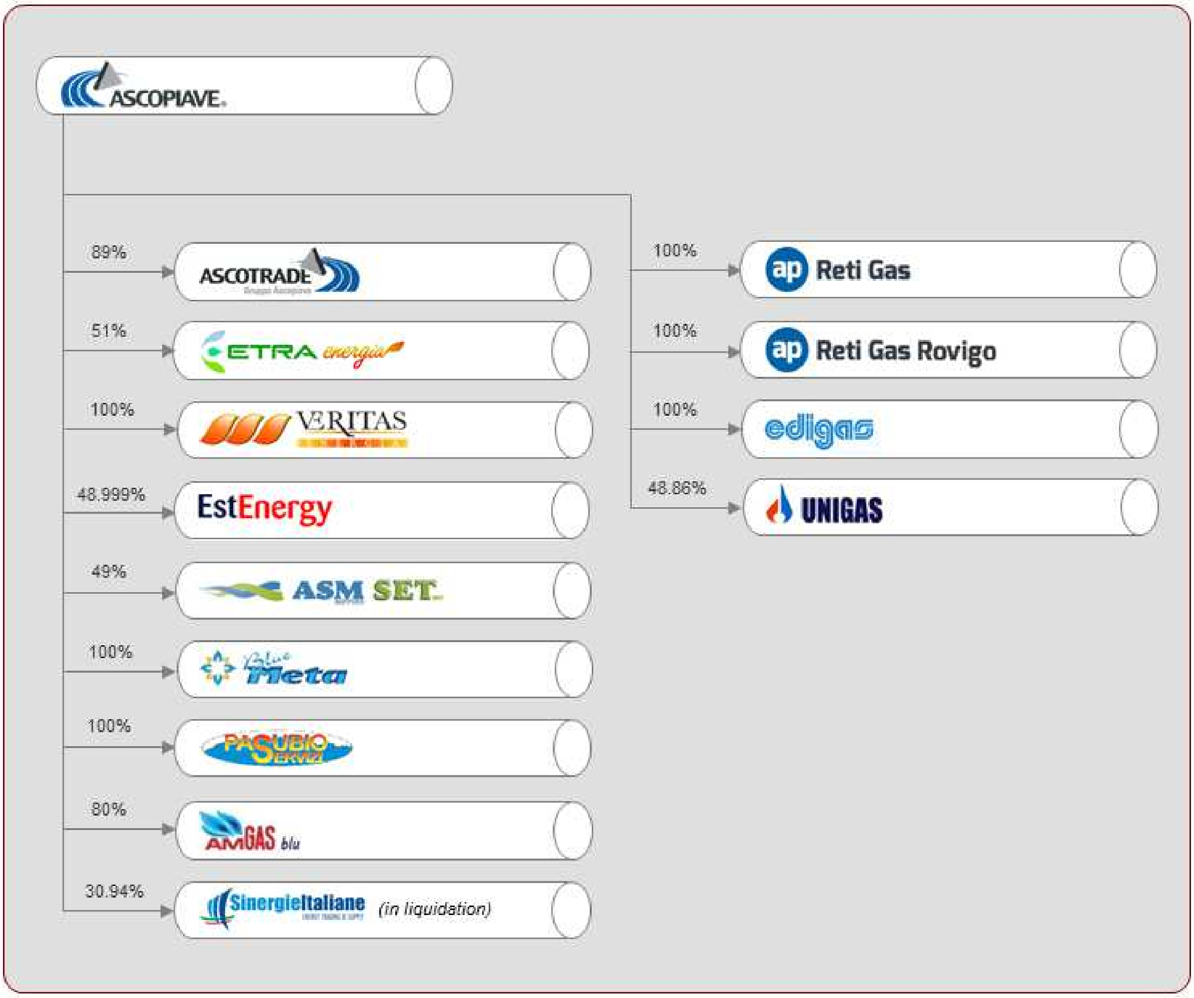
The Operating Result of the Group equals Euro 72.1 million, marking an increase compared to Euro 57.0 million in 2015. The increase in the Operating Result is mainly connected to improved results of the gas sale activity, explained by improved results in gas and electricity sale, due mainly to the amount allocated to the Group by virtue of its participation in the contract renegotiation initiative for long-term contracts pursuant to AEEGSI Resolution 447/2013/R/gas (+Euro 11.1 million),

The Net Result, equalling Euro 56.9 million, marks an increase compared to Euro 43.0 million of 2015, due to an improvement in the operating result, which have more than offset the increased fiscal charges on income taxes and the decreased result for the companies consolidated with the equity method.

The Net Financial Position of the Group as of 31 December 2016 is equal to Euro 94.1 million, with an increase of Euro 114 million as compared to Euro 114.0 million as of 31 December 2015.
The cash flow of the fiscal year (+ Euro 80.1 million given by the sum of the net result, allocations, amortization and depreciations) and the management of the liquidity have generated financial resources for Euro 67.9 million. The investment activity has absorbed financial resources for Euro 19.3 million, whereas the management of equity (distribution of dividends and dividends received by the companies consolidated with the equity method) has absorbed resources for Euro 28.7 million.
The ratio between Net financial position and Net equity as of 31 December 2016 is equal to 0.21 (0.27 as of 31 December 2015).

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31 December 2016.



As of 1 July 2016, company ASM Distribuzione Gas S.r.l changed its name to AP Reti Gas Rovigo S.r.l..

Reference economic framework

Worldwide economic projections in 2016 show signs of improvement in developed countries. However, they remain vulnerable to risks. Global economy's growth was the smallest since 2009, with increases below the pre-crisis average. Several uncertainties influenced the worldwide trend e.g. the referenda in the UK and Italy, the US presidential elections, the persistence of terror attacks and of crisis in the Middle East. Growth in Japan is still only moderate and Chinese growth shows continuous signs of deceleration, which is affecting the other *emerging economies*[2]. Regardless of these indexes, GDP and international trade have shown signs of strengthening during the second half of the year, thanks to the push of the world's leading economies.

Recent OECD projection suggest that in 2016 the worldwide domestic product increased by less than 3% compared to the previous year, and in the next two years it should increase considerably and attain 3.3%, thanks to the fiscal initiatives implemented by the largest countries. The year growth percentage in 2016 and expectations for the next years remain below the pre-crisis average and several risks could negatively affect said growth; among them, the market volatility, the disconnection between the financial markets and the main macro-economies as well as financial or political uncertainties. OECD also suggests that positive outlooks on market values are often disconnected from real economic outlooks.

In the next few years, the economic evolution in the advanced countries will vary. The Euro zone for years 2017 and 2018 will confirm a growth of 1.6%, below the 2016 results (1.7%). The United Kingdom will slow down from 1.8% in 2016 to 1% in 2018. Japan growth will be feeble and, after acceleration in 2017 (1.2%, compared to 2016 1%) should decrease to 0.8% in 2018. The Chinese economy, whilst maintaining elevated growth, should show signs of deceleration and attain 6.5% in 2017 and 6.3% in 2018. The outlook for the Indian and USA economies is favourable: the former will surge, going from 1.6% in 2016 to 2.4% in 2017 and 2.8% in 2018 and the latter will increase by 7.3% in 2017 (7% in 2016) and 7.7% in 2018.

As far as the overall outlook for the **Italian economy** is concerned, in 2016 economic growth continued gradually, whilst remaining below the European average. Internal demand contributed positively to the trend of the past few years while foreign demand decreased gradually and has influenced the national GDP negatively by 0.1%.

The cyclical nature of the manufacture sector seems currently positive and the service sector is increasing. However, agriculture, forestry and fishing are decreasing.

In 2016, the GDP increase by 0.9% compared to the previous year and this growth is due to positive variation in end-user consumption, for 1.2% as well as fixed gross investments for 2.9%. As far as the foreign exchange is concerned, export of goods and services increased by 2.4 and import by 2.9%.

As of December, the unemployment rate was +12% net of seasonal employment oscillations, slightly increasing from the previous month (+0.3%) and higher than 2015 (+11.4% in 2015). Yearly, the amount of unemployed people increased by +4.9%, while the number of employed people is slowly increasing (+1.1% compared to December 2015).

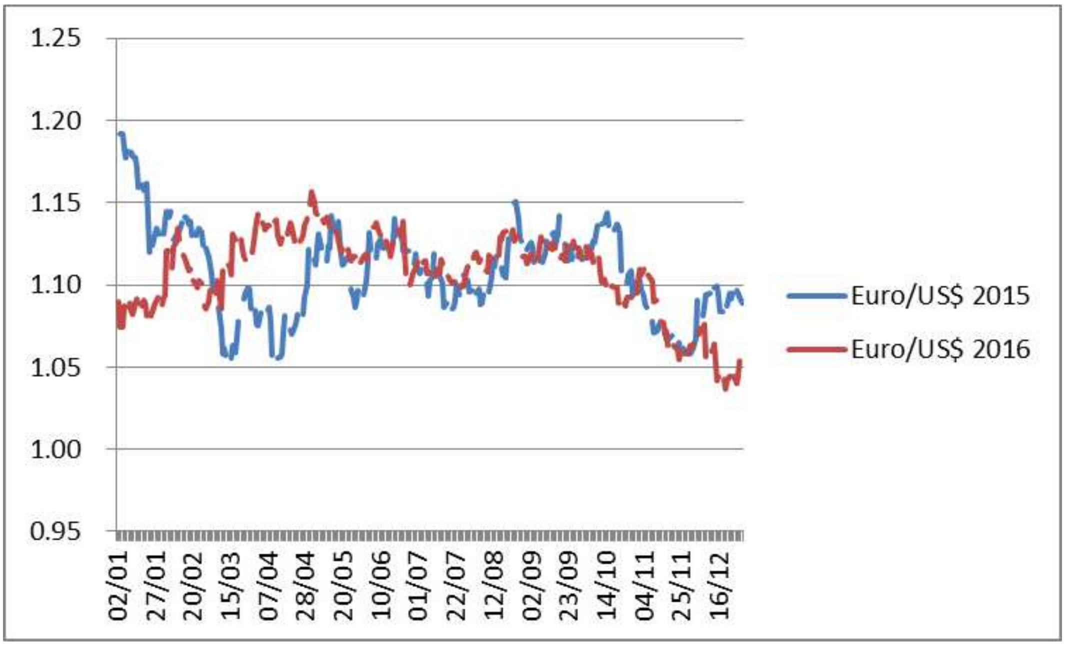
The yearly average of average consumer prices decreased by 0.1%, bringing Italian economy into deflation. However, in December 2016 the inflation increased by 0.4% compared to the previous month and by 0.5% compared to December 2015. This trend is mainly due to the increase of prices of transport, unregulated energy and raw food.

<u>Evolution of international energy prices</u>

[2] Brazil, China, India, Russia

In 2016, the Euro/Dollar exchange rate recorded an annual average equal to 1.11 USD per Euro (in line with the 2015 average), achieving a maximum of 1.16 USD per Euro (May 2016) and a minimum value of 1.04 USD per Euro (December 2016). At the start of the year the Euro/Dollar exchange rate favoured the EU currency, oscillating in a 1.15 -1.1 fork up to September and decreased only in the final months of 2016.

Euro/Dollar exchange rate trend in 2015 and 2016



Source: Banca d'Italia, elaborated by Ascopiave S.p.A.

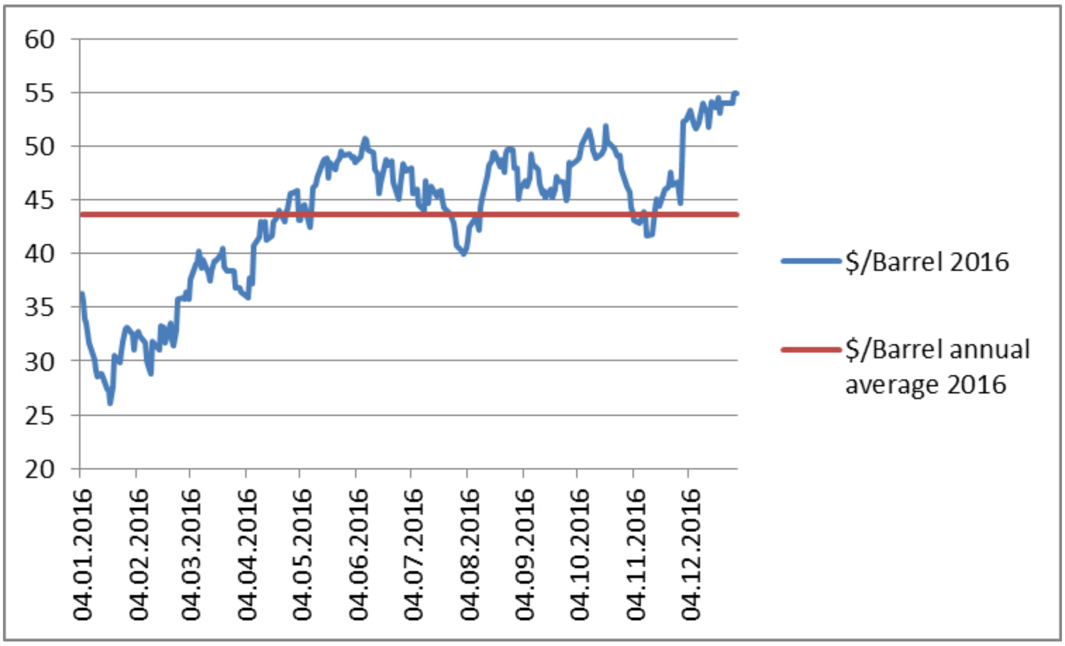
During 2016, the costs of raw oil decreased significantly. In January 2016, the price of oil (Brent) attainted its lowest annual point at 26.01, continuing the 2015 trend; in the following months, the trend stabilized itself in the month of April, within a 40-52 fork up to November. During the last month of 2016 the oil barrel price increased to reach the highest annual value at 54.96 per barrel at the end of the year.
As far the Euro prices are concerned, the decreased was less impactful due to the depreciation of the Euro against the US Dollar.

Quotations	2016	2015	2014	2013
Annual average brent quotation (Dollars per barrel)	43.67	52.32	98.97	108.56
Annual average Exchange rate Dollar/Euro	1.11	1.11	1.33	1.33
Annual average brent quotation (Euro per barrel)	39.46	47.13	74.41	81.74

Source: Banca d'Italia and EIA, elaborated by Ascopiave S.p.A.

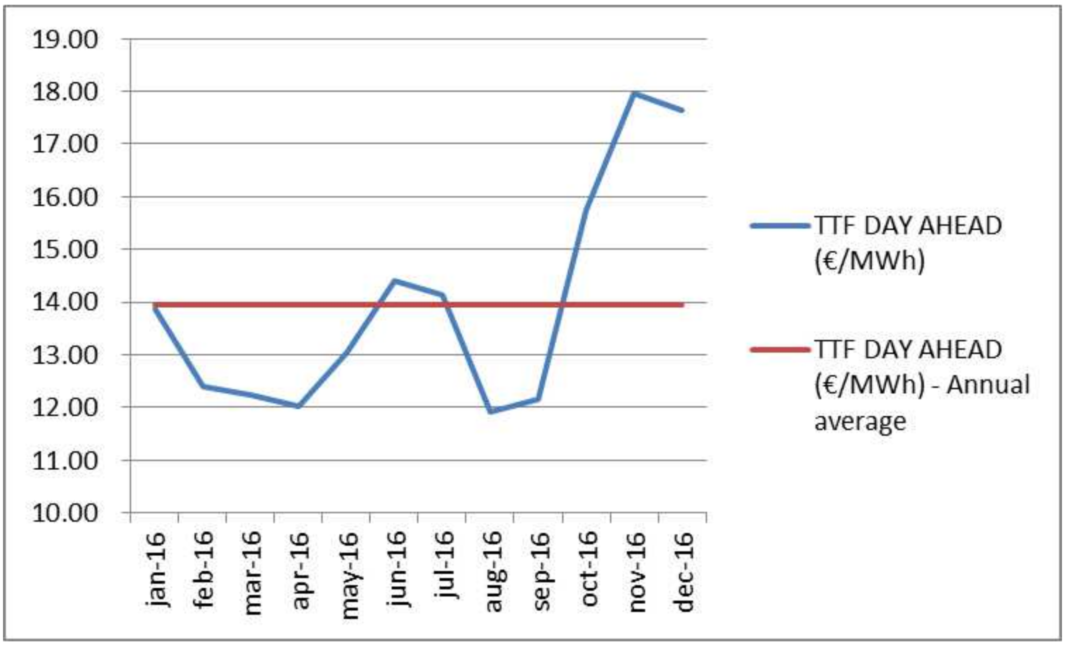
The Brent trend displayed an increase in the second quarter of the year, due to various factors. Among them, the interruptions in raw oil production by Kuwait, Canada, Libya and Nigeria and the contraction in US raw oil production. During November, an agreement was reached between OPEC and non-OPEC countries to limit daily production. Said production was further limited by an internal agreement of non-OPEC countries and supported the increase in raw oil prices, which attained the maximum annual value at the end of 2016.

Brent trend year 2016



Source: EIA, elaborated by Ascopiave S.p.A.

Gas sales prices applied to the protected market are determined based on the Dutch gas Stock Exchange (TTF) quotations. On the other hand, the purchase prices of Ascopiave Group's supply agreements are mainly adjusted to the trend of the above-mentioned market.



Source: Ascopiave S.p.A. elaboration

The gas market: the European scenario

<u>The gas system in Europe:</u>

During the calendar year 2016, the national consumption of Gas in Italy increased by 5.0% compared to 2015, up to 70.91 billion cubic meters (source: Ministry of Economic Development).

Demand also increased compared to the previous year, with a 3.39 91 billion cubic metre growth, significantly influenced by the indirect effect of the mild economic recovery.
The coverage of said gas demand was mainly satisfied by import, that in 2016 attained 65.28 billion cubic meters, a 4.08 billion cubic meter increase compared to 2015 (+6.7%). The main gas supplier remains Russia, irrespectively of a decrease in gas amount that arrived through the Tarvisio interconnection point (-5.5%). The second supplier is now Algeria, with a significant increase in the amount of gas through Mazara del Vallo (+160.5%). Gas import through Northern Europe (Passo Gries) decreased considerably (-37%) and so did the import from Libya.
The gas amounts through the GNL Panigaglia terminal and the GNL Livorno terminal both increased (+508.8 and +750.0% compared to 2015, respectively.

National gas production

In 2016, the Italian gas production totalled 5.79 billion cubic meters and decreased by 14.6% compared to 2015. It covers 8.2% of national gas requirements.
Gas deposits in Italy are dwindling. Their contribution to the national requirement will become increasingly marginal.

The gas system in Italy: import and re-gasification infrastructures

The configuration of the import and re-gasification infrastructure for natural gas in Italy has remained substantially unchanged compared to the previous years.
The current new projects related to the introduction of upgrades and/or new energy infrastructures fall within the strategic plan, which envisages an increasingly marginal importance of Russian natural gas supply in a context in which natural gas is the main national energy source. Although in recent years consumption has slowed down due to the economic downturn, the primary objective is to prevent geopolitical instability that could jeopardize the stability of supply. To this end, the supply should be diversified.
In May, the works for the creation of the gas pipeline TAP have begun. This pipeline will allow import of gas in Italy through Albany and Greece, enabling replenishment of natural gas from the reserves in the Caspian Sea, Russia and the Middle East.
Due to the continuous tensions with Ukraine, Russia will opt to discontinue the use of gas pipelines that pass through Ukraine territory and will consequently discontinue the South Stream project, that was supposed to carry 63 91 billion cubic meters of gas from Russia to Bulgaria through Ukraine. Those gas volumes should instead pass through the Turkish Stream pipeline, which should connect to the Tap pipeline at the Turkish-Greek border.
However, the feasibility studies for the IGI Poseidon project, a gas pipeline which, via Greece and Turkey, would allow Italy to import natural gas from the Caspian Sea and the Middle East, are still underway as well.
As concerns re-gasification plants, which have become a seriously competitive supply alternative to methane pipelines, able to bypass the obstacles presented by the limited shipment capacity available on the import gas pipelines networks, in Italy three plants are in operation: Panigaglia in La Spezia, Porto Levante in Rovigo and Livorno Offshore in Livorno. Our Country has at its disposal at least a dozen of projects regarding the realization of new LNG terminals. Because of the bureaucratic difficulties, the litigations filed by the local bodies, the technical setbacks and, above all, the decisions taken by the potential investors following the development prospects of the industry and the profitability of the investments, we believe that not all of them can be realized.

Regarding this, during the first months of 2017 the Ministry of Environment authorized the creation of a regasification plant in Gioia Tauro. At full throttle, said plant should meet 10% of the expected national requirement.

Gas sale

Gas sale is the main activity of the Group in terms of contribution to company revenues. This is a liberalized activity in a free market, with direct competition with other operators, which will become ever fiercer in the future. In the current phase of liberalization of the market, growth is directly connected to an organizational model that values territorial presence and improvement of company operating costs. New models are being researched that will tie the stakeholders on their territory even more so that their distinguishing features can set them apart from their competitors. These models are paired with the introduction of industrial plan that would result in an augmented operating and organizational efficiency, through re-engineering and optimization of processes that will result in an improvement of company cost-to-serve.

Gas distribution

Gas distribution is the second activity of the Group in terms of contribution to company revenues.
This activity is carried out as a concession or direct allocation and, as such, is subject to strict regulation by the public authorities, with regards to both management methods and tariffs.
As it is known, Legislative Decree no. 164/00 introduced the compulsory allocation of the gas distribution service through a call for tenders, assuming that a competition mechanism involving the selection of the provider would allow for a limitation of costs for the end customer and an improvement in the quality of the service supplied.
Law Decree 159/2007 (Law 222/2007) has introduced, for the first time, the concept of Minimum Territorial Tender (Atem) for the management of the service, establishing that the tenders shall be invited in minimum territorial areas. The Atem tender was adopted as a basic rule for the sector with Legislative Decree 93/2011, which has forbidden, commencing June 2011, the launch of invitations to tender in the single Municipalities, ratifying the obligation to launch tenders exclusively in minimum territorial areas.
Therefore, as to the distribution activity, the majority of analysts foresee, in the medium term, a strong concentration in the offer, with a reduction in the number of operators and an enlargement of the average size of the companies.
From 2011, with special reference to calls for tenders in territorial areas, the regulatory framework of the industry was In particular:

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;
2) with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
3) 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);

4) with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulations concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service were 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 - favourably welcomed the emerging regulatory framework, believing that it actually creates important opportunities for investments and development to qualified operators of medium size, going in the direction of a positive rationalization of the offer.

At the end of 2013, with Law Decree 23/12/2013, no. 145, converted with amendments into Law 9/2014, art. 15, paragraph 5 of Legislative Decree 164/2000, which provides for the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called “Transitional Period” was substantially modified.

In June 2014, the Decree of the Minister of Economic Development containing the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” entered into force, which, although formally aimed at explaining the criteria to assess the value of plants pursuant to art. 5 of Ministerial Decree 226/2011, essentially establishes a peculiar framework, which implements only to a minimum extent art. 5 above.

Subsequently, with Law Decree 91/2014, amended and converted into Law 116/2014, another substantial change was made to art. 15, paragraph 5 of Legislative Decree no. 164/2000. The contents of the revised text and its evolution are described in sections “National regulations” and “Goals and policies of the Group and description of risks” of this financial report.

Finally, in mid-2015, the Decree of the Ministry of Economic Development no. 106, dated 20th May 2015, amended the previous Ministerial Decree 226/2011, reformulating Article 5, concerning the criteria to calculate the value of the plants. The new Decree has basically “transferred” the content of the Guidelines (mentioned above) into its text. Concisely, this measure has made Article 5 compatible with the Guidelines, which would have been a specification/clarification.

The regulatory framework

National regulations

Reference regulatory framework

With Decree MISE dated 13 May 2016 no. 94, the Ministry of Economic Development approved the "Regulation for the application of Art. 1 paragraph 154 of Law no. 208 dated 28 December 2015 (Italian TV tax in electricity bill)".

The Decree is the application of the Budget Stability Law dated 28.12.2015, no. 208 that introduced, from 01.07.2016, direct charge of Italian TV for private use tax in electricity bill.

Specifically, this Decree set forth the accounting principles of the regulation. It defined: the charging modalities of the tax by the sellers; the communication and economic flows between the Sale Companies, the Purchaser and the Tax Authority; the responsibilities of the Purchaser to provide to the Purchase Companies all necessary information for the tax; the responsibilities of the Tax Authority to verify domicile, family composition and possible waivers for the tax.

Provisions of the Authority for electrical power, gas and water (AEEGSI)

The main provisions of the Authority for electrical power, gas and water include:

Update of the supply economic conditions

2 Quarter 2016

Natural Gas

In virtue of **Decision 141/2016/R/gas dated 30.03.2016** , AEEGSI updated the economic supply conditions for the consumer protection service for the April - June 2016 quarter.

The updates published with such resolution concerned in particular: the CMEM component (fixing its value at 4.064869 Euro/GJ); the PFOR,t element (element to cover the natural gas procurement costs); the QTMCV element (element to cover the surcharge elements of the CV variable coverage element applied within the transport service to the volumes placed on the network, upstream from the Virtual Trading Point); the QTVt element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognized); the values of the UG3UI and UG3FT elements, the UG3 component (relating to the distribution tariffs as well as coverage of payment defaults for clients).

With 139/2016/R/com Decision dated 30.03.2016, AEEGSI approved the updating as of 1 April 2016, of the tariff components to cover the general system costs and the additional components of the electric sector. The published updated mainly relate to the following tariff components: A, UC, MCT, GS, RE, RS, UG1, CVFG, φ.

With **Decision 173/2016/R/Gas dated 07.04.2016**, AEEGSI determined the temporary reference tariffs for the gas distribution and metering services for 2016, based on the preliminary financial data of 2015.

AEEGSI calculated that, starting 1 April 2016, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 69.38 Euro Cents for cubic meter, including taxes, divided as follows:

- Expense for gas raw material: 26.46% of the natural gas supply and for the activities related to it; 4.11% for the gradual application of the reform on economic conditions of the customer protection services and the renegotiation of multi-annual supply agreements; 7.20% for retail sale.
- Transport and meter management expenses: 19.21% for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 2.89% for the general system costs.
- Taxes: 40% including fuel taxes (22.03%), regional additional tax (2.93%) and VAT (15.18%).

Electric power

With **Resolution 140/2016/R/eel dated 30.03.2016**, AEEGSI approved the update for the quarter April - June 2016 of the economic conditions for the supply of the Protected Customers (components PE and PD, amounts PED and PPE as well as the DISPbt r component for the commercialization of electric power).

With the **Resolution 139 /R/eel dated 30.03.2016,** AEEGSI approved the update as of 1 April 2016 of the tariff components for the for the coverage of general charges of the electric sector and additional components. The updates specifically concern the A, UC and MCT components.
With **Resolution 233/2016/R/eel dated 12.05.2016,** AEEGSI approved temporarily the reference tariffs for year 2016 for the electrical power distribution services for companies that supply more than 100,000 access points.
AEEGSI calculated that, starting 1 April 2016, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW)) would be 17.91 Euro Cents for kilowatt/hour, including taxes, divided as follows:

- Raw expenses for energy: 33.80% for supply costs; 8.44% for retail commercialization.
- Transport and meter management expenses: 18.42 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 25.74 % for the general system costs.
- Taxes: 13.60% including VAT and power taxes.

3 Quarter 2016

Natural Gas

With **Resolution 355/2016/R/gas dated 28.06.2016**, AEEGSI updated the economic supply conditions for the consumer protection service for the July - September 2016 quarter.
The updates published with such resolution concerned in particular: the CMEM component (fixing its value at 4.313042 Euro/GJ); the PFOR,t element (element to cover the natural gas procurement costs); the QTVt element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognized).
With **Resolution 352/2016/R/com dated 28.06.2016** the values of the components for the coverage of general costs including the obligatory tariff for the distribution service as well as other components have been updated. The published updated mainly relate to the following tariff components: GS, RE, RS e UG1.
AEEGSI calculated that, starting 1 April 2016, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 70.70 Euro Cents for cubic meter, including taxes, divided as follows:

- Expense for gas raw material: 27.32 % of the natural gas supply and for the activities related to it; 4.03 % for the gradual application of the reform on economic conditions of the customer protection services and the renegotiation of multi-annual supply agreements; 7.07 % for retail sale.
- Transport and meter management expenses: 18.32 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 3.06 % for the general system costs.
- Taxes: 39.67 % including fuel taxes (21.62%), regional additional tax (2.87%) and VAT (15.18%).

Electric power

With **Resolution 354/2016/R/eel dated 28.06.2016**, AEEGSI approved the update for the quarter April - June 2016 of the economic conditions for the supply of the Protected Customers (components PE and PD, amounts PED and PPE**).**

Compared to the previous quarter, an increase in the price of electricity was registered, mainly due to the increase in the supply component of the tariff.
With the **Resolution 352/2016/R/com dated 28.06.2016**, AEEGSI approved the update as of 1 July 2016 of the tariff components for the coverage of general charges of the electric sector and additional components. The updates specifically concern the A, UC and MCT components.
Following the initiative of the Consumer and Small Sized Company Association, the Appeal Court of Lombardy with single Judge decision no. 911 dated 19.06.2016 suspended the applicability of 354/2016/R/eel and postponed its discussion in court.
AEEGSI with **Resolution 410/2016/C/eel dated 20.07.2016**, requested the repeal of said court sentence. However, the same Judge with sentence 982 confirmed the sentence **dated 28.07.2016**.
AEEGSI acknowledged said sentence with a press release dated 29.07.2016. It also specified that, pending the suspension of applicability of 354/2016/R/eel Resolution, the economic conditions approved with Resolution140/2016/R/eel dated 30.03.2016 of the previous quarter would be applicable instead.
Subsequently, following the Order no. 1185 dated 16.09.2016 of the Appeal Court of Lombardy, 354/2016/R/eel Decision was applied for the entire reference quarter. The Appeal Court of Lombardy should reach a definitive verdict during the hearing scheduled for 16.02.2017.
AEEGSI calculated that, starting 1 July 2016, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 18.67 Euro Cents for kilowatt/hour, including taxes, divided as follows:

- Raw expenses for energy: 36.23 % for supply costs; 8.10 % for retail commercialization.
- Transport and meter management expenses: 17.66 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 24.60 % for the general system costs.
- Taxes: 13.41 % including VAT and power taxes.

4 Quarter 2016

Natural Gas

For the period of time between 01.10.2016 and 31.12.2017, via the **Resolution 166/2016/R/gas dated 01.04.2016** AEEGSI defined the modalities of calculation of the CMEM component (coverage of the supply cost for gas); and CCR (coverage of costs of activities and their related risks connected to the supply modalities of gas), extending the thermal year by one quarter, in consideration of the date when the price protection scheme would be dropped.
With **Resolution 535/2016/R/gas dated 29.09.2016**, AEEGSI updated the economic supply conditions for the consumer protection service for the October - December 2016 quarter.
The updates published with such resolution concerned in particular: the CMEM component (fixing its value at 4.840993 Euro/GJ); the PFOR,t element (element to cover the natural gas procurement costs); the QTVt element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognized) as well as the QTFi element (fee to cover gas transportation costs from the Virtual Trading Point to the transport network).
With **Resolution 534/2016/R/com dated 29.09.2016 6** the values of the components for the coverage of general costs including the obligatory tariff for the distribution service as well as other components have been updated. The published

updated mainly relate to the UG1 component, while the values of the other components remain unchanged.

With **Resolution 774/2016/R/gas dated 22.12.2016,** the obligatory tariffs for the services of distribution, metering and commercialization of natural gas have been approved, as well as the amounts for price adjustment for the advanced quarter of 2017 for the gas distribution services.

AEEGSI calculated that, starting 1 October 2016, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 71.91 Euro Cents for cubic meter, including taxes, divided as follows:

- Expense for gas raw material: 21.54 % of the natural gas supply and for the activities related to it; 3.02 % for the gradual application of the reform on economic conditions of the customer protection services and the renegotiation of multi-annual supply agreements; 6.95 % for retail sale.
- Transport and meter management expenses: 17.81 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 3.01 % for the general system costs.
- Taxes: 39.26 % including fuel taxes (21.26 %), regional additional tax (2.82 %) and VAT (15.18%).

Electric power

With **Resolution 536/2016/R/eel dated 29.09.2016**, AEEGSI approved the update for the quarter October - December 2016 of the economic conditions for the supply of the Protected Customers (components PE and PD, amounts PED and PPE**).**

With **Resolution 465/2016/R/gas dated 29.09.2016** AEEGSI approved the update as of 1 October 2016 of the tariff components for the coverage of general charges of the electric sector and additional components. The updates specifically concern the A, UC and MCT components.

AEEGSI calculated that, starting 1 October 2016, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 18.463 Euro Cents for kilowatt/hour, including taxes, divided as follows:

- Raw expenses for energy: 35.15 %
- Transport and meter management expenses: 18.11 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 25.09 % for the general system costs.
- Taxes: 13.46 % including VAT and power taxes.

1 Quarter 2017

Natural Gas

With **Resolution 819/2016/R/gas dated 29.12.2016,** AEEGSI updated the economic supply conditions for the consumer protection service for the January - March 2017 quarter.

The updates published with such resolution concerned in particular: the CMEM component (fixing its value at 5.640006 Euro/GJ); the PFOR,t element (element to cover the natural gas procurement costs); the QTVt element (variable fee to cover the costs related to self-consumption gas, network leakage and gas not recognized); the QTFi element (fee to cover gas transportation costs from the Virtual Trading Point to the transport network), the QTPSV element (fee to cover costs of transportation from the Italian border to its destination), the CPR component (which covers the mechanism for the renegotiation of long-term natural gas supply agreements), which has decreased from 1.6 to 0.84 Eurocent/Smc.

With **Resolution 814/2016/R/com dated 29.09.2016** the values of the components for the coverage of general costs including the obligatory tariff for the distribution service as well as other components have been updated. The published updated mainly relate to the GS, RE, RS and UG1 components, while the values of the other components remain unchanged. The provision also updates the values of compensation for the charges for gas supply to customers with economic defaults for year 2017.

Additionally, starting from 1 January 2017, the updates to the QVD component as envisaged by the **Resolution 817/R/gas dated 29.12.2016** have also been applied. The provision confirmed a unitary value for said component for the entirety of the country. Specifically, for the valuing of the component up to 31.12.2016: the fixed amount increases from 58.83 Euro/PdR to 59.65 Euro/PdR (+ 0.82 Euro/PdR) for single households and increases from 77.26 Euro/PdR to 78.35 Euro/PdR (+ 1.09 Euro/PdR) for condominiums. The variable part is maintained for both types to 0.7946 Eurocent/Smc.

The **Resolution 733/2016/R/gas dated 13.12.2016** determined the reference tariffs for the distribution services and the gas metering for years 2009-2015, following requests for adjustments of financial data and correction of input mistakes by several distribution companies.

The **775/2016/R/gas Provision dated 22.12.2016** follows 68/2016/R/gas Decision dated 25.02.2016, with which AEEGSI started an infra-period adjustment procedure for tariff regulation for the distribution and metering service. The provision set forth the new version of the Tariff Regulation for the distribution and metering services for gas in the regulation period 2014-2019 (RTDG)

AEEGSI calculated that, starting 1 January 2017, the reference price for Gas to the average Customer (i.e. a family with autonomous heating and annual consumption of 1,400 cubic meters of gas) would be 75.27 Euro Cents for cubic meter, including taxes, divided as follows:

- Expense for gas raw material: 32.71 % of the natural gas supply and for the activities related to it; 1.88 % for the gradual application of the reform on economic conditions of the customer protection services and the renegotiation of multi-annual supply agreements; 6.72 % for retail sale.
- Transport and meter management expenses: 17.64 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 2.87 % for the general system costs.
- Taxes: 38.18 % including fuel taxes (20.31 %), regional additional tax (2.69 %) and VAT (15.18%).

Electric power

With **Resolution 818/2016/R/eel dated 28.12.2015,** AEEGSI approved the update for the quarter January - March 2017 of the economic conditions for the supply of the Protected Customers (components PE and PD, amounts PED and PPE**).**

With **Resolution 814/2016/R/com dated 28.12.2016** AEEGSI approved the update as of 1 October 2016 of the tariff components for the coverage of general charges of the electric sector and additional components (specifically concern the A, UC and MCT components). The provision also updates the values of compensation for the charges for electricity supply to customers with economic defaults for year 2017.

The **1/2017/R/eel Decision dated 12.01.2017** AEEGSI updated the values of the electrical bonus upward, to comply with what was set forth in Ministry Decree dated 29.12.2016. The Decree envisages a reduction of costs for the average user with an electrical bonus up to 30%.

With **Decisions 815/2016/R/eel and 816/2016/R/eel dated 29.12.2016,** the values for dispatching in 2017 have been established as well as the RV and DISPBT component values for the commercialization of electrical power from 01.01.2017.

AEEGSI calculated that, starting 1 January 2017, the reference price for Electricity to the average Customer (i.e. a family an annual consumption of 2,700 kWh and a usage of 3 kW) would be 18.635 Euro Cents for kilowatt/hour, including taxes, divided as follows:

- Raw expenses for energy: 36.22 % for supply costs; 8.78 % for retail commercialization.
- Transport and meter management expenses: 21.22 % for distribution, metering, transportation and distribution services, and quality.
- Expense for system costs 20.36 % for the general system costs.
- Taxes: 13.42 % including VAT and power taxes.

With **633/2016/R/eel Decision dated 04.11.2016** AEEGSI approved the “Service of Reformed Advanced Protection and the Tutela SIMILE for the liberalized market: reform of the conditions of supply of service of Advanced Protection and definition of their respective PRC and PCV” The provision follows the Decision 369/2016/R/eel and specifically envisages:

- changes in the supply conditions for the Advanced Protection service enforced as of 1 January 2017 (Reformed Advanced Protection - MTR);
- completion of the discipline of Tutela SIMILE;
- introduction of information obligations by the current providers of the Advanced Protection service;
- modification on discipline on electrical contract transfers.

As far as the economic conditions of the Reformed Advanced Protection service (MTR) are concerned, it was established that:

- the PED amount to cover the costs for the supply would continue to be updated every quarter, with the introduction of a modification in the calculation modalities so that starting from 1 January 2017 the update would be based on the quarterly average estimate of the electrical power supply costs, rather than the annual estimate;
- the estimate of the purchase costs for electricity would be based exclusively on the price of the ready market for energy (market of the previous day and daily products);
- the PE and PD elements include the recuperation amount (i.e. the amount needed to correct possible mistakes deriving from the calculation of the PED amount), determined as the difference between the supply costs for electricity for the advanced protection service of the previous quarter and the revenues of the suppliers of the advanced protection services applying the PED of the previous quarter.

The Decision established: the value of the PPE amount to cover system adjustment imbalances in the supply costs to be applied for the entire year 2017 (0.180 cEuro/kW/h); the PCV amount to cover the risks of commercialization of electricity for the period 1 January 2017 - 30 June 2018 (57.7884€ / POD/year for household clients and 118.3777€ /

POD/year for other clients and clients 0.317€ / POD/year for public lighting, the PCR amount for the coverage of risks related to the supply modalities of wholesale electricity, applied only to Tutela SIMILE clients (0.180 €/kWh as per PPE amount).
Finally, the Resolution introduces specific obligations for the advanced protection suppliers in order to ensure information to the final customers regarding Tutela SIMILE and it introduces the option, for customers eligible to the advanced protection service, to request the transfer directly to the supplier of the Tutela SIMILE instead of the current provider.

Following the DCO 420/2016/R/eel Resolution, with **778/2016/R/eel Resolution 22.12.2016** AEEGSI updated the obligatory tariffs for the distribution services and the energy metering for final non-household clients for year 2017, as well as the economic conditions for power network connections. The regulation of reactive energy take-up and input in/from high and very high tension networks, with the application of their pricing as of 2016, with extension up to 31 December 2017.

The transmission, distribution and metering services tariffs with household clients (TD tariff) have been updated with Resolution **799/2016/R/eel dated 28.12.2016, that, similarly to Resolution** 778/2016/R/eel for estimate purposes for 2017, uses pre-balancing data supplied by the distribution companies for year 2016.

With Resolution **782/2016/R/eel dated 22.12.2016 -**
“Implementation of the reform of network tariffs and tariff components to cover general system costs for the electrical power customers”, AEEGSI implemented, with corrections, the second step of the reform that started with Resolution 582/2015/R/eel.
Specifically, as of 1st January 2017

- The progressive nature of the tariff amounts for network systems (transmission, distribution and metering) has been eliminated. The tariff amounts therefore have the same threefold TD regime irrespectively of the condition of first domicile.
- The tariffs to cover general system costs have been redefined. They will be organized in two brackets of annual consumption (from 0 to 1,800 kW/h/year and over 1,800 kW/h/year);
- The consumption brackets above shall also be used for the application of the DIPBT component;
- For general system costs and DISPBT component application for household clients only the distinction between household and non-household is considered.

Several temporary measures are envisaged, to comply with the invoice systems issued up to 31 March 2017.
The regulation also envisages that, from 1 April 2017 and for 24 months, the fixed amount contribution for power variation for household clients will be brought to zero, the yearly amount for power increase up to 6kW will be reduced by 20% extra measures to protect the “right to change of heart” of clients that decide to increase and reduce their power or vice versa.
Finally, the tariff conditions for household clients that adhered to the tariff experimentation for heat pumps (former tariff D1) have been modified. From 2017, the entirety of the non-progressive tariff that was supposed to be applicable to all household clients from 2018 will be applied.

Other resolutions

Natural gas and Electricity Sector

With **Resolution 17/2016/R/com dated 21.01.2016** "*Provisions on minimum content for motivated responses to customer complaints on case of invoicing of anomalous amounts for gas and electrical power*" AEEGSI introduced a new set of regulations as of 1 July 2017 to prevent the suspension of supply, by informing the client in full in case of complaints on invoicing.

Specifically, a new definition of "invoicing of anomalous amounts" has been given. It extends the instances in which a bill can be considered "anomalous" and for which, in case of failure to respond to the complaint, no request for supply suspension may be forwarded to the distributor.

Specifically, "Invoice of anomalous amount" is considered any instance in which the amount of the bill exceeds:

- 150% (household clients) and 250% (non-household clients) of the average bill amount in the last 12 months for the electric power;
- double the highest amount in the last 12 months for the gas market.

With the same resolution, AEEGSI defined the minimum content of the motivated answers to the first-time complaints and to the written requests of adjustment that involved invoices with anomalous amounts. Furthermore, it introduced the obligation by the seller to make available in its website and its front desks a specific form for written complaint or written request for adjustment of invoices with anomalous amounts.

With **Resolution 100/2016/R/com dated 10.03.2016** "*Provisions on the issuing of closing invoice for termination of supply of electrical power or natural gas*". This document is the continuation of 405/2015/R/com, with which AEEGSI disciplined the measures for issuing invoice for termination of supply of electrical power or natural gas as of 1 June 2016.

The application of the provision pertains final customers:

- low-tension connections (with the exclusion of power supply for public lighting), for the electric sector;
- Consumption of less than 200,000 smc/year for natural gas, whether it is in the protected market or the liberalized market.

Specifically, the provision targets customers that terminate their supply i.e. when the supply contract is terminated for any reason, including change of supplier, deactivation of the supply or transfer.

The main new elements introduced regarding terminal invoicing include:

- Change in the timeline of terminal invoice issuing. The invoice shall be issued within maximum two days before the end of the six-week period in case of instant delivery (digital billing) or maximum of 8 days before the end of the six-week period from the termination of supply in all other cases.

  When issuing the invoice, the seller must follow a specific priority order for measurement data communicated to the distributor (specifically: effective measurement data, validated self-readings and estimated measurement data). In case of failure by the distributor to provide the data and without validated self-readings the seller shall still issue an invoice (with self-reading data communicated by the end user but not yet validated by the distributor, when applicable, or with estimated seller data in other cases) informing the client that the invoices shall be balanced by the seller as soon as the new data are available.

- **Procedures for the usage of self-readings.** In case of change of seller or transfer in supply points that do not use smart meters for natural gas and single-time take-up points for electrical power, the following data are requested:
  - the time interval and the modalities of communication of the self-reading from the end-user to the seller, the data validation activities by the seller as well as the modalities of transmission of data to the distributor;
  - information obligations regarding the possibility of use of self-reading and the modalities and timetables to use it.
- Automatic indemnification by the seller. In case the terminal invoice is issued beyond the set terms, the seller shall include in the terminal invoice an indemnification of Euro 4.00 in case of delay up to 10 days following the deadline and additional Euro 2.00 for each additional 10 days of delay, up to a maximum of Euro 22.00 for delays up to and over 90 days.

Regarding **the obligation of measurement data reading** for the termination of the supply, the resolution:

- Disciplines the activities that the distributor shall perform in case of self-reading and discontinuation of supply, specifically, the distributor shall validate the data up to the termination day and communicate it to the end user. Several provisions regarding the information processes between the seller and the distributor are envisaged regarding data transmission for the termination of the supply, including integration of regulation in cases that are not yet disciplined by the Authority (self-reading in case of change of commercial counterpart and transfer in the electrical sector).
- The resolution sets the indemnifications by the distributor, that are divided in two different categories:
  - A first type of indemnification to the seller in case of failure to comply with the terms of transmission of data in all cases of termination of supply. The value of said indemnification is Euro 4.00 in case of delay up to 10 days following the deadline and additional Euro 2.00 for each additional 10 days of delay, up to a maximum of Euro 22.00 for delays up to and over 90 days;
  - The second type of indemnification to the end client in case the distributor does not make available the reading data for the supply within useful time to issue the terminal invoice. The indemnification shall be corresponded to the client if the distributor fails to make available the data within 30 days of discontinuation of the supply. The value of the indemnification is Euro 35.00 and it shall be allocated in the invoice issued by the seller and based on the latter’s estimated data.

Finally, the resolution envisaged the creation of a monitoring activity for seller, in order to evaluate possible modification of structure and of the indemnifications. In addition to said data, information by all the distributor will be gathered in order to assess the efficiency of the availability of the measurement data for the purpose of supply discontinuation.

With **Resolution 102/2016/R/com dated 10.03.2016-** *“Regulation of utility transfer in the gas sector and modifications to Annex A of Authority Decision 398/2014/r/eel”* AEEGSI defined the functional provisions regarding implementation via the Integrated Information System (SII) of the utility transfer process in the natural gas sector, similarly to what has been set forth for the electrical sector with 398/2014/R/eel.

Specifically, the Resolution

- Introduced a modification in the definition of utility transfer in terms of variation of the name of the use as well as the counterpart of a supply contract, instead of just the variation of an existing contract. Said modification is extended by the Resolution to the electric sector so that the seller, during the transfer procedure, may propose to the customer other offer that are different from the one that is already active;

- Confirmation of the timeline of two working days for the seller to carry out communication to the customer and the SII, for the activation of a contract;
- The Resolution describes the management of instances of failure to accept a transfer request by the existing counterpart that shall, as an exception to current regulation concerning minimal time for unilateral withdrawal of the seller, withdraw from the existing supply contract on the date of request of transfer for the supply point in question, communicating it to the distributor and the final customer;
- Disciplines the management of measurement data gathered during the transfer, about points that are not read monthly with daily detail, envisaging that the attribution
- Defines certain general principles that the distribution company must abide with regarding the management modalities for a request of transfer when paired with request for other services regarding the same supply point.

These regulations shall be enforceable for transfers as of 31 December 2016, except for the regulations regarding metering and availability of measurement, which shall be enforceable as of 1 June 2016, as they are instrumental for the application of the approved regulations in matters of terminal invoicing.

With **Resolution 143/2015/R/com dated 30.03.2016** "*Update and modifications to the 2.0 bill regulations*" – AEEGSI integrated and modified the regulations regarding Bill 2.0 (Resolution 501/2014/R/com and 200/2015/R/com) regarding bill amount aggregations and natural gas user Glossary.
Specifically, the resolution, following requests for clarification of the operators, set forth certain rules regarding the correct exposition modalities of the "municipal fees" tariff component, for which no item was envisaged in the 2.0 Bill that required such item.
Specifically, the regulation:

- Integrates and updates the dispositions regarding Bill 2.0, envisaging that said tariff component is included in the aggregation of amounts "expenses for transportation and management of meter", with specific information for the client regarding invoicing and, in item detail, included the fixed instalment.
- Updates the Glossary accordingly.

With **Resolution 209/2016/E/com dated 05.05.2016** "*Adoption of the integrated text in matters of extra-judiciary resolution of controversies with clients or final users and operators or managers of sectors regulated by the AEEGSI – Integrated Settlement Text (TICO)*" - AEEGSI approved the "integrated text in matters of extra-judiciary resolution of controversies with clients or final users and operators or managers of sectors regulated by the AEEGSI – Integrated Settlement Text (TICO)". This text disciplines the evolution of obligatory attempts of settlement at the Settlement Service or other entities as a condition to access judicial ruling in case of controversies with clients or final users and operators or managers of sectors regulated by the AEEGSI, pursuant to Law no. 481 dated 14 November 1995 and the Code of Consumption.
This new discipline, valid as of 1 January 2017, applies to all controversies between low-pressure cooking gas user, final users of low and/or medium tension electrical power, prosumers or final users and operators and/or suppliers.
The main provisions introduced by the TICO are the following

- Regarding **applicability and the effects of the obligatory settlement** it is decided that the entertaining condition to access to judicial ruling is met if the first meeting at the Settlement Service does not result in an agreement, which includes the cases in which the counterpart is a no-show. In case the settlement procedure is successful, the minutes signed by the parties become an enforceable document.
- Regarding the procedure of the **Settlement Service**, the resolution envisages that the first meeting must be scheduled within 30 days of the submission of the request for settlement and at least 10 days after the date has been communicated to the parties. The general provision of a maximum period of 90 days for the Settlement remains valid, which may be extended up to 30 days. Regarding the timeline of request submission, the resolution confirms a minimum term of 50 days in case the complaint is not answered and a maximum of one year to submit the complaint to the operator or supplier.
- The obligatory settlement effort may also be carried out through other procedures of extra-judiciary resolution of controversies, such as the Chambers of Commerce, procedures for entities in the ADR consumer list, such as peer settlement and settlement mediated by any of the settlement entities registered in the Ministry Registry pursuant to Legislative Decree 28/2010.
- The settlement effort does not preclude the entertainment of urgent or suspensive judiciary actions.

With the application of the TICO, the Settlement Service discipline envisaged with the Resolution 260/2012/E/com s no longer applicable, except as a temporary measure for pending settlement procedures at the Service up to their conclusion.

With **Resolution 302/2016/R/com dated 09.06.2016** "*Modalities and timeline for the discipline of withdrawal from supply contracts*" AEEGSI follows up on DCO 40/2016/R/com and introduces a new discipline for withdrawal right from supply contracts for small-sized customers and simultaneously overturns Resolution 144/07.

The provision follows the reform of the switching discipline, as envisaged by Resolutions 258/2015/R/com (for gas) e 487/2015/R/eel (for electrical power), which set the execution time for a switching service to three weeks.

The main provision is matters pertaining withdrawal shall be applicable from 1 January 2017 and shall be valid for all contracts signed after this date. They include:

- The confirmation that the right of **withdrawal may be exercised without penalties or closure costs** when performed within the envisaged deadlines (possible penalty or cost inducing clauses included in contracts shall be null);
- The resolution defined with **scope of application** of the withdrawal regulation as far as the gas sector is concerned and it pertains household final customers, condominiums with residential usage and sundry usage with consumption up to 200,000 smc/year; as far as the electricity sector is concerned, it shall apply to all household low-tension customers, non-residential and non-public lighting low tension users and prosumers of low-tension that have a contract for low-tension power up-take from the public grid.

  The following contracts are not included in the resolution: public counterparts, contracts with seasonal or recurrent utilities and multi-site clients when at least one of the provisions may not be applied.
- The Resolution confirms that the right to withdrawal, within the set deadlines, may be exercised **by the customer at any time;**
- The Resolution introduced new timelines for the right to withdrawal, envisaging that when said right is exercised by the client to change supplier, the outgoing supplier must be notified at least within the 10th day of the month prior to the change of seller;

The communication modalities of the withdrawal by the ingoing seller via SII shall be defined with a future Resolution. Meanwhile the communication of withdrawal shall be forwarded to the outgoing seller (within the 10th day of the month before the change of seller) with Certified Email;

- The Resolution envisages the possibility for the ingoing seller to exercise the right to revoke switching pursuant to TIMG and TIMOE in case of payment default;
- When the right of withdrawal is exercised to terminate a supply, the notice may not exceed one month;
- The variation in the modalities of right of withdrawal by the final customer and the transmission of the communication by the ingoing seller.

  In case of change of supplier, when the new contract with the ingoing seller is signed, the client shall issue to the seller a proxy to withdraw on his or her behalf form the outgoing seller. This proxy must be on a safe and durable support, so that it cannot be altered or tampered.

  In instances where the right of withdrawal is not related to a change of seller, the withdrawal procedure is entirely up to the client.

  When a client with Advanced Protection or special protections terminates a free market contract, he or she is not required to send a notice of withdrawal to the Advanced Protection seller; the term of service of the protected or specially protected supply in this case is set from the first day of the new supply.

  The resolution set the modalities for the exercise of the right of withdrawal by the seller. The seller has the right to withdraw with a notice of at least six months if the client is not a protected client and if said option is envisaged by the contract.

Additionally, the resolution envisaged modifications to the 138/04 (gas) Resolution. In case of termination of a supply contract the Seller is required to request the administrative discontinuation of the distribution service, except for instances when the termination of contract derives from a request of switching with termination. Furthermore, the resolution sets the deadline for communication by the Distributor of the administrative discontinuation in case of withdrawal with change of supplier.

In virtue of **Resolution 413/2016/R/com dated 21.07.2016** - "*New integrated text of the commercial quality of sales services and changes to the adjustment of the commercial quality of electricity and natural gas provision service, to the code of business conduct and to bill 2.0* "- AEEGSI approved a new integrated text for the commercial quality adjustment of sales services, and amended issues related to changes of the quality of electricity and gas provision services, as well as to the business conduct code.

Specifically, the provision has first of all made a **significant reform to the TIQV** by:

- setting four types of provisions, three of which subject to a specific standard and to automatic compensation (response time to written complaints, modification time to billing and modification time to double billing) and one subject to a general standard (response time to written requests for information);
- increasing the compensation in cases of violation of the specific standard from 20,00 to 25,00 Euros. In the event the seller fails to meet both the standard of motivated response to complaints and of billing adjustments, the customer receives a total compensation of 50,00 Euro. The maximum time for compensation payment is also reduced from 8 to 6 months;

- providing two general volunteering standards to better monitor the response times to complaints based on the expected update of the specific standard (from 40 to 30 calendar days for written complaints and from 90 to 60 calendar days for billing adjustments);
- ruling that the information shall be disclosed by sellers to the Authority regarding the cases mentioned every year, as for the procedure followed for data on the commercial quality of the provision. Furthermore, the data reported from 2018 for the complaints and requests for information shall be classified by topic and sub topic (for both sellers and distributors), as required by Table 5 TIQV;
- providing the Annual complaints and disputes report, establishing that the seller shall always made available an e-mail address or telematics channel for complains.

The resolution also introduced the **change of the TIQE and the RQDG** by**:**

- revising the rules governing the provision times of the technical data requested by the seller, including the extension of the possibility for vendors to request data to distributors in case of telephone complaints, and requests in case of joint mediation;
- raising the compensation and summing it for electricity and gas, which must be paid by the distributor to the seller (30 euro);
- reducing to 6 months the maximum time for the payment of the compensation due in the event of non-compliance with specific standards on the provision of technical data.

Finally, the resolution has strengthened the regulation on the disclosure requirements for sellers, provided more information shall always be given to all customers, both on the website and in contracts, about the possibility to access to the Conciliation Service and, eventually, to other bodies for the mandatory attempt of conciliation with free access whose procedures they are committed to participate. The same information shall be present only in the responses to unsolved complaints. Furthermore, the information about the eventual automatic compensation due to the customer shall be reported on the responses to complaints, if the conditions, the amount and the deadline are met.

With resolution **463/2016 /R/com dated 04/08/2016** - "*Provisions relating to the billing period, compensation paid by the sellers and by the distribution companies and further obligations of these companies about measurements*" **–** after the consultations with the DCO 405/2015/R/ com and 216/2016/R/com, AEEGSI approved:

- the **integrated text on invoicing of the retail sales service (TIF)** which aims at setting the whole procedure of invoicing to small end customers;
- specific actions, both related to **measurement and payment in instalments**, both aimed at making the current regulatory provisions consistent with the new TIF rules.

The provisions of the TIF shall apply to all domestic and non-domestic customers using low voltage electricity - for the electricity sector - and to all customers consuming less than 200,000 cubic meters/year - for the natural gas sector, while for customers holding supplies for public administrations only the provisions relating to the self-reading shall apply.

The main changes introduced by the TIF, with effect from 1st January 2017 (except for some provisions having a different timing), are as follows:

- **Issuing and scheduling of an invoice for a certain period:** The provisions provide for a certain invoicing schedule (shown in the tables attached to TIF), which may be waived to the free market sellers. It also introduces a time constraint to the invoice issuing, i.e. 45 days from the last day of consumption reported on the invoice. In the open market the seller may specify a different time constraint.

- **Protection/Enhanced protection market and Free market**: the provisions of the TIF apply to all supplies on the enhanced protection market, gas protection and SIMILE Protection Service; in the free market, the sellers are required to encompass, in their basket, a contract with billing contractual clauses equal to those of the protection schemes, while they are free to waive those clauses for other offers, as reported by the TIF; in such cases, however, some disclosure requirements for the benefit of the end customer that subscribes offers covering the derogated clauses shall be provided.
- **Scope of use of the measurement data:** the seller is required to use, in the invoices related to a certain period, some measurement data in the following order: actual measuring data provided by the distribution company; self-readings communicated by the final customer and validated by the distribution company; estimated measurement data (provided by the distribution company or estimated by the seller).

In case the seller uses his own estimates, he shall determine the measurement data based on the customer's actual historical consumption provided by the distribution company and eventually supplemented with other information deemed useful. These estimates, moreover, shall be determined by minimizing the gap between the actual consumption and the estimated consumption.

This clause might be derogated since each vendor of the free market may set a different order of priority, if he issues an invoice for the actual consumption at least once a year.

- **Mixed invoices:** if the invoice reports the actual consumption, the estimated consumption shall not be added in the following cases:

a) if the billing frequency is every month;

b) if the final measurement of the period is a self-reading;

c) in case of non-compliance, even isolated, of the billing frequency.

In the free market, the seller may derogate from the provisions of letter a) and b) but he shall, however, always comply with the prohibition of issuing mixed invoices in cases of non-compliance of the invoicing frequency (letter c).

- **Recalculation and other invoicing rules:** the seller shall recalculate (settlement) the amounts previously calculated based on estimated measurement data only in case of subsequent availability of the actual measurement data made available by the distribution or self-reading company. It is furthermore prohibited to invoice consumptions related to periods subsequent to the invoice issuing. Such clauses shall not be waived in the free market.

- **Self-reading:** The seller is obliged to:
    - for all points of the electric sector considered according to a fixed rate plan and for all points of the gas sector with different reading frequency from the monthly one with daily detail, provide a self-reading communication method for the customer within a time frame reported on the invoice. This information shall be collected by the seller unless it is obviously wrong (being at least one of a different order of magnitude different from the last available data) and communicated to the distribution company within 4 working days;
    - for all the points of the electric sector divided by fixed rate plan and for all points of the gas sector with monthly reading frequency and daily detail, provide the customers with at least one self-reading mode, where one or more invoices for measurement data estimated for at least 2 consecutive months have been issued (this requirement will come into force on 1st April 2017). The self-reading shall be collected by the seller unless it is obviously wrong (being at least one of a different order of magnitude from the last available data) and communicated to the distribution company within 4 working days;

  - collect and communicate the self-readings eventually received by written or telephone complain to the distribution company for their validation (such obligation shall be effective from 1st April 2017);
  - inform the end users about the possibility of communicating their self-reading.
- **General standards for quantifying the estimated consumption:** in case of use of estimated data, a general standard regarding the quality of these estimates is used to identify the problems related to particularly relevant over- or under estimates. To test the compliance with the quality standard of the estimates of the billed consumption of electricity and natural gas, a quality indicator of the incidence of estimated consumption compared to the actual consumption is used.
- **Compensation to the final customer paid by the seller for delays in the invoices issuing:** If the invoice is issued after 45 days from the last day of the consumption billed, the seller shall pay, with the first useful invoice, an automatic compensation to the end customer based on the number of days of delay (compared to the limit for issuing invoices) and amounting to:
  - 6.00 € for a delay of up to ten calendar days after the time limit for issuing invoices;
  - increased by € 2.00 every 5 days of further delay, up to a maximum of € 20.00 for delays equal to or exceeding 45 calendar days after the time limit for issuing invoices;
  - 40,00 € if the delay after the time limit for issuing invoices is between 46 and 90 calendar days;
  - or 60,00 € after the time limit for issuing invoices is more than 90 calendar days.
- **Compensation to the final customer paid by the distribution company for failure to detect actual data for the points considered by fixed rate plan**: if the electricity distribution company, regarding the customers considered by fixed rate plan, estimates the measurement data for two consecutive months, it shall pay to the end customer, through the seller, a compensation equal to 10.00.

The right to any reimbursement as stated above shall be effective from 1st January 2017, with the exception for the compensation to the end customer; in the first case, in fact, the compensation may be paid within a period twice as much as the period normally set by the provision.

- **Monitoring:** The Authority shall monitor the invoicing period (beyond those already under way and relating to the final invoice) and furthermore verify the compliance with the quality standards of consumption estimates reported on the invoice.

As for further provisions introduced by the resolution, they are as follows:

- **Actions relating to measurements for the electric sector:** the measurement data collection frequency is increased: for fixed rate points with power not exceeding 16.5 kW, a reading attempt will in fact be required every 4 months (currently is an attempt per year); for fixed rate points, a reading reiteration obligation in the case of at least two consecutive failed reading attempts and absence of validated self-readings is also required; the validation procedure of all the self-readings sent by the seller to the distribution company (including those coming from end-customers ‘complaints) is furthermore required;
- **Interventions relating to measurements for the gas sector**: a validation procedure of self-readings from the end-customers ‘complaints that the seller shall send to the distribution company is required;
- **Actions relating to measurements for both sectors:**
  - the distribution companies are required to record the causes (appropriately coded) of the failed reading attempts;

- o the distribution companies are required to provide compensations to the seller in case of late provision of the measurement data; such compensations are in line with those already provided for by the regulation and they may be subject to appropriate revisions according to the first outcomes related to their application;
- **Actions relating to the instalment plan:**
- o obligation to pay by instalment for protection service and gas protection service providers even in cases of abnormal amounts invoiced for all sampling points in cases of non-compliance, also occasional, of the invoicing frequency provided for by the TIF;
- o same obligation to pay by instalment reported above, also for sellers of the free market, which may offer even improved instalment modes.

Finally, by this resolution, AEEGSI opens a proceeding, to be finalized by June 2017, *to revise the rules on non-economic contract terms aimed, among other things, at defining the standard offer*

With subsequent **resolution 738/2016 /R/com** dated **06/12/2016** - "*Billing and rules for payment by instalment: changes to the rules set by the Authority's resolution 463/2016/R/com*" – AEEGSI has made changes to the Resolution 463/2016/R/com and to its Annex A (TIF) as well as to the TIV, TIME and TIVG for aspects relating to billing and rules for payment in instalments.

In addition to correcting several errors, the provision amended the law concerning:

- **Invoicing frequency and accounting of consumptions**
- *Frequency:* Possibility, also regarding the protection service, to increase the billing rate (usually quarterly) for the gas customers that consume less than 500 cubic meters/year;
- *Billing in advance:* It is allowed an exception to the prohibition of invoicing the consumptions accrued after the issuing date of the invoice, provided the existence of specific conditions;
- *Mixed invoicing*: Specifying that the prohibition of adding the consumptions estimated after a self-reading applies only to cases of self-readings captured in the window and of removal of the prohibition to add the estimated consumptions in the first invoice following a set of invoices.

Self-reading

Communication from the seller: the self-reading shall be communicated from the seller to the distributor no later than 4 working days from its collection.

Timeframe: the seller shall collect self-readings communicated by the end customers in periods outside the timeframe, even in different cases from those already provided for (through complaints or phone complaints);

Adjustment: in case of self-readings communicated by written or phone complaints, the seller may issue an amending invoice even without waiting for the result of the distributor’s validation (which anyway shall be required)

Late communication: In case of late communication of the self-reading by the seller to the distributor, the latter is not obliged to proceed to the validation.

- **Compensations**

The causes of exclusion from the payment of compensations (even for causes falling under the responsibility of third parties) are integrated, and are established the date from which the 6 months for the payment of the compensations on the invoiced period and the reason to be reported for each compensation on the invoice that includes it.

- **Payment in instalments**

Free market: The scope of application of the casuistic for the payment in instalments are provided for the contracts in force at the date of validity of the TIF;

Invoicing block and abnormal invoicing: The rules for payment in instalments for the cases added by Resolution 463/2016/R/com.

- Entry into force

Existing contract: Provisions are made for specific disclosure requirements for outstanding contracts at the date of entry into force of the TIF;

Effectiveness: The effectiveness of the TIF provisions and of Resolution 463/2016 provide, in particular, that all forecasts are effective as of January 1st 2017, with reference to the invoicing period referring only to consumptions made after this date while, for invoices referring to consumptions made before January 1st 2017 and after that date, the sellers may apply the regulatory framework preceding the entry into force of the TIF, provided such invoices are issued no later than 31 May 2017.

Gradual application of the indemnity ex art. 17 of the TIF: the forecast for all 2017 is that the compensation pursuant to Article 17 shall apply after 3 consecutive months from the estimated data.

- Scope of application

The exclusion from the scope of application of the customers served in the last instance schemes (safeguard, FUI, and default distribution) is set.

With resolution **795/2016 /R/com dated 28.12.2016** - "*Amendments to the regulation on the commercial quality of electricity and natural gas distribution service and to the regulation on the commercial quality of the sales service for the provision of technical data required by the seller "*- AEEGSI has regulated, within the provider's disclosure of the technical data requested by the seller, facts that may be attributed to the category "other complex technical data ".

A few complex cases were identified, rather than a long list of simple cases, provided the distributor can reclassify a request from simple to complex, if an audit at the Redelivery Place is required.

Natural gas sector

With resolution **10/2016 /R/gas dated 14.01.2016**, AEEGSI approved the "*Update of the interest rate for determining the compensation, to the outgoing providers, of the lump sum for paying the tender fees for entrusting the natural gas distribution service* ". The resolution updates, with validity for the three-year period 2016-2018, the interest rate to be applied for determining the reimbursement to the outgoing providers of the amounts for the coverage of the tender costs referred to in decree 226/11, as set by the Authority's resolution dated 3rd July 2014, 326/2014/ R/gas.

With resolution **20/2016/R/gas dated 21.01.2016,** AEEGSI approved the "*Determination of the bonuses and penalties related to the recovery of the natural gas distribution service for 2013*". The resolution sets, for the year 2013, the bonuses and penalties for the security recovery of the natural gas distribution service for 167 natural gas distribution companies.

With resolution **95/2016/E/gas dated 10.03.2016**, AEEGSI approved the "*Program of telephone checks and inspections of gas distribution companies with regards to 24-hour repair service for the year 2016*". The resolution starts the campaign of telephone checks and audits in compliance with the discipline in the field of gas 24-hour repair service for the year 2016.

With resolution **99/2016/R/gas dated 10.03.2016**, AEEGSI approved the "*Determination of the definite reference fees for gas distribution and measurement services for the Year 2015*". The resolution sets the definitive reference fees for gas distribution and measurement services for the year 2015, calculated based on the balance sheet data for the year 2014, pursuant to Article 3 (2) (b) of RTDG. For the purpose of this determination, the applications for the redetermination of fees and for the application of the office fee shall be implemented from 2015 and the claims for the adjustment of balance and physical data received by 15th February 2016 shall be considered.

With Resolution 223/2016/R/Gas dated 12.05.2016 - "*Provisions dealing with the insurance for gas end customers, for the four year period 1st January 2017 – 31 December 2020*", AEEGSI set the criteria that shall rule the insurance against the risks deriving from the use of gas downstream the point of delivery for the end-customers of gas distributed through local gas pipelines and transport networks benefit from 1st January 2017 to 31 December 2020, and the drawing up of the related insurance contract.

The resolution, which closes the consultation process launched in March by the DCO 93/16, introduced in particular the following novelties:

- **duration of the policy** extended to four years, instead of the current three;
- confirmation of the **Italian Gas Committee (CIG) as contractor of the insurance** on behalf of the final customers and of the **Consumer Energy Desk as information office**;
- identification of the **insurance beneficiaries** limited to all coverage points for home and households as defined by the TIVG and to the re-delivery points provided with gauges of class not higher than G25 relating to public service activities and utilities for different uses, as defined under the TIVG;
- increase of the **compensation limits** for the fire and accident section;
- reduction of the **payment terms** for the minimum annual bonus, for which the Energy and Environmental Services Fund (CCA) pays to CIG the relevant amount and confirms the current timing of the collection flows for covering the insurance costs (from the end-customers insured to the sales companies, from the sales companies to the distribution companies and from the distribution companies to the CSEA);
- possible replacement of the **termination clause** in the event of an accident, exercisable only by the contractor, with a **clause of unilateral termination**, exercisable by both parties for justified reasons, on an annual basis and with a notice of not less than 180 days;
- regarding the **clauses of participation to profit from fire and accident sections**, the possibility of providing percentage values for the calculation of the "share for contractors" not lower than 75% of the participation reference;
- reduction of the **maximum bonus for the insurance re-delivery point** (from 0,75 to 0,70 euro), auctioned for the purpose of the tender procedure.

The resolution also provides that AEEGSI defines, with subsequent decision based on the outcome of the tender, the annual unit cost that will be paid by the end customers (currently 60 cents of euro/year), providing for an annual update depending on the availability of the Insurance Account of the CSEA and of the related revenue needs.

With resolution **280/2016/E/gas dated 31.05.2016**, AEEGSI approved the "*Audit schedule on the detection and disclosure of measurement data for providers of natural gas* ". The resolution provides for the performance of an audit at natural gas distribution companies dealing with the detection and disclosure of measurement data to end customers.

With resolution **294/2016/E/gas dated 09.06.2016**, AEEGSI approved the "*Audit program for natural gas distribution companies in the field of service safety recovery for the year 2016*".

With resolution **320/2016/R/gas dated 16.06.2016,** AEEGSI approved the "*Determination of bonuses and penalties for the security recovery of the natural gas distribution service for 2013 and initiation of the proceeding for the redetermination of the trends for the years 2014-2019, for Egea Ente Gestione Energia e Ambiente SpA*." The resolution sets the bonuses and penalties for the security recovery of the natural gas distribution service for the year 2013.

With resolution **389/2016/E/gas dated 14.07.2016**, AEEGSI approved the "*Technical audits on gas quality for the period 1st October 2016 – 30th September 2017*".

With resolution **465/2016/R/gas dated 04.08.2016** - "*Public evidence procedures for the identification of last appeal depositors and of the distribution default service providers as of 1st October 2016. Changes to the TIVG, to the TIMG and to Attachment A to the Authority Resolution 102/2016/r/com*" AEEGSI defined the criteria and procedures for identifying the next providers of last appeal services (SUI) - FUI and default of distribution – also intervening on the discipline of the aforesaid services, in particular on the activities of liability of the distribution companies related to the delay in payment as well as in case of transfer.

The Annex A of the resolution contains the criteria and procedures for selecting the last appeal service providers (FUI) and of the distribution fault service (FDD) for the next two thermal years (from 1st October 2016 to 30th September 2018), subject to the eventual reduction in the period, consequent to the deletion of the protection following the entry into force of the legislative resolution on competition.

Compared with the previous procedures, there are evident integrations to the admission requirements and to the information to be made available to the potential participants (e.g. number of closure requests for delay of payment). The customers served in SUI will receive different economic conditions based on their stay time to encourage their exit. The next resolution will define an equal distribution mechanism to ensure that the revenues are determined based on the parameter offered (β or γ) from the selected suppliers.

Lastly, the sums covering the fess for delay of payment (INAUI) were updated from 0.5 €/ GJ to 0.6 €/GJ, while the invoicing frequency was increased - the first bill by 4 months and then quarterly (Article 31bis4 and 33.3 TIVG).

The resolution also intervened on some provisions of the Sales Integrated (TIVG) and Delay of Payment (TIMG) texts, mainly in order to modify the obligations of the distribution companies, as follows:

- Acknowledgement of the distribution company’s right to access the premises where the measuring plant is located (Articles 33.11 and 34.2 of the TIVG). The natural gas sales contracts shall report an explicit reference to the end customer's takeover of this obligation to allow the distributor to disconnection the PdR in case of default of the customer himself (Article 19.1 h TIMG);

- The distributor is relieved from the obligation to perform disconnection attempts and to execute legal proceedings in the event of a stay in the default distribution service by a client activated for reasons other than the delay of payment, that continues to fulfil his payment obligations (deletion Article 35.4 TIVG);
- In cases where the disconnection authorization is not available after six months from the distributor's request, the intervention is expected to be classified with a negative result, therefore allowing the sales company to file a request for administrative cessation because of the impossibility of power supply interruption ex art 13 TIMG (Article 11.2bis TIMG);
- A threshold is introduced, based on the customer's historical consumption (500 cubic meters/year), above which the distributor is required to undertake legal proceedings (Article 13bis.1 TIMG);
- As for the information obligation of the distribution user who has obtained the administrative cessation ex art 13 TIMG, both the mode of transmission to the distributor and the content of the documents to be used during the judicial proceedings are amended (Article 13.7 19.1 g TIMG). Specifically, the documentation shall now be sent within 15 days from the request by the distributor via certified registered mail (instead than within 15 days from the communication of the positive result of the administrative cessation) by integrating it with the copy of the contract resolution and certificate of receipt, as well as of the supply contract, if available;
- In the time span from the request for administrative cessation because of the impossibility of interruption and the activation of the default because of delay of payment, it shall be possible to allow the distributor to continue the power-cut attempts (Article 13.8 TIMG).
- The distributor may invoice the clients for the costs incurred for the legal proceedings, unless expressly ordered by the court during the decision about the costs of the proceeding (Article 13 bis TIMG), by binding the customer's re-activation for the same PdR or other point always managed by the same company for the payment of such charges (Article 13 bis.6,7,8 TIMG)
- Lastly, the terms of the proceedings pursuant to subpar. 39ter.2, 39ter.3 and 39ter.4 of the TIVG are anticipated by a business day so that, following the request to the supplier of the interruption for delay of payment, the forwarding withdrawal of the switch request by the incoming seller is performed within 2 business days before the sixth from last day of the month.

  Finally, the resolution intervened by modifying the transfer process.

  In the event of non-acceptance of a transfer request from the former sales counterparty that unilaterally withdraws from the contract, the Authority shall not consider appropriate at this stage to provide for the activation of the FUI service office for the new customer requesting the transfer, if he has the requirements for accessing to that service. Instead, an activation upon request of the concerned customer is preferred, provided in the communication refusing the transfer request the vendor specifies the possibility of appeal to the FUI, communicating to the customer the references and the terms of service delivery.
- If an end customer wishes to own the PdR provided in default, the Authority shall point out that, when a distributor receives an activation request from a new commercial counterparty, the disconnection shall occur in a "fictitious" way in order to stop the default and at the same time to activate the point for the new customer, by continuing the supply.

  With resolution **486/2016/R/gas dated 08.09.2016,** AEEGSI approved the "*Update of the percentage values required for the definition of the standard sampling profiles for the thermal year 2016-2017* ".

The percentage values reflect the provisions of art. 5.3 TISG according which, by the beginning of the thermal year, AEEGSI defines and updates with its own provision these values, to be used for the period 01st October 2016 – 30th September 2017.

The daily percentage values of the standard sampling profiles (Article 5 TISG) are calculated based on a specific algorithm that considers the parameters referring to the different "gas uses"; the profiles are used by the distributor, based on actual readings and on the annual consumption attributed to each PDR (CAPDR), to set the reading estimates (and therefore consumption) for the purposes of:

- invoicing the careering service;
- setting the switching reading;
- setting the procedures.

Additionally, the seller may be directly involved in using the above profiles if he uses the standard sampling profile method for estimating the consumptions invoiced in advance to the end customers.

With **resolution 2016 686/2016/R/gas** dated **24th November**, AEEGSI approved the "*Determination of the bonuses and penalties for the security recovery of the natural gas distribution service for the year 2014*". The provision sets the bonuses and penalties for the years 2014 related to the security recoveries of the natural gas distribution service for natural gas distribution companies.

With **Resolution 704/2016 /R/gas dated 01.12.2016** "*Provisions on the identification of costs related to investments in natural gas distribution networks*" AEEGSI set up a joint technical working table among the distribution companies, through the sector associations and the Authority Offices, to define a shared pricing structure to identify the costs related to the investments in natural gas distribution networks starting from the investments made in 2018. The same resolution introduces a limit to the unit capital costs for start-ups born from investments made in 2017.

With **Resolution no. 755/2016/R/gas dated 22.12.2016** - "*Infra-period update of the fees for gas distribution and measurement services for the three-year period 2017-2019*". AEEGSI approved, as from 1st January 2017, the new fees for the gas distribution and measurement services for the adjustment period 2014-2019 (RTDG), following the changes of the operating costs, of the fee to cover the costs of metrology audits, of the costs for remote reading/remote management systems and for concentrators, and of the standard costs for electronic measurement groups, for the three-year period 2017-2019.

In particular, the resolution, following the consultation on DCO 629/2016/R/GAS, dealt with the following aspects:

- definition of the annual reduction rates of the unit costs for the operating fees for the management of the natural gas network infrastructures - confirmation of the annual reduction rates for 2015 and 2016, also for updates of the years 2017, 2018 and 2019 (2.5% for distribution companies belonging to the dimensional class up to 50,000 delivery points and for those belonging to the dimensional class over 50,000 and up to 300,000 delivery points; 1.7% for companies belonging to the dimensional class over 300,000 delivery points);
- definition of the annual reduction rates of the unit costs for the management of the network infrastructure of the gas distribution service other than natural gas. Confirmation of the annual reduction rates fixed for the updates of the years 2015 and 2016, equal to 0%, also for the years 2017, 2018 and 2019;
- definition of the annual reduction rates of the unit costs for the operational fees of the measurement service - Confirmation of the productivity recovery targets for installation and maintenance activities and

for data collection, validation and recording activities, equal to 0% in the first three years of the fourth adjustment period and starting the specific monitoring of the costs incurred by companies to verify the impacts arising from the development of smart meters commissioning programs;

- definition of the annual reduction rates of the unit costs for the marketing service; increase in the unit cost of the marketing service, in line with the actual costs incurred by the companies based on the data reported in the separate statements of accounts for the year 2015, providing for an annual cost reduction rate equal to 0% for the updates of the parameter during the fourth adjustment period;
- revision of the component ΔCVERunit, t, - Waiting for further analysis (to be completed in time for the determination of the definitive reference rates for 2017) on the audits performed since 2014 and on the related costs, in order to introduce a unit recognition for each audit performed rather than for each delivery point, provisional reduction of the unit value of the component from 60 to 50 euros per each delivery point;
- determination of the components covering the centralized t (tel) and t(con) costs for the remote reading/remote management costs and the costs of the concentrators – Performance of in-depth studies with companies (to be completed by 2017 in order to overcome the current determination of the final costs already in relation to the costs incurred in 2018) aimed at introducing some criteria for the definition of costs based on output based logics, driven by the pursuit of the efficiency, while complying with the principle of neutrality on the make or buy choices and between technological solutions (with or without concentrator). In the details of the conclusion, forecast that the costs incurred up to 2017 are paid in the final balance, introducing in any case a limit for the costs incurred in 2017, based on the average unit cost incurred by the companies which have adopted a purchasing solutions and based on the number of redelivery points actually equipped with smart meters;
- definition of standard costs for measuring groups for the year 2017 – Equal to 135 €/ gdm for meters belonging to the G4 class and 170 €/gdm for those of G6 class; confirmation of the levels already set for 2014 for meters over the G6 class;
- definition of the costs for the commissioning of G4 and G6 measurement groups in 2016
- assessment of the investments based on the actual cost paid, with a limit of 150% of the standard cost, following the provision applied in 2015.

With resolution **821/2016/R/gas dated 29.12.2016**, AEEGSI approved "*Urgent provisions on remote management of gas smart meters*". As for security requirements, it is possible for natural gas distributors to postpone the remote closure of the electro- valve installed on gas smart meters G4 and G6 to the end of 2017.

- By **resolution 806/2016 /R/gas dated 28.12.2016**, AEEGSI approved the "*Proposals for updating the network code of the company Snam Rete Gas SpA*". The measure endorses the proposed updating by the company Snam Rete Gas for adopting Resolution 210/2015 /R/Gas, which approved the first directives on market processes relating to the introduction of bio methane in transport and distribution networks of natural gas.

Electric Energy Sector

By **resolution 39/2016 /R/com dated 04.02.2016,** AEEGSI fixed some material errors found in the TIT and TIC approved by resolution 654/2015/R/eel and updated the definitions contained therein, in line with the provisions of the primary legislation.

By **resolution 208/2016 /R/eel dated 28.04.2016** - "*Functional provisions for starting the reform of the switching process in the retail electricity market through the use of the Integrated Information System and consequent regulatory simplification*" AEEGSI introduced some modifications and integrations to the TIV, TIMOE, to the resolutions 153/2012/R/com and 487/2015/R/eel, relevant for the implementation of the switching reform in the electricity sector and for the reduction of the switching execution time in the gas sector. Furthermore, the resolutions ARG/elt 125/11 and 602/2014/R/eel were repealed.

With **resolution 369/2016/R/eel dated 07.07.2016** - "*Reform of the existing market mechanisms for the protection of domestic customers and small-companies in the electricity sector. Setting up of the SIMILE Protection Service for the free market. Further obligations for electricity and natural gas distribution companies* ", following the consultations initiated with the DCO 421/2015 /R/eel and 75/2016 /R/eel, AEEGSI provided for:

- revision of the conditions for the provision of greater protection service (Reformed Greater Protection Service - MTR);
- definition of the so-called "SIMILE Protection Service" in the free electricity market (SIMILE Protection Service).

As for the SIMILE Protection Service, the relevant discipline is reported in Annex A of the provision.

As for the Reformed Greater Security Service, AEEGSI has postponed the revision of the related (contractual and economic) terms to a subsequent provision.

The start of the SIMILE Protection Service and of the reformed greater security service is envisaged for 01.01.2017.

The SIMILE Protection Service is a supervised trading environment (central site of the Single Buyer) where customers can compare the offers from previously admitted providers- based on specific requirements through a specific AU procedure – and eventually stipulate a one-year standard electricity supply contract, characterized by a one-off bonus set by each operator. The participation in the SIMILE Protection Service and the conclusion of a SIMILE Protection Service Agreement are optional for both customers and suppliers who have the necessary requirements.

The Central Site managed by the AU guarantees the contact between eligible customers and suppliers as from 01.01.2017 until switching to the greater protection service.

BT-powered customers (other than public lighting) have the right to participate in the SIMILE Protection Service if they are:

- served by the greater protection service;
- entitled to the greater protection service, only for cases of request for transfer or activation of a new withdrawal point or previously disconnected withdrawal point.

The conclusion of the SIMILE Protection Service Agreement by a single customer is only allowed once (except for cases where the “first" Supplier fails to meet the requirements; in SUCH cases, the customer may sign a new SIMILE Protection Service Agreement with another Supplier).

The resolution has ruled that the sales companies working in the free market may apply for the SIMILE Protection Service, both in the electricity and in the natural gas sectors, provided they meet specific honourableness and size requirements. With regards to the size requirements, the sales companies had to serve as of 30.09.2016, both in the free market and in the respective protection services, at least 50,000 PoDs for the electric end customers who were entitled to the greater protection service of electric energy, or at least 100,000 PODs for electric end customers and/or delivery points of natural gas end customers entitled to the relevant protection services, respectively, of TIV and TIVG.

These requirements shall be maintained for the entire duration of the SIMILE Protection Service by the eligible vendor, subject to the *ex-nunc* exclusion.

The online conclusion of the SIMILE Protection Service Agreement – except for transfers and activation of a new withdrawal point (POD) for which the contract is entered by the usual terms and times provided for by the regulation in question – through a dedicated web page provided by the licensed vendor is therefore considered as a remote contract. Any SIMILE Protection Service contracts entered in different ways are forbidden.

With subsequent **resolution 541/2016/R/eel dated 29.09.2016 AEEGSI** approved "*The SIMILE Protection Service for the free market. Approval of the regulation for identifying suppliers and for monitoring the SIMILE PROTECTION Service and amendments to the Authority's resolution 369/2016/R/eel.* "

The provision follows the communication by the Single Purchaser (AU) to AEEGSI of the Regulation (AU Regulation) provided for by Resolution 369/2016/R/AE through which AU has:

- set up the admission procedure to the SIMILE Protection Service for suppliers, the monitoring of the good functioning of the SIMILE Protection Service and the exclusion from the SIMILE Protection Service;
- set up a special Audit committee, also by mentioning its tasks.

It considers requests for clarification and amendment to the rules introduced by Resolution 369/2016 /R/eel received by AEEGSI.

In particular, it provides for:

- approval, with amendments, of the AU Regulation;
- amendments to the resolution 369/2016 / R/eel (Annex A).

The main amendments to Annex A to Resolution 369/2016 /R/eel deal with:

- the duration of the *SIMILE Protection Service*; AEEGSI points out that the participation to the *SIMILE Protection Service* through the Central Website will be effective as from 01.01.2017 until overpassing the Greater Protection Service, and in any case no later than 30th June 2018. Such time limit appears consistent with the termination of the protection regimes from 01.07.2018 set by the DDL on Competition discussed during the X Senate Industry Committee, and currently on the agenda of the Senate Assembly.

In any case, the duration of each individual contract of SIMILE Protection Service fixed for 1 year remains.

- The Suppliers are required to comply with the dates of the admission procedure.

With subsequent **resolution 689/2016/R/eel dated 24.11.2016** - "*Discipline for the facilitators of the SIMILE Protection Service in the electrical market. Amendments to the Authority's Resolution 369/2016/R/eel* "- AEEGSI:

- completed the SIMILE Protection Service discipline, by providing details of the facilitators ‘operation and of the cost coverage mechanism paid by them to assist the end customers in understanding and subscribing to the service;
- introduced further amendments to Resolution 369/2016 / R/eel.

The provision, in particular:

- introduces insights into the possibility of the customer entitled to the greatest protection of required its activation, even if previously covered by the SIMILE Protection Service Agreement;
- considers the communications received by AEEGSI from the Consumer Associations regarding the identification of the Facilitators ‘activities;
- following Del. 369/2016 /R/eel2, by which AEEGSI postponed to subsequent resolutions the definition of the amount to be paid by the Facilitators for the costs incurred to support the end-users for further investigation and conclusion of SIMILE Protection Service contracts, and of the way to pay this amount;
- foresees the modification of the provisions dealing with information to the final customer at the expiration of the Simplified SIMILE Contract;
- provides for a clearer definition of the facilitator's role;
- identifies the value of the amount paid to the facilitator for the conclusion of the SIMILE Protection Service Contracts and the provisions regarding the payment of contributions made to the facilitators themselves.

With regards to what has already been introduced by Art. 11.6 Annex A Del. 369/2016/R/eel, the forecasts confirm that, by the third month before the expiration of the Simplified Protection Contract, the authorized supplier shall send a written communication to the customer by partially modifying the content. In particular, it shall report the customer’s possibility to ask for the activation of the same service to the provider of the greater protection service. It is further reported that the "automatic" application by the authorized provider of the contractual and economic conditions applied in the free market pursuant to a standard framework defined by AEEGSI shall be performed in the absence of a voluntary conclusion of a free market contract with the same provider of the SIMILE Protection Service or with another supplier, or of activation of the greater protection service. In this way, the customer accessing the Simplified Protection Service shall not necessarily continue to be served solely in the free market.

With regards to the Facilitator’s role, the resolution amends art. 13 of Annex A to Resolution 369/2016/R/eel, by establishing that the Facilitators shall have to: inform the customers not only about the terms of the Simplified Protection Service and about the options available upon expiry of the contract, but also about the duration of the contract; help the customers to understand the various offers of the SIMILE Protection Service and to compare them to the greater protection service; assist the end customers when accessing the Central Website for the registration and for receiving the reservation code; assist the customers in the eventual conclusion of the contract, also on behalf of the customer; work with the due impartiality, by avoiding to take advantage of situations of profit-sharing or of obvious conflict of interest, so that competition between suppliers may not be altered; refrain from any marketing or commercial advertising activity.

With regards to the definition of the amount and payment method to the Facilitators of the conclusion fee for the SIMILE Protection Contracts, the resolution has set an amount for each contract concluded equal to:

- 15,00 euro in case of end-users who are owners of PODs for households powered by BT;
- 25,00 euro in case of end-users of PODs for other uses powered by BT.

By resolution 378/2016 /R/eel dated 07.07.2016, AEEGSI approved "*Urgent provisions on the billing of the subscription fee for private television*".

The resolution followed the communication dated 06.07.2016 by which the Revenue Agency reported to AEEGSI the need to provide sellers with a specific indication of the different terms to be introduced into the bill for charging the subscription fee to the television service, compared with that already provided for by Resolution 501/2014 /R/com (Bill 2.0).

Specifically, the provision envisaged the amendment of the description to be reported on the electricity bills below the total amount ("*Private subscription fee for private television*") and the obligation for electricity providers to apply the new caption already from the first useful bill issued after 01.07.2016.

With subsequent **resolution 589/2016/R/eel dated 20.10.2016**, AEEGSI approved the update of the technical specifications of the Integrated Information System for the identification of end customers to whom the RAI (Italian Public Television Service Company) fee is charged on the bill, in order to manage the unpaid fees.

By resolution 632/2016/R/eel dated 04.11.2016, AEEGSI approved, with amendments, the Regulation about the tender procedures for the identification of the protection service providers for the years 2017-2018. In particular, the resolution sets the procedures for admission to the procedure, the ways to implement the procedure, the communication requirements for the parties involved and the amounts that the tenderers shall pay for performing the protection service.

On 10.11.2016, AEEGSI approved **Resolution 649/2016 /R/gas** - "*Reform of the Authority, Gas Market 2013 - Mechanism for promoting the renegotiation of multi-year natural gas supply contracts in the years 2014- 2016. Definition of the definitive amounts to be paid and last provisions* "As part of the second phase of the reform of the economic conditions since October 2013, the provision quantifies the definitive amounts to be paid to the companies admitted to the renegotiation of long-term contracts governed by resolution 447/2013/R/gas. For more details and for a description of the impacts on Ascopiave Group, see the section "Other relevant aspects" in this financial report.

Efficiency and energy saving obligations

The Letta Decree, in article 16, paragraph 4, states that natural gas distribution companies must pursue energy saving objectives and the development of renewable energy sources.

The definition of the national quantitative objectives and the criteria for the assessment of the results obtained was requested from the Ministry for Economic Development, in agreement with the Ministry of the Environment and Land Protection, which led to the issue of the ministerial decree of 20th July 2004.

With the Decree dated 21st December 2007, the Ministry for Economic Development reviewed and updated the Decree dated 20th July 2004, on the following points:

- the 2008 and 2009 objectives were reviewed in the light of an excess of offer of energy efficiency equities recorded on the market;

- the objectives for the three-year period 2010 - 2012 were defined, considering the target of reduction of energy consumption fixed by the action plan as of 2016, equal to 10.86 MTOE;
- the efficiency and energy saving obligations for each year following 2007 were extended to distributors who, as of 31 December of two years prior to each year of obligation, connected more than 50,000 end customers to their distribution network.

The energy saving objectives, that count both for natural gas and electric energy distributors, set out by the Decree of 20th July 2004, integrated by the Decree of 21st December 2007, are equal to:

- 0.10 Million TOE for the year 2005;
- 0.20 Million TOE for the year 2006;
- 0.40 Million TOE for the year 2007;
- 1.00 Million TOE for the year 2008;
- 1.40 Million TOE for the year 2009;
- 1.90 Million TOE for the year 2010;
- 2.20 Million TOE for the year 2011;
- 2.50 Million TOE for the year 2012.

The fulfilment of energy saving is attested through the distribution of energy efficiency certificates, the so-called 'White Certificates'. In order to fulfil the obligations as specified by the Decree dated 20th July 2004, integrated by the Decree of 21st December 2007, and to thus see their White Certificates recognized, distributors can:

- carry out direct interventions to improve the Energy efficiency of technology installed or related methods of use;
- acquire the White Certificates directly from third parties, by means of bilateral contracting or through negotiation in an appropriate market set up at the Electrical Market Administrator (GME).

With Decree dated 28 December 2012, new objectives of annual primary energy savings were defined for the period 2013-2016 for the obliged distributors, and in particular:

- 4.6 Mtoe in 2013;
- 6.2 Mtoe in 2014;
- 6.6 Mtoe in 2015;
- 7.6 Mtoe in 2016;

For natural gas distributors, the quota of the above-mentioned obligations corresponds to the following white certificates:

- 3.04 million white certificates to be achieved in 2014
- 3.49 million white certificates to be achieved in 2015
- 4.28 million white certificates to be achieved in 2016

For years 2013 and 2014, the obligor must deliver a quota at least higher than 50% of its annual obligation that must be compensated in the next two years in order to avoid penalties. For years 2015 and 2016 the minimum value is set at 60% of the obligation, and it is always possible to compensate in the next two years in order to avoid penalties.

In addition, Decree dated 28th December 2012 gave effect to the provisions of Decree 28/2011 which sets that the activities of management, evaluation and savings certification related to energy efficiency projects undertaken as part of the mechanism of white certificates are transferred to the GSE - Gestore dei Servizi Energetici.
The Decree also extended to parties other than distribution companies and the Energy Saving Company (so-called ESCO), the opportunity to present projects in order to obtain white certificates.

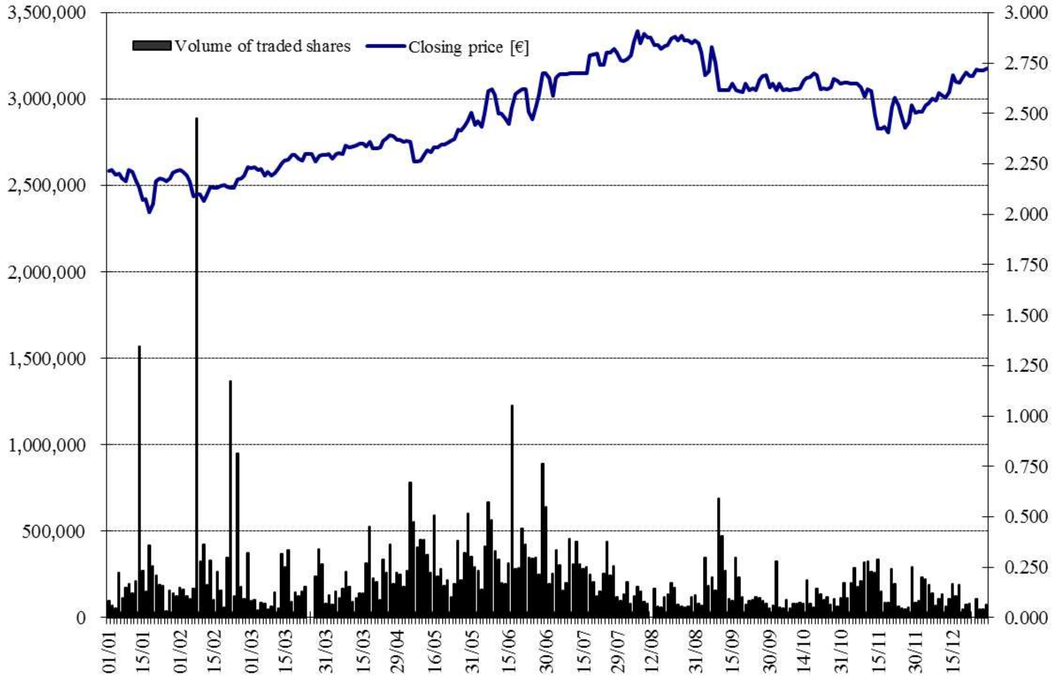
The companies of the Ascopiave S.p.A. Group and Unigas Distribuzione S.r.l., are subject to the obligations set out in Decrees dated 20th July 2004, 21st December 2007 and 28th December 2012, and are obliged to meet the energy saving requirements established annually by the GSE.
The GSE has the task of checking that each distributor is in possession of energy efficiency certificates that comply with the annual objective assigned to it (increased by any additional shares for compensation or updated following the introduction of new national quantity objectives) and of informing the Ministry for Economic Development, the Ministry for the Environment and the Protection of the Territory and the Electric Market Administrator (GME), of all certificates received and the outcome of the inspections.
If a distributor does not meet the agreed objective, it could be subjected to an administrative penalty imposed by the Authority, implementing Law no. 481 dated 14th November 1995 and to the indications of decree dated 28th December 2012.

The next targets for the distributors subject to the obligations about the period 2017-2020 will be defined by taking into consideration the provisions of the National Energy Strategy and the Legislative Decree 102/2014, but also by evaluating the new operating framework that will be revised soon with the updating of the new guidelines for the mechanism. To this end, the consultation document of the Ministry of Economic Development issued in July 2015 (“Proposals for the upgrading and qualification of the white certificates mechanism”) seems to entail a major review of the mechanism, mostly affecting the “tau” coefficient used to correlate the technical life and the useful life of the facilities, but also the controversial concept of additionality and the extension of the scopes of application (see the water sector and electrical networks). White certificates for projects involving the replacement of fossil fuels with renewable sources will also be revised and it is likely that the evaluation methods of the savings will be adapted to allow the operators to manage them more easily.
For further information on efficiency and energy saving relating to the companies of the Group, please see paragraph “Efficiency and energy saving”.

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

As of 30th December 2016, the Ascopiave share has registered a quotation of Euro 2.742 per share, marking an increase of 24.7 percentage points as compared to the listing at the beginning of 2016 (Euro 2,184 per share, referred to the quotation of 31 December 2015).

Capitalization of the Stock Exchange as at 30th December 2016 was equal to Euro 638.10 million[3].(was Euro 516.08 million on 31 December 2015)



During 2016, the quotation of the shares shows a positive performance (+24.7%), in line with the trend of the main national indexes: FTSE Italia Star: +3.7%; FTSE Italia Star: +6%; FTSE Italia All-Share: +7.1%.

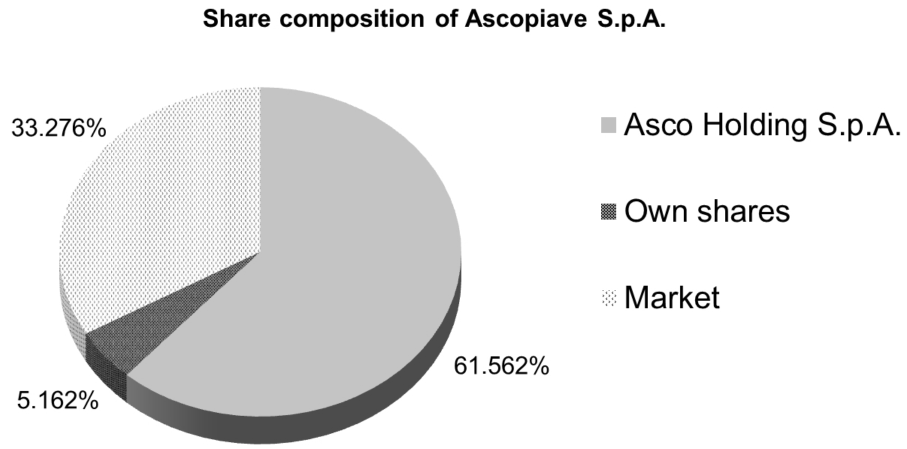
In the following table, we report the main shares and stock-exchange data as of 30 December 2016:

Share and stock-exchange data	30th december 2016	30th december 2015
Earning per share (Euro)	0.26	0.12
Net equity per share (Euro)	1.89	1.77
Placement price (Euro)	1.800	1.800
Closing price (Euro)	2.724	2.184
Max. annual price (Euro)	2.910	2.460
Min. annual price (Euro)	2.010	1.760
Stock-exchange capitalization (Millions of Euro)	638.10	516.08
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

3 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 December 2015 equalled 12.4 billion Euro. Borsa Italiana website (www.borsaitaliana.it).

Control of the Company

As of 31 December 2016, Asco Holding S.p.A. directly controls 61.562% of the Ascopiave S.p.A. share capital.
The share composition of Ascopiave S.p.A., according to the number of shares held, is as follows:



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

Corporate Governance and Code of Ethics

During 2016 Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening its management system, 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, formulated before a risk assessment involving the main decisional processes, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

Appointed Manager

The Appointed Manager, helped by the Internal Audit services, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for the drafting of financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

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

Ascopiave S.p.A. and all its subsidiaries have adopted an Organizational, management and controlling model; they have also adhered to the Code of Ethics of the Parent company Ascopiave.
The Company, availing of the activity of the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted.
The Company has also continued its promotional, diffusion and understanding activity of the Code of Ethics as concerns all its interactions, esp. with business and institutional parties.
The 231 Model and the Code of Ethics can be read in the corporate governance section at www.gruppoascopiave.it.

Transactions with related and affiliated parties

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

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

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

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

Relationships deriving from tax consolidation with Asco Holding S.p.A.:
Ascopiave S.p.A., 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 characterized by the highest transparency and by market conditions. About 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 Goods	Costs Services	Costs Other	Revenues Goods	Revenues Services	Revenues Other
Parent company										
ASCO HOLDING S.P.A.	36	4,925		7,738	0		20,982	0	61	0
Total parent company	**36**	**4,925**	**0**	**7,738**	**0**	**0**	**20,982**	**0**	**61**	**0**
Affiliated companies										
ASCO TLC S.P.A.	110	0	0		0	533	0	0	121	347
SEVEN CENTER S.R.L.	40	0	69	0	2	248	6	0	37	0
Total affiliated companies	**150**	**0**	**69**	**0**	**2**	**781**	**6**	**0**	**158**	**347**
Subsidiary companies										
Estenergy S.p.A.	36	0	75	0	0		0	0	0	0
ASM SET S.R.L.	1,659	21	19	3,412	20	48	9	6,521	443	57
Unigas Distribuzione Gas S.r.l.	31	0	2,533	0	0	9,056	0	100	62	1
SINERGIE ITALIANE in liquidazione S.R	13	8,193	0	0	58,151	27	0	0	66	0
Total subsidiary companies	**1,739**	**8,214**	**2,627**	**3,412**	**58,171**	**9,131**	**9**	**6,621**	**572**	**58**
Total	**1,925**	**13,139**	**2,697**	**11,150**	**58,173**	**9,913**	**20,998**	**6,621**	**790**	**405**

Significant events during FY 2016

On 18th January 2016, Ascopiave, along with other operators, filed an appeal before the Council of State against the judgment 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. 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. governance structure has been defined. AP Reti Gas S.p.A. 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. share capital was finalized. 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, recognized until 31 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 amounts 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” pursuant to 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 authorization 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 – about 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 recognized based on 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 based on

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 –, regarding 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 organizational and financial impacts of the regulatory evolution.
With 704/2016/R/gas Resolution dated 01.12.2016 “Dispositions in matters of recognition of costs of investment on natural gas distribution networks” AEEGSI formed a joint discussion panel between distribution companies, with the help of industrial categories and the various Authority offices. The purpose of this panel was to create a shared price listing that would recognize for investments in the natural gas distribution networks starting from 2018. With the same Resolution, a maximum amount of value for single capital costs is set for the starting venues starting from 2017.

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.

Expected tariff adjustment for the recognition of the costs of investments in the natural gas distribution networks

In 2016, the AEEGSI started a consultancy procedure to recognize the costs for investments in the natural gas distribution networks made from 2018. The Authority noted its intention was to update current recognition criteria based on historical costs and adopt an alternative method based on parameters.

With Decision 704/2016/R/gas dated 1st December 2016 the Authority formed a joint discussion panel between distribution companies, with the help of industrial categories and the various Authority offices. The purpose of this panel was to create a shared price listing that would recognize for investments in the natural gas distribution networks. The Authority envisaged the adoption of this permanent resolution within October 2017.

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 program aimed at the combination of the gas and energy sales and distribution businesses in Lombardy, which could also be extended to other areas.

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. Based on 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 31 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) based on 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 31 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.

In October 2016, the second-place company filed an appeal before the Regional Administrative Court of Veneto against the Municipalities that sold their interest shares and Ascopiave S.p.A., demanding annulation, subject to protective orders, of the 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 affected Municipalities participated as parties in the appeal, supporting the legitimacy of the Ascopiave S.p.A. victory.

On 7 December 2016, the Regional Administrative Court of Veneto, with Sentence no. 644/2016 overruled the protective order of the second-place competitor company.

With the same Sentence, the claimant filed an appeal at the Council of State dated 19 December 2016.

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 31 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 dated20th May, amending Ministerial Decree 226/2011, with "additional grounds" with respect to the main appeal. The latter, in fact, at least regarding 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 judgment was delivered.

With Judgment 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, together with the other appealing parties, on 16/01/2017 filed an appeal at the Council of State and its scheduling is currently pending.

Other important events

Evolution of the mechanism for the promotion of the renegotiation on long-term supply agreements (so-called APR)

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 referencing them to TTF Dutch hub (spot price). 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” The reference period of the APR mechanism corresponds to the three thermal years 2014/2016.

In 2013, the AEEGSI, upon assignation of gas volumes to Ascopiave Group, decided that the total maximum compensation for the three-year period of this system would be Euro 11.2 million and, in case of inverted trend between the supply price and the spot price, it envisaged a reduction to final customers up to three times the initially set amount: approximately Euro 33.5 million.

It being understood that the Ascopiave Group did not deem it appropriate to adopt the APR mechanism in the previous years, as its functioning was unfavourable to the company. It appealed the Resolution at the Administrative Court of Lombardy, demanding an emergency suspension.

The positive outlook of the market in the recent two-year period and the reasonable scenarios proposed by the management led to a more positive approach towards the APR mechanism.

During November 2016, after updating the third and last Ptop index for thermal year 2016, with Decision 649/2016/R/GAS 10th November 2016 AEEGSI determined the balance amount of the compensation to be Euro + 11.1 million. The amount has been accounted in FY 2016 as a decrease in the supply price for the year under examination.

Communication of adjustment balance amounts for tariff revenues in 2015

In November, the Bank for Energy and Environmental services communicated to the Group companies the definitive results of the adjustment for year 2015. Said communication highlighted that, for the companies integrated with the equity method, there will be a positive balance compared to the adjustment values that had been entered in the 2015 Statement for Euro 1.2 million. This amount has been accounted for in 2016.

The difference is mainly due to a discrepancy in the valuation of the revenues, as the adjustment amounts for year 2015 had been calculated based on the temporary reference tariffs pursuant to 147/2015/R/GAS Resolution, whilst the actual amounts communicated by the CSEA were calculated on the definitive reference tariffs publish with the 99/2016/R/GAS Resolution.

Sale of natural gas and electricity

The Group sells gas and electricity through the companies Ascotrade S.p.A., ASM Set S.r.l., Estenergy S.p.A., Blue Meta S.p.A., Veritas Energia S.p.A. Pasubio Servizi S.r.l., Etra Energia S.r.l. and Amgas Blu S.r.l.

The companies ASM Set S.r.l. and Estenergy S.p.A. are consolidated with the equity method.

Gas market

During the last year, the traditional gas market was market by a structural decrease in demand. In an ever-increasingly competitive market that witnessed a contraction in the traditional business marginalities of the Group, there is a distinct necessity for a market repositioning, paired with defence strategies to preserve the current market share, as well as internal and external growth.

During the first phase of market liberalization of the energy markets, the ties with the territory were seen as a hindrance to company growth as it would imply the progressive fading of the ties with the main stakeholders. External growth was then pursued by aggregating companies with considerable size that would be an aggregating factor for other, smaller companies. Today, however, we think differently from that time. External growth is the product of an organization model that enhances territory presence and the improvement of the company operating margins. The Group is looking for new models that would tie the main stakeholders with their territory even more deeply, so that their distinctive traits can set them apart from the competitors. The described models are paired with the introduction of industrial plans that pursue even greater operating and organizational efficiency, through re-engineering and optimization of processes that would increase the company cost-to-serve.

As far as institutional communication is concerned, environmental and social issues are becoming more and more important, with the aim of improving the impact of company activities in the territory.

Regarding raw material prices, it is noted how, internationally, the spread between spot prices of Asian markets (Japan and Korea) and the Northern European markets (Dutch hub TFF) has reduced and brought back interest from GNL producers (Middle East and USA) to the Mediterranean area, where Italy plays a key role due to its positioning. This dynamic determines a market price that is increasingly liquid, competitive and volatile. The trend of prices in the last months of the year was increasing for gas, irrespective of these dynamics: the Brent value surged (from 30.69 $/bbl in January to 53.60 $/bbl in December), the TFF value also increased (from 13.88 €/MWh in January to 17.63 €/MWh in December), the value the Dollar compared to Euro went from 1.0859 €/$ in January to 1.0542 €/$ in December.

During the year, both the AEEGSI and the Authority on Competition intensified their control activities to ensure that companies would correctly perform their communication duties and/or did not perform illicit actions in acquisition and subsequent uptake of new clients. Penalties regarding these matters have been considerable and they targeted especially contact modalities and persuasion to attract customers that were not deemed compliant to current regulations. Companies that did not monitor enough the companies in charge of client acquisition were targeted the most.

The increasing use of outsourcing and third companies as well as the increase of the so-called purchase groups is generating a new segment in the industry, between the sale companies and the actual final customers. Clients purchasing through intermediate parties are not entirely loyal to the company and therefore sale companies of the Group discontinued this type of arrangements and only acquire new customers through direct company employees, as of today with very positive results.

Electricity Market

Wholesale prices for electrical power did not fluctuate greatly during the year, except for the last quarter of 2016 where prices increased considerably, with a high degree of volatility.

During 2016, the value of “Pun” increased from 46.47 €/MWh in January to 56.44 €/MWh in December, with an average value for the last quarter of 55.95 €/MWh.

The surge in prices is mainly due to the prolonged, non-programmed maintenance of the power plants on halt (or to be halted in the near future) of the French Nuclear power plant system (12 plants for approximately 12 installed GW). This situation is probably going to continue in the first quarter of 2017.

During the year, the AEEGSI, with Resolution 369/2016/R/ee, instituted the Reformed Additional Protection Service (MTR) and the SIMILE Tutela protection system (both described in the paragraph “Resolutions of the Authority for electricity, gas and water” herein). Among the companies of the Group, Ascotrade S.p.A. was the best candidate for this service and as of 1 January 2017 it was one of the 30 stakeholders to have access to this type of market. Among the companies that were allowed to join there has been a discrepancy in behaviour. Some of them, expecting to acquire a large number of clients and earn their loyalty within the annual terms of the Tutela SIMILE contracts, proposed very high bonuses, while others opted for a more conservative approach.

Following the introduction of the so-called 2.0 Energy Bill, AEEGSI is currently defining the structure of communication files between active Operators in the energy sector, specifically as far as respect of timelines and quality of response to customers are considered. In this field as well, the number of penalties by the Authority to companies is increasing.

Interventions of the Authority and Government for both the gas and the electric sector

As far as gas is concerned, with Decision 312/2016/R/gas AEEGSI approved the Integrated Balancing Document (TIB), which adopts the European Regulation 312/2014 and assigns a central role to the balancing supervisor (Snam Rete Gas). This resolution aims at maintaining the transportation network within its operating limits, introducing incentives for this purpose.

The new system envisaged the introduction of dual unbalancing pricing, for purchase and sale, on the net daily result. Prices are determined by the

Regarding electricity, it is noted that AEEGSI, in order to resolve the massive increases in the uplift component (revenues/costs of Terna due to unbalancing) issued a Resolution 444/2016/R/eel. The resolutions of the document were enforced on the 1st August – 31 December 2016 period for the first one and the second for 1st January 2017. The resolution envisaged a single pricing mechanism for unbalancing that are included in a specific tolerance band, calculated on the post-MI take-up. During the first period of implementation the band has been set to al ±15% to be reduced to ±7.5% (as of 1 January 2017). A pondered dual pricing method is envisaged outside said tolerance band.

Ascopiave Group: Management trend

The volumes of gas sold to the final market in 2015 by 100% consolidated companies are equal to 800.3 million cu.m., marking a decrease of 2.2% as compared to 2015. To these volumes, we must sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and ASM Set S.r.l.), which in 2016in total sold 274.1 million cu.m. of gas, marking a 5.9% decrease from 2015 (291.2 in the previous year).

Regarding the electricity sale activity, in 2015 the amount of electricity sold by the 100% consolidated companies was equal to 339.9 GWh, marking a decrease of 5.2% as compared to 2015 (358.7 GWh as of 31 December 2015). To these volumes, we must sum the volumes sold by the proportionally consolidated companies (Estenergy S.p.A. and ASM Set S.r.l.), which in 2016in total sold 108.2 Gwh, marking a decrease of -7.3% as compared to 2015 (116.7 GWh as of 31 December 2015).

Distribution of natural gas

The Group is active in the gas distribution sector through the companies Ap Reti gas S.p.A., Ap Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and Unigas Distribuzione S.r.l. The company Unigas Distribuzione S.r.l. is consolidated with the equity method.

Activity of distribution of natural gas

In 2016, the process revision and refinement continued, with the aim of reducing operating costs, implementing actions and increasing the capacity to produce value with internal resources. The purpose is to create the best possible conditions to confront our competitors in terms of management efficiency with a view to the invitations of the territorial tenders.
In this perspective, the Work Force Management system in support of the workforce for field has allowed the Group to pursue the optimization of operational resources, through a better planning of the activities. The improvement in the management of assets on behalf of the sales companies and end customers has allowed a significant improvement in service quality standards, entailing a decrease of over 30% in the number of services performed below the benchmarks set by the AEEGSI with average medium times decreased from the previous year.
During FY 2016, there was specifically a considerable workload to meet the requirements of Municipalities to access the consistency states of plants, determine the residual industrial values and the reimbursement values of plants. All these requests have been received and processes within the expected deadlines pursuant to current regulations.
In compliance with the provisions of the AEEGSI, the renewal process of the meters with the achievement of all major objectives envisaged by current regulations has continued. In this context, since the second half of the year, pilot projects have been launched to test the 169 MHz technology in mass market meters, as an alternative to the “point to point” technology, thanks to the effective collaboration of several municipalities that have joined our initiative by providing sites for the installation of equipment for the reception of metering data (concentrators).
Regarding the activities of extension and enhancement of distribution networks and plants, over 62 km of network. All the design and project management activities for the construction of distribution networks and systems were performed by internal resources.
During the year, we performed extraordinary maintenance interventions, which had been planned to overcome the gradual obsolescence of the plants and improve the transmission capacity of the networks. At the major reduction and measurement stations, we have also completed activities aimed at enhancing the efficiency of distribution networks with the substitution of more than 50 obsolete reduction groups.
In 2015 as well, the schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff, only minimally using third-party companies.
In 2015, the emergency service carried out over 5,500 interventions with times of arrival largely lower than the 60 minutes envisaged by the AEEGSI resolution.

In 2015, 85% of the distribution network was inspected to reduce the risks deriving from uncontrolled gas leakages caused by damage to the plants. The activity carried out was mainly performed by internal resources, largely meets the minimum standards required by the AEEGSI and reflects the particular attention paid to the issue of service security

<u>ASM DG S.r.l.</u>
ASM DG S.r.l. manages the gas distribution network in the municipality of Rovigo thanks to the use of management tools and procedure made available by the Parent Company Ascopiave S.p.A. Important synergies with the Parent Company Ascopiave S.p.A and the other companies of the Group, are implemented in all administrative and technical activities, as well as in those regarding process control and HR management.
The management of a call-centre service for emergencies is entrusted by all the companies of the Ascopiave group to one single company at the same contractual conditions, with a clear and positive economic outcome and management uniformity. Emergency activities, essential for the safe operation of gas distribution systems, are managed with the

parent company, which has allowed us to better assess the most critical or dangerous situations.
Activities concerning design, estimate calculation and project management for the implementation of new distribution systems are carried out centrally upon request of private customers or by the public administration. In 2016, the investments for the maintenance of distribution network were significant: many segments of obsolete city network were replaced and more than 300 outdated or deteriorated connections were rebuilt
The activity of maintenance of the distribution network and of the plants in order to maintain proper levels of safety, quality and continuity in the service, is partly performed through the intervention of internal personnel and partly using other companies
The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, with respect of the obligation of service prefixed by the AEEG.
In 2016, the corporate emergency department, open 24/7, 365 days a year, which can be reached through a dedicated toll-free number, performed its interventions; the arrival time was largely lower than 60 minutes.
During the year, inspections of the distribution network were carried out, with the aim of reducing risks coming from the uncontrolled leaks of gas due to deterioration or damage to the systems. All the leaks detected were repaired within the standards deadlines set by the Authority. The inspection programme implemented in 2015 was even stricter compared to the requirements of the AEEG, thus clearly showing the commitment and attention paid by AP Reti Gas S.r.l. to safety.

Proper odorization of the gas has been periodically monitored. All first stage gas pressure reduction stations use automatic injection systems that allow timely dosage of the odorization contents. Moreover, the checks on odorization amounted to at least twice as many as those provided for by the Authority according to service standards.

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company were carried out in compliance with the standards specified by the company Service Charter, and in a lower time range than the one provided for by the Authority.
As concerns the renewal of meters to conform to the AEEG’s standards as per resolution 155/08 and subsequent, in 2016, 12,676 metres were brought into compliance, largely meeting the minimum percentages set by the Authority for Electricity and Gas for the year. Overall, 2,570 measurement groups have been adjusted to resolution 155/08.

<u>Edigas Esercizio Distribuzione Gas S.p.A.</u>

Edigas Esercizio Distribuzione Gas S.p.A. (hereinafter Edigas DG S.p.A.) manages the gas distribution activity in 27 municipalities in Lombardy, Piedmont and Liguria.
In 2016, the investments for the extension, empowering and maintenance of the distribution network were significant. The investments in network extension were concentrated in the Municipality of Albenga, Sabbioneta and Viverone (BI), serving the hamlets along the lake, and the network was extended with a motorway crossing in the Municipality of Alice Castello, in order to remove piping on the overpass.
During the year, more than 3.5 km of distribution network were installed, with interventions in 8 municipalities. Moreover, some new stations for cathodic protection were commissioned with related wells in Castellucchio and Tornata and the earthing system in Castellucchio was rebuilt.
The company carries out the activity of maintenance of the distribution network and of the plants in order to maintain

proper levels of safety, quality and continuity in the service, partly through the intervention of internal personnel and partly using other companies.

On first stage decompression systems (so-called Re.Mi.), on final reduction groups (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance activities required under the regulations in force are performed for the most part by personnel employed, but also by specialized third-party companies.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) were maintained efficiently under control, in full compliance with the obligation of service set by the AEEG Resolution. In 2016, the company's emergency intervention service, operative 365 days a year, 24/7, carried out its interventions and the arrival time was on average largely less than 60 minutes.

In 2016 over 168 measurements of the level of odorizing were made (with the gas chromatographic instrumental method) upon maximal and minimal period of supply, and all measurements were compliant with current technical regulations.

Interventions on meters, such as activations, transfers, cancellations, reactivations after delayed payment, to the service of the sales company were carried out in compliance with the required standards.

The average time for supply activation and deactivation has been much lower than the maximum national standard.

By means of AEEG's resolution no 155/08, Edigas DG S.p.A. has continued its change and normalization policy of the new directives by installing or substituting 4 G25, 59 G10 with electronic meters and the substitution of G4s with electronic meters has been initiated, with 94 initial units.

<u>Unigas Distribuzione gas S.r.l.</u>

In 2016, the investments for the extension, the empowering and maintenance of distribution network have been significant. They involved 6.7 km, of distribution network, enhancing, renewals and new extensions.

Unigas Distribuzione S.r.l. performs maintenance activities on the distribution systems in order to maintain adequate safety levels, ensure quality and continuity of service, in part through the work of internal personnel, and in part using third-party services.

On the first stage decompression systems (so-called Re.Mi.), on final reduction (GRF) and on reduction and measurement stations (GRM), preventive and corrective maintenance required under the regulations in force are performed for the most part by internal staff. With the aim of controlling the correct operation of plants and of reducing the probability of damage or malfunction, ordinary maintenance is carried out through operations of Programmed Preventive Maintenance (MPP), i.e. partial or total disassembly of the apparatus, cleaning, control of the component parts and replacement of the parts subjected to wear and tear and of Functional Verification.

The indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorizing) and continuity (service interruptions) have been maintained efficiently under control, in full compliance with the obligation of service set by the AEEG Resolution.

The company's emergency intervention service can be contacted by means of the dedicated free-phone number, active 365 days a year, 24/7 and managed by Unigas Distribuzione S.r.l. In 2016, 933 interventions were performed, and the average arrival time was largely below the average time set by the Authority (60 minutes). In total the calls received by the call centre were 3,281 (in line with 3,283 of the previous year) of which 1,127 calls were handled and 2,154 did not concern reasons attributable to emergency intervention.

Over the course of 2016, inspection of approximately 50% of the distribution network was carried out, with the aim of reducing risks coming from the uncontrolled loss of gas due to deterioration or damage to the systems. The inspection program carried out exceeds the minimum standards required by the AEEG for distribution systems, and demonstrates the attention paid by Unigas to the safety of its services.
In particular, 119 Km of medium-pressure distribution network and 447 Km of low-pressure distribution network were inspected, and 29 leakages were removed on the networks and underground connections to users.
Proper odorization of the gas is monitored in two sessions, one in summer and one in winter, via a third party that carried out approximately 260 chromatographic analyses (the effective measure of odorization); all measurements suited the current technical regulations.
The activities carried out on the counting meters, supplied exclusively by the accredited trading companies, are subject to the specific standards identified in the Service Charter and are the following: new activations, transfers, cancellations, reactivations.
The services supplied in 2015 are in line with those supplied in the previous years. The services were carried out pursuant to the standards identified in the corporate Service Charter.
During the year, the adjustment of the G10 calibre meters continued pursuant to 631/13 Resolution, by installing equipment and systems with remote reading and dedicated, battery powered modems.
As of 31December 2016, 56% of installed meters was adequate. In the last months of 2016 G4 calibre meters have also been installed (475 units) pursuant to 631/13 Resolutions in order to reach the requirement of approximately 10,000 installed meters within 31 December 2018.

Ascopiave Group: management trend

In 2016, the volumes of natural gas distributed through the networks managed by the Group were 837.4 million cu.m. of which 801.7 million cu.m. by the fully consolidated companies S (788.5 million cubic meters in 2015, a 1.7% increase), 146.7 million cu.m. by Unigas Distribuzione S.r.l. (144.9 million in previous year, a 1.2% increase). The gas volumes of the latter are proportional to the share interest of the company of which the Group owns a share equal to: 48.86%.
The distribution network, because of new extensions in 2016 and considering the variations of managed concessions portfolio, as at 31 December 2016 has an extension of over 8,380 km (8,300 km in 2015)

Co-generation

In 2016, the co-generation activity of the Ascopiave Group S.p.A. was carried out by the Research and Development Department of Ascopiave S.p.A. in the first 6 months of 2016 and by Veritas Energia S.p.A. in the second half of the year since on 30th June 2016 the former transferred the cogeneration and management plants to the letter. As far as the activity of heat generation plants in co-generation is concerned, in 2016 four plants were managed.
The plant “Le Cime” in Mirano (VE) has not been modified and its remote heating network has not been extended but its saturation level of connected household customers has increased from 85% to 93%. On the plant, there is an on-going leasing agreement.
The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients and in summer to supply the absorber to produce cooling for air conditioning of connected users.
The plant “Bella Mirano” in Mirano (VE) has registered an increase in saturation for household clients connected to the network (from 113% to 115%). The saturation above 100% is since, in addition to the original project, in 2014 two new

condos were connected to the remote heating network, which did not belong to the initial project, but connected subsequent to a contribution, which fully covers the costs, paid by the builders of the two new condominiums. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.
The saturation for the connected household clients of the plant “Ca’ Tron” in Dolo (VE) has increased from 31% to 33%. It is however specified that as of today only 50% of the new urban area envisaged in the agreement has been built.
The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.
The plant “Ponte Teresa” in Ponte Teresa (VA) did not register significant variations in saturation for the connected household clients
The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients.
As far as the activities on thermal plants are concerned, in 2016 the Group managed some six plants.

Energetic efficiency and saving

As far as 2015 is concerned, Ascopiave S.p.A received a communication by the GSE that stated that a total of 84,057 white certificates were required to be handed in within 31 May 2016. This obligation has been almost entirely fulfilled.
During 2016 and specifically on 1 July 2016, Ascopiave transferred the entire natural gas distribution branch to Subsidiary AP reti gas S.p.A. All obligations regarding this have been passed on as well. Therefore in 2016 AP reti gas S.p.A. is required to hand in within May 2017 104,012 TEE as well as the residual balance of 2015.

As far as Unigas Distribuzione S.r.l. is concerned, the goal for 2015 was quantified by the GSE in 19,116 TEE, to be handed in 61% by 31 May 2016. In 2016, the company has a 22,737 TEE obligation, to which the residual balance of 2014 must be added, due for 31 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 have 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 regarding 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 regulations 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 9/2015, 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 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 Dec. 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 31 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" recognized 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.
- Euro 5,079 thousand in 2016

were paid for a total amount of Euro 35,305 thousand.

During 2016, 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 31 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.
Tender station for the Territorial Areas of North Treviso and Venice 2 – Ground and Eastern Veneto sent to AEEGSI the estimates for the reimbursements of some Municipalities, to allow for the verifications set forth by the regulations.

Litigations

CATEGORY I – ADMINISTRATIVE LITIGATIONS

As of 31 December 2016, as far as concessions are concerned, no administrative litigations are pending.

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

As of 31 December 2016, the following are 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 31 December 2016, the following are pending:

MUNICIPALITY OF CREAZZO:
An Arbitration is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator). The Appeal Court of Venice, with Sentence no. 2178/15, accepted the appeal of the Municipality, confirming the validity and applicability of the arbitration clause set forth in the convention and thus overruling the first-degree sentence dated 25th August 2014, with which the Judge had condemned the Municipality to the payment of Euro 1,678 thousand.
With a conservative approach aimed at avoiding the expiry subsequent to Judgment 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. In August of this year the parties gathered together to find a possible settlement to the litigation.
Following a meeting at the start of August (with the assistance of Experts and Lawyers) a meeting was held with the company directors and the Major of the town. A memorandum agreement was drafted that is currently being perfected.

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 because of the Judgment 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 31 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).
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.
Finally, in a subsequent hearing, the Panel requested to know if the Court-appointed Expert had applied the Ministerial Decree 226/2011 provisions as amended by the Ministerial Decree 106/2015.

CATEGORIA IV – CONTENZIOSI AMMINISTRATIVI – NON RELATIVI A CONCESSIONI

As of 31 December 2016, the following litigations are pending:

With appeal to the Regional Administrative Court of Lombardy Milan (filed before the above-mentioned Judgment of the Italian Council of State), 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, 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 21 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 judgments 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.

Our interest in the judgment 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 judgments 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 judgment was delivered.

With Judgment 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.

On 16 January 2017, the Company filed an appeal against this sentence.

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

As far as the most impactful aspects are concerned, the Judgment has recognized the legitimacy of the asymmetric regulatory solution adopted by AEEGSI, according to which for each municipal installation, the local net invested capital (RAB), recognized 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 recognized by virtue of the current municipal concession, if the new operator coincides with the outgoing operator.

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

On 18th January 2016 Ascopiave appealed to this Sentence.

On 8 February 2016, the State Council scheduled the pre-trial hearing for 31 March 2016. During the hearing, the lawyers of the company requested that the trial hearing be scheduled as soon as possible (the aim of the pre-trial hearing was to quicken the proceeding as much as possible). The Council of State scheduled the hearing for 24 November 2016. The Sentence is pending.

CONTESTATION OF PASUBIO GROUP S.P.A. 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), demanding annulation, subject to protective orders, of 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 Administrative Court of Veneto (hearing dated 9 November 2016) overruled the protective order by 2i Rete Gas S.p.A. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence. The hearing is scheduled for 3 February 2017.

CATEGORY V –CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31 December 2016, the following are pending:

ASCOPIAVE – UNIT B:

A civil judgment 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 S.p.A. (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.

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 plea trial hearing for 26th January 2017. The decision is still pending.

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. 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 formalized 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.
During the 10th November hearing, the Judge unexpectedly requested a new Expert Report as the Report of the Court-appointed Expert Witness was considered insufficient. He appointed a new Expert Witness for the Report.

FORCED ENTRY – DEFAULT SERVICE
Pursuant to the regulation obligation (specifically about Art. 40.2 letter A of the Integrated Text for the Sale of Gas), the company may, pursuant to Art. 700 of the Civil Procedural Code, obtain forced entry to private property in order to disconnect utilities (when the meter is located in a private property) of Default Service clients that are in default.
Appeals are made against final customers (or utility users).
For this purpose (and to meet provisions of the regulations), the company has created a management procedure that starts with the activation of the SDD and ends with its closure (for any reason) of the SDD.
The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous date and/or efforts to contact the involved final customers, notification of delays, past due notifications and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code.
For this purpose, Ascopiave S.p.A. appointed to Attorney Sernaglia with a power of attorney (limited to urgent appeals and their execution), formalized on 12 January 2015 and renewed by AP Reti Gas S.p.A. on 27 July 2016.
Other distribution companies of the Group have opted for the same solution (ASM DG, now AP Reti Gas Rovigo, Edigas and Unigas).
The average cost of each appeal (assuming that the appeal is accepted in its first presentation) can be assessed between Euro 2,500 and 3,500, net of internal fees. These costs are partially reimbursed by the tariffs (up to a maximum of Euro 5,000).
Current, for Ascopiave / AP Reti Gas the following are pending:

- Two cases are currently open (they have been sent to the Legal Office and await filing);
- Two cases have been filed (their hearing have been scheduled and/or have already happened);

- 13 cases have been initiated (their appeals are being drafted and sent to the Legal Office);
- Three cases have been suspended (for various reasons);
- 114 cases have been completed (in various stages);

As of 31 December 2016, the total legal fees (including fiscal obligations) for Ascopiave / AP Reti Gas to the Legal Office amount to approximately Euro 120 thousand. For the other companies of the Group these costs amount approximately to Euro 70,000 (including Unigas costs).

Relations with the Agenzia delle Entrate (Inland Revenue Agency)

During 2008, the company Ascopiave S.p.A. was subject to tax audit by the 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 in the Provincial Tax Commission in addition pay the sum of Euro 243 thousand following application to its pending judgment.

On 30 September 2010, the Provincial Tax Commission of Treviso delivered judgment 131/03/10 filed on 14th December 2010 upheld the action and recognizing the proper conduct tax adopted by the company.

Subsequently, the Inland Revenue Office has appealed against the first instance judgment issued by the Provincial Commission of Treviso.

On 24th September 2012, the Regional Tax Commission issued the ruling no. 109/30/12, filed on 20th December 2012 which dismissed the appeal filed by the Revenue upholding the judgment 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 judgments. The directors, encouraged by the opinion of the professionals consulted, are confident about a positive result of the litigation.

Regarding other outstanding litigations with the Inland Revenue Service, it is noted that some claims are pending with local tax agencies related to the silent / express refusal to reimburse the additional IRES tax (so-called Robin Tax)

Since 2008 Ascopiave S.p.A. was subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008. Subsequently the Constitutional Court in 2015 declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid.

The tax authorities did not reply and by doing so they effectively denied the reimbursement. Currently several claims have been filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the sustainment of the claim would cause a massive financial burden for the entire country. As far as the expected time of resolution of this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. As of today, only the appeal of Pasubio Servizi has been discussed in court. Some hearings have already been scheduled while others are still pending.

Territorial areas

In 2011, the issuance of several 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 regulations 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, rationalizing the offer.

At the end of 2013, the Government issued Law Decree 23/12/2013, no. 145, making changes to the regulatory framework regarding 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 pursuant to the methodology of tariff regulation in force) must 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 several 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, several tenders were published for the award of the service with Territorial procedure. Many of them did In the two-year period 2015 – 2016, several 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 regarding the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities.

In this context, the standardization 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.

The only tender that has been issued so far is for the Minimum Territory Area of Milan 1. City and system of Milan (February 2017). The terms to present the offer have expired.

The Municipality of Belluno, tender station of the Minimum Territory Area of Belluno, followed the bureaucratic procedures and published a tender in December 2016. The terms to present the offer are within 30 June 2017.

Distribution of dividends

On 28 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 9 May 2016, record date on 10 May 2016 and payment on 11 May 2016.

Own shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31 December 2016, the value of own shares held by the company is equal to Euro 17,521 thousand (Euro 17,521 thousand as of 31 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 2017 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The Group will also participate in the tenders invited, if any, for the award of the Minimum Territorial Areas in which it is interested. Most Municipalities currently managed by the Ascopiave Group belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders exceeds 31 December 2017. However, since tender authorities may anticipate the maximum terms stated in the regulations, it is possible that some Municipalities may be interested in tenders already in 2017. If this should be the case, however, even with no certainties concerning the required time for the assignment, it is reasonable to assume that, for the first call for tenders, possible transfers of management to potential new operators may be executed only after the end of 2017.
The consolidation perimeter of the Group is not expected to change compared to the current outlook, net of possible positive evolution of the aggregation of Pasubio Group.
As far as the economic results are concerned, it is noted how the tariff regulation of 2017 has already been decided and will basically remain in line with that of 2016.
Concerning energy efficiency obligations, it is noted how currently there are not obligations to the distributors for the 2017 -2020 period. Furthermore, the volatility in prices of energetic efficiency certificates during the year shall continue in 2017 as well, and therefore it is not possible to assess correctly the economic effects. Therefore, the positive economic margin of 2017 (Euro +0.4 million) may be unobtainable in 2107.
As far as gas sale is concerned, it is even more difficult to forecast result trends, also due to the impact of weather conditions, which significantly affect gas consumption. However, for the time being there is no reason to believe that in the near future there will be considerable variations in business profitability conditions, despite the competitive pressure in the retail market and the expected impact of the tariff measures defined by AEEGSI for the protected market.
. Clearly the positive effects of the compensation via the APR mechanism for Euro 11.1 million may not be replicated in the future.
About electricity sales, the fiscal year 2017 could confirm 2016 results.
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 prices, the actual operational performance, the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, success in the development and application of new technologies, the changes in stakeholder expectations and other changes to business conditions

Goals and policies of the group and risk description

Credit and liquidity risk

The main financial instruments in use by our Group are represented by trade payables and receivables, 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 fund for the devaluation of credit equal to approximately 10.7% (14.6% as of 31 December 2015) of the total gross credit of third parties. Significant commercial operations take place in Italy.

Regarding 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 31 December 2016 are associated with contracts for natural gas supply

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

As of 31 December 2016, the Ascopiave Group holds a portfolio of 208 (208 as of 31 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 (evaluated pursuant to the methodology of tariff regulation in force) must 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 regarding the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognized to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognized for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognized in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services, and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.
The Group intends to protect its financial performance and standing with respect to regulatory changes as described in the terms set out in the sections “Territorial areas” and “litigations” of this report.

Evolution of the adjustment sessions of natural gas allocations

During the FY 2016, the regulatory framework is unchanged as compared to the scenario described in section “Assessment criteria” of the yearly financial statements as of 31 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. Regarding this, during 2016 the Authority initiated a simplification process of gas settlement via documents 12/2016/R/gas, and subsequently 570/2016/R/GA. In these documents the Authority clarified its outlook on possible modifications and integration of existing regulations, specifically regarding modalities of execution of balancing and adjustment sessions. The Authority also suggested that the adjustment sessions should be repeated, using other algorithms compared to current sessions.
Currently, 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 because 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.
It is noted that, thanks to the high percentage of meter reading collected during the period being recalculated by Snam Rete Gas S.p.A. by the Authority, the Management is confident that the estimate of the purchase costs of natural gas in the period is accurate. Should the regulation evolve and require an adjustment in the estimated values, increasing significantly purchases costs, the Group will evaluate possible actions to preserve its interests.

Human resources

As of 31 December 2016, the Group had a workforce of 618 employees, divided in the various companies as follows:

Companies consolidated with full consolidation method	31/12/2016	31/12/2015	Var.
Ascopiave S.p.A.	92	259	-167
AP Reti Gas S.p.A.	170	0	170
Ascotrade S.p.A.	83	82	1
AP Reti Gas Rovigo S.r.l.	18	18	0
Edigas Esercizio Distribuzione Gas S.p.A.	26	27	-1
Pasubio Servizi S.r.l.	17	18	-1
Etra Energia S.r.l.	6	6	0
Veritas Energia S.p.A.	40	42	-2
Blue Meta S.p.A.	22	23	-1
Amgas Blu S.r.l.	8	7	1
Total companies consolidated with full consolidation method	**482**	**482**	**0**
Companies consolidated with net equity consolidation method	**31/12/2016**	**31/12/2015**	**Var.**
Estenergy S.p.A.	81	78	3
ASM Set S.r.l.	10	9	1
Unigas Distribuzione S.r.l.	45	46	-1
Total companies consolidated with net equity consolidation method	**136**	**133**	**3**
Ascopiave Group	**618**	**615**	**3**

Compared to 31 December 2015 the workforce of the Ascopiave Group grew by 3 units. The variations are attributed to the following companies:

- Ascopiave: - 167 employees due mainly to the transfer of 168 resources to AP Reti Gas following the transfer of the gas distribution branch;
- AP Reti Gas: +170 employees due mainly to the transfer of 168 resources from Ascopiave the transfer of the gas distribution branch;
- Ascotrade: +1 employee;
- Edigas Esercizio Distribuzione Gas: -1 employee;
- Pasubio Servizi: -1 employee;
- Veritas Energia: -2 employees;
- Blue Meta: -1 employee;
- Amgas Blu: +1 employee;
- Estenergy: +3 employees;
- Asm Set: +1 employee;
- Unigas Distribuzione Gas: -1 employee.

The following table sums up the categories of employees according to their qualification:

Companies consolidated with full consolidation method	31/12/2016	31/12/2015	Var.
Executives	17	17	0
Office workers	362	362	0
Manual workers	103	103	0
Companies consolidated with full consolidation method	**482**	**482**	**0**

Companies consolidated with net equity consolidation method	31/12/2016	31/12/2015	Var.
Executives	3	3	0
Office workers	115	112	3
Manual workers	18	18	0
Companies consolidated with net equity consolidation method	**136**	**133**	**3**

Ascopiave Group	31/12/2016	31/12/2015	Var.
Executives	20	20	0
Office workers	477	474	3
Manual workers	121	121	0
Ascopiave Group	**618**	**615**	**3**

Research and Development

IT systems

The main project that involved the Information Systems during 2016 was the creation of the AP Reti Gas S.p.A. company. As of 1 July 2016, Ascopiave S.p.A transferred its natural gas distribution activities to the new company. The project required several activities pertaining the system infrastructures, creating new installations and applications, migration of data, data verifications and tests.

Furthermore, throughout the year, the system Work Force Management has been further developed, as a support tool for the gas distribution companies of the Group. This system essentially modified the planning processes and the execution of interventions, improving the activities on the territory thanks to the introduction of automatic scheduling system for operations by improving the employ of resources that might be oversaturated in certain period and minimizing travel itineraries.

Additionally, during the year activities to allow communication with the Integrated Information System (SII) have continued, including the creation of a Communication Door pursuant to the specifications of the Single Purchaser and the modifications required to the following: regulation updates, required improvement of internal processes and AEEGSI-sanctioned communication standards.

The development of CRM system functionalities has continued, specifically with functions for Sale Force Automation and the integration with companies that provide credit analysis of potential customers.

In 2016, several new modules have been developed to support the sale companies of the Group. Based on SAP BPC infrastructure, these new modules support ETRM management, for the calculation of the Profit & Loss Gas, management of purchased EE and REMIT regulation compliance.

A “social network” has been created, to experiment with the possibility of reviewing the work processes MM_1 in collaborative environments, within the sale companies of the Group. This platform enables an improved sharing experience of information and enhances dialogue and rapport between people.

In the second half of 2016 we have implemented the integration for the management of the call centres that have won the tender, in order entrust them with the service of all the sale companies of the Group.

Additionally, we implemented the necessary steps to manage the printing and posting of bills and past due notices in outsourcing. This service was previously carried out internally by the company.
In the last quarter of 2016 we completed the activities of the participation in the Tutela SIMILE, promoted by the Single Purchaser in order to allow customers gradual entrance in the liberalized market.
As far as management software for sale companies is concerned, we created the first part of the new application for the management of desk activities (front office and back office). Furthermore, we carried out the necessary adjustments pursuant to the regulation, including the completion of the billing activities, the introduction of the TV tax in the electricity bills and we carried out an important project of data migration to the latest release for the databases used by management software applications.
With a new information management system and new functionalities for management applications, we managed to improve even further the activities flows for the management of receivables to final customers and the collection of unsolved debts.
During the year, we enhanced the use of the platform used to receive invoices from suppliers with xml tracking, pursuant to the provisions for registered digital invoices for the PA, automating the activities of entering invoices in the accounting system. This platform is also currently being extended to professionals with withhold taxes.
In 2016, we completed the process of substitutive archiving of all inbound and outbound invoices for all the companies of the Ascopiave Group, thanks to an integrated management, control and memorization system for invoices in a SAP ECC environment.

Additional information

Remuneration given to the managing and controlling organs, managing directors and directors with strategic responsibilities and stakes held

For further information pertaining remuneration members of administration and auditing bodies, general directors and executives with strategic responsibilities and their share participation please refer to the Remuneration Report drafted pursuant to Art. 123 – third paragraph of the Legislative Decree 58/1998 (National Finance Law), approved by the Board of Directors on 16th March 2015.
The aggregated remuneration to Managers, Statutory Auditors of the Group in 2016 amounts to Euro 470 thousand for Managers, Euro 98 thousand for Statutory Auditors and Euro 1,060 for Directors, for total Euro 1628 thousand compared to the previous year Euro 1,420 thousand. This variation is mainly attributed to the *management by objective* plan.
It is noted that no advance payments or payables have been issued to Directors or Statutory Auditors and no letters of credit in their favour have been granted.

Security of personal data

Ascopiave Group is attentive to the protection of personal data and the adoption of appropriate security measures. For a greater protection of these data, the Group also continues to update each year the DPS (Security Planning Document), although it is no longer required under Legislative Decree no. 196 dated 30th June 2003 because of the amendments introduced by Law Decree 9th February 2012, no. 5, converted into Law no. 35 of 4th April 2012

Declaration pursuant to Legislative Decree no. 196 dated 30 June 2003

The President of the Board of Directors, as the person responsible for the treatment of the personal data of the Company, states the adequacy of the Privacy Policy set forth in Legislative Decree no. 196 dated 30th June 2003 and subsequent amendments, through the service managed by Ascopiave in its capacity as responsible for the databases, managed either with electronic or non-electronic systems.

List of Company Headquarters

Owned offices

Entity	District	Municipality	Street	Note
Ascopiave SpA	Milano	**Milano**	Via Turati n° 6 (piano 3°) UF 34	Building leased
Ascopiave SpA	Milano	**Milano**	Via Turati n° 8 (piano 5°) UF61	Building leased to SINERGIE ITALIANE hosting offices
Ascopiave SpA	Treviso	**Pieve di Soligo**	Via Verizzo n° 1030	Building hosting company offices
Ascopiave SpA	Treviso	**Pieve di Soligo**	Via Verizzo n° 1030	Building hosting warehouse and workshop
Ascopiave SpA	Treviso	**Pieve di Soligo**	Via Verizzo n° 1030	Building hosting company cars
Ascopiave SpA	Treviso	**Pieve di Soligo**	Via Verizzo n° 1030	Building leased to ASCOTRADE hosting offices
Ascopiave SpA	Treviso	**Pieve di Soligo**	Via Verizzo n° 1030	Building leased to ASCO TLC hosting offices
Ascopiave SpA	Treviso	**San Vendemiano**	Via Friuli	Building leased to ASCO TLC
Ascopiave SpA	Vicenza	**Sandrigo**	Via Gallilei n°1	Building leased to ASCOTRADE
Ascopiave SpA	Vicenza	**Sandrigo**	Via Gallilei n°1	Building hosting warehouse and workshop
Ascopiave SpA	Treviso	**Treviso**	Piazza delle Istituzioni n°34	Building leased to ASCOTRADE
Ascopiave SpA	Treviso	**Treviso**	Piazza delle Istituzioni n°34	Building hosting warehouse
Ascopiave SpA	Piacenza	**Castel San Giovanni**	Borgonovo	Building leased to ASCOTRADE
Ascopiave SpA	Piacenza	**Castel San Giovanni**	Borgonovo	Building hosting warehouse and workshop
Ascopiave SpA	Pordenone	**Cordovado**	Teglio	Building hosting warehouse + gas cabin
Edigas SpA	Biella	**Salussola**	Via Stazione	Building hosting warehouse

Rented offices

Entity	Municipality	Street	Intended use
AP RETI GAS	Castelfranco Veneto - TV -	della Cooperazione, 8	Building hosting warehouse
AP RETI GAS	Marchirolo - VA -	Cavalier Busetti, 7/h	Building leased to ASCOTRADE hosting offices
AP RETI GAS	Portogruaro - VE -	Giotto	Building hosting company offices
ASCOTRADE	Agordo - BL -	IV Novembre, 2	Building hosting company offices
ASCOTRADE	Belluno - BL -	Via Tiziano Vecellio, 27/29	Building hosting company offices
ASCOTRADE	Feltre - BL -	Via C. Rizarda, 21	Building hosting company offices
ASCOTRADE	Montebelluna -TV -	Schiavonesca Priula 86	Building leased to ATS Srl hosting offices
ASCOTRADE	Pieve di Cadore - BL -	Via degli Alpini, 28 - Loc. Tai	Building hosting company offices
ASCOTRADE	Trebaseleghe - PD -	Piazza P. di Piemonte	Building hosting company offices
ASCOTRADE	Vittorio V.to - TV -	Via G. Carducci (Galleria nazioni Unite)	Building leased to SAVNO Srl hosting offices
ASCOTRADE	Casteggio - PV -	Anselmi, 33	Building hosting company offices
ASCOTRADE	Castelfranco - TV -	Piazza Serenissima, 20	Building hosting company offices
ASCOTRADE	Conegliano - TV -	Via S.Giuseppe, 38/A	Building hosting company offices
ASCOTRADE	Lavena Ponte Tresa - VA-	Via Valle, 3	Building hosting company offices
ASCOTRADE	Lentate - MB -	Padova, 35	Building hosting company offices
ASCOTRADE	Oderzo - TV -	Cesare Battisti, 7/A	Building hosting company offices
ASCOTRADE	Oderzo - TV -	Cesare Battisti, 7/A	Building hosting company offices
ASCOTRADE	Portogruaro - VE -	Viale Trieste, 31	Building hosting company offices
ASCOTRADE	Porto Viro - RO -	Piazza della Repubblica, 14	Building hosting company offices
ASCOTRADE	Vicenza - VI -	SS. Felice e Fortunato, 203	Building hosting company offices
ASCOTRADE	Camposampiero	Piazza Castello, 37	Building hosting company offices
ASCOTRADE	Castel San giovanni	Corso Matteotti, 67	Building hosting company offices
BLUEMETA	Bergamo	Galimberti, 6	Building hosting company offices
BLUEMETA	Clusone (BG)	Largo Locatelli, 5	Building hosting company offices
EDIGAS dist.	Albenga -SV -	Papa Giovanni XXIII, 160	Building hosting company offices
EDIGAS dist.	Albenga -SV -	Papa Giovanni XXIII, 166	Building hosting company offices
EDIGAS dist.	Marcaria - MN -	Mons. Benedini, 28-30	Building hosting company offices
EDIGAS dist.	Salussola - BI -	Stazione, 38	Building hosting company offices
EDIGAS dist.	Albenga -SV -	Fraz. Campochiesa	Building hosting company offices
ASM SET	Occhiobello - RO -	Via Roma secondo Tronco, 20/22	Building hosting company offices
AP RETI GAS ROVIGO	Rovigo (RO)	della scienza e della tecnica, 7	Building hosting company offices
AMGAS BLU	Foggia	Viale Manfredi snc	Building hosting company offices
VERITAS ENERGIA	Venezia Mestre	Cappuccina, 38/40 Dante, 5	Building hosting company offices
VERITAS ENERGIA	Mirano - VE -	Macello, 6	Building hosting company offices
PASUBIO SERVIZI	Schio (VI)	Via Cementi, 37	Building hosting company offices
PASUBIO SERVIZI	Montecchio Maggiore (VI)	Via P. Ceccato, 88	Building hosting company offices
PASUBIO SERVIZI	San Pietro in Gu -PD-	Via Cavour, 1	Building hosting company offices

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 amortizations, 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 realized 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 equalization managed by the Cassa Conguaglio per il Settore Elettrico (Electricity Equalization Fund);
- **First margin on gas sales**: The Group defines it as the amount obtained from the difference between the sales proceeds (realized 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-financial results of the year 2016

General operational performance and indicators

NATURAL GAS DISTRIBUTION	FY 2016	FY 2015	Var.	Var. %
Companies consolidated with full consolidation method				
Number of concessions	176	176	0	0.0%
Length of distribution network (km)	7,843	7,782	61	0.8%
Volumes of gas distributed (cm/mln)	801.7	788.5	13.2	1.7%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,103	1,100	3	0.3%
Volumes of gas distributed (cm/mln)	146.7	144.9	1.8	1.2%
Ascopiave Group*				
Number of concessions	192	192	0	0.0%
Length of distribution network (km)	8,382	8,319	63	0.8%
Volumes of gas distributed (cm/mln)	873.4	859.3	14.1	1.6%

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

NATURAL GAS SALES TO FINAL MARKET	FY 2016	FY 2015	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of gas sold (cm/mln)	800.3	818.6	-18.3	-2.2%
Companies consolidated with net equity consolidation method				
Volumes of gas sold (cm/mln)	274.1	291.2	-17.1	-5.9%
Ascopiave Group*				
Volumes of gas sold (cm/mln)	934.6	961.3	-26.7	-2.8%

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

SALE OF ELECTRIC POWER	FY 2016	FY 2015	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of electric power sold (GWh)	339.9	358.7	-18.8	-5.2%
Companies consolidated with net equity consolidation method				
Volumes of electric power sold (GWh)	108.2	116.7	-8.5	-7.3%
Ascopiave Group*				
Volumes of electric power sold (GWh)	384.9	409.6	-24.7	-6.0%

* 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 2016 the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 801.7 million cubic meters, marking an increase of 1.7% compared to the previous year.

The company Unigas Distribuzione S.r.l., consolidated through the equity method, has distributed 146.7 million cubic meters, marking an increase of 1.2% as compared to 2015.

In 2016, the volume of gas sold by the 100% consolidated companies amounted to 800.3 million cubic meters, marking a decrease of 2.2% compared to the previous year. In 2016, the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 274.1 million cubic meters (- 5.9% compared to the previous year).

In 2016, the volume of electricity sold by the fully consolidated companies is equal to 33.9.9 GWh, marking a decrease of 5.2% compared to the previous year. In financial year 2016, the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 108.2 GWh of electrical energy (-7.2% compared to the previous year).

General operational performance - The Group's economic results

(Thousands of Euro)	Financial year 2016	% of revenues	Financial year 2015	% of revenues
Revenues	497,689	100.0%	581,655	100.0%
Total operating costs	402,434	80.9%	500,671	86.1%
Gross operative margin	**95,255**	**19.1%**	**80,983**	**13.9%**
Amortization and depreciation	20,227	4.1%	20,029	3.4%
Provision for risks on credits	2,891	0.6%	4,004	0.7%
Operating result	**72,137**	**14.5%**	**56,950**	**9.8%**
Financial income	247	0.0%	803	0.1%
Financial charges	791	0.2%	1,321	0.2%
Evaluation of subsidiary companies with the net equity method	7,750	1.6%	7,449	1.3%
Earnings before tax	**79,343**	**15.9%**	**63,881**	**11.0%**
Taxes for the period	22,401	4.5%	18,519	3.2%
Net result for the period	**56,942**	**11.4%**	**45,362**	**7.8%**
Group's Net Result	53,635	10.8%	43,014	7.4%
Third parties Net Result	3,307	0.7%	2,349	0.4%

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

In fiscal year 2015, the Group incomes amount to Euro 581,655 thousand, with a decrease of 0.6% compared to the previous year. The following table reports the details of income.

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Revenues from gas transportation	28,968	26,752
Revenues from gas sale	379,730	472,974
Revenues from electricity sale	58,691	61,188
Revenues from connections	276	1,133
Revenues from heat supply	66	13
Revenues from distribution services	4,866	3,563
Revenues from services supplied to Group companies	1,330	1,157
Revenues from AEEGSI contributions	17,066	8,871
Other revenues	6,696	6,003
Revenues	**497,689**	**581,655**

Revenues from gas sale decreased from Euro 472.974 thousand to Euro 379,730 thousand, thus recording a decrease of Euro 93,244 thousand (-19.7%). This decrease is mainly due to lower volumes of gas sold as well as drop in unitary prices.

Revenues from electricity sales decreased from Euro 61,188 thousand to Euro 58,691 thousand, marking a decrease of Euro 2,497 thousand (-4.1%), mainly due to lower volumes of electricity sold.

The operating result for 2016 amounts to Euro 72,137 thousand, thus recording an increase of Euro 15,187 thousand (+26.7%) compared to the previous year.
The improvement is due to several factors:

- decrease in the tariff revenues on the activity of gas distribution for Euro 473 thousand;
- increase in the first margin on the activity of gas sales, equal to Euro 14,126 thousand;
- decrease in the first margin on the activity of electricity sale, equal to Euro 1,345 thousand;
- increase in other items of cost and revenues, equal to Euro 188 thousand.

The decrease in the **revenues from tariffs in the gas distribution activity** (decreasing from Euro 61,960 thousand to Euro 61,488 thousand) is due to the entry into force of the new tariff regulation for the period 2014-2019 (so-called fourth regulatory period) envisaged by AEEGSI resolution 367/2014/R/gas, partially offset by the positive differential in temporary and definitive tariffs due to year 2015 adjustments.

The increase in the **first margin on the activity of gas sale** (from Euro 64,391 thousand to Euro 78,517 thousand), is mainly due to by the increase in average unit sale price, albeit with lower volumes of gas sold. The compensation received by the Group (Euro 11.1 million) as part of the mechanism for the promotion of long-term contract negotiations in 2014-2016 contributed to the reduction of supply cost for gas, pursuant to AEEGSI Decision 447/2013/R/gas.

The decrease **in the first margin on the activity of electricity sales**, from Euro 3,833 thousand to Euro 5,178 thousand is due to lower unit margins and lower amounts of electricity sold compared to the previous year, which had benefited from a downward-moving trend of purchase prices.

The positive variation in the item **other costs and revenues**, amounting to Euro 188 thousand, is mainly due to:

- higher other revenues for Euro 2,022 thousand;
- higher material and service costs and other charges equalling Euro 7,626 thousand;
- higher personnel cost for Euro 2,660 thousand;
- higher amortization of fixed assets for Euro 198 thousand;
- lower bad debts provisions for Euro 1,112 thousand.

The net consolidated profit of 2016 amounts to Euro 56,942 thousand, thus recording an increase of Euro 11,579 thousand (+25.5%) compared to the previous year.
The variation is due to the following factors:

- an increase in the operating result, as previously stated, for Euro 15,186 thousand;
- higher result of companies consolidated through the equity method for Euro 301 thousand;
- decrease in financial revenues for Euro 556 thousand;
- decrease in financial charges for Euro 530 thousand;
- increase in taxes for Euro 3,882 thousand, due to the increase in income.

The tax rate, calculated by normalizing the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 32.8% to 31.3%.

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)	31.12.2016	31.12.2015
A	Cash and cash equivalents on hand	19	15
B	Bank and post office deposits	8,803	28,286
D	**Liquid assets (A) + (B) + (C)**	**8,822**	**28,301**
E	Current financial assets	0	3,487
F	Payables due to banks	(55,110)	(88,238)
G	Current portion of medium-long-term loans	(9,287)	(9,628)
H	Current financial liabilities	(3,645)	(3,708)
I	**Current financial indebtedness (F) + (G) + (H)**	**(68,042)**	**(101,574)**
J	**Net current financial indebtedness (I) - (E) - (D)**	**(59,220)**	**(69,786)**
K	Medium- and long-term bank loans	(34,541)	(43,829)
M	Non-current financial liabilities	(357)	(422)
N	**Non-current financial indebtedness (K) + (L) + (M)**	**(34,899)**	**(44,250)**
O	**Net financial indebtedness (J) + (N)**	**(94,119)**	**(114,037)**

Pursuant to 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.

In order to comply with Consob communication no. DEM/6064293/2006, the following table shows the reconciliation between the Net financial position and the ESMA Net financial position:

(Thousands of Euro)	31.12.2016	31.12.2015
Net financial position	**(94,119)**	**(114,037)**
Non current financial assets	0	0
Net financial position ESMA	**(94,119)**	**(114,037)**

The financial position decreased from Euro 114,037 thousand as of 31 December 2015 to Euro 94,119 thousand as of 31 December 2016, reporting an increase of Euro 19,918 thousand.

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

(Thousands of Euro)	31.12.2016	31.12.2015
Group's net income	56,942	45,362
Amortizations	20,227	20,009
Bad debt provisions	2,891	4,004
(a) Auto-financing	**80,060**	**69,396**
(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:	**(12,160)**	**(501)**
(c) Variation in financial position generated by operating activities = (a)+ (b)	**67,900**	**68,894**
(d) Variation in financial position generated by investments	**(19,262)**	**(21,892)**
(e) Other variation in financial position	**(28,721)**	**(31,366)**
Net variation in financial position = (c) + (d) + (e)	**19,917**	**15,637**

The cash flow generated by the operating management (letters a + b), equal to Euro 67,900 thousand, was mainly due to self-financing for Euro 80,060 thousand and other financial negative variations amounting to Euro 12,160 thousand, mainly related to the management of the net circulating capital for Euro -4,410 thousand and to the assessment of companies consolidated through the equity method for Euro -7,750 thousand.

Management of net circulating capital has generated financial resources amounting to Euro 4,410 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 3,589 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 297 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 172 thousand, and the variation in the net operating capital, which has absorbed financial resources for Euro 9,086 thousand.

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

(Thousands of Euro)	31.12.2016	31.12.2015
Inventories	(734)	(1,095)
Trade receivables and payables	1,177	(41,578)
Operating receivables and payables	(9,529)	5,918
Severance pay fund and other found	1,003	19
Current taxes	22,401	18,519
Taxes paid	(20,420)	(13,535)
Tax receivables and payables	1,693	38,368
Non currenti financial assets/(liabilities)	0	-355
Change in net working capital	**(4,410)**	**6,262**

Investment activities have generated a cash requirement of Euro 18,348 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 5,934 thousand and the distribution of dividends for Euro 35,569.

The following table shows in detail the other changes in the financial position during the period:

(Thousands of Euro)	31.12.2016	31.12.2015
Dividends distributed to Ascopiave S.p.A. shareholders'	(33,347)	(33,332)
Dividends distributed to other shareholders	(2,222)	(1,768)
Dividends / (loss coverage) associated copanies or jointly controlled companies	5,934	3,369
Other net equity operations	914	365
Other changes in financial position	**(28,721)**	**(31,366)**

General operational performance - Investments

During fiscal year 2016, the Group made investment for an amount of Euro 20,837 thousand.

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 19,714 thousand, relate to the creation of connections for Euro 4,952 thousand, the implementation and maintenance of the network and natural gas distribution systems for Euro 7,726 thousand and the installation/replacement of meters and the installation of correctors for Euro 7,036 thousand.

INVESTMENTS (thousands of Euro)	FY 2016	FY 2015
Connecting a gas users	4,952	4,280
Expansions, reclamations and network upgrades	6,361	8,316
Flowmeters	7,036	6,465
Maintenance	1,365	1,635
Raw material (gas) investments	**19,714**	**20,697**
Land and buildings	534	146
Industrial and commercial equipment	21	121
Forniture	21	14
Vehicles	310	436
Hardware e Software	198	148
Other assets	39	452
Other investments	**1,123**	**1,317**
Investments	**20,837**	**22,013**

Schedule of reconciliation of the of individual net shareholders' equity with the consolidated net Shareholders' Equity

	31.12.2015	31.12.2015	31.12.2015	31.12.2015
(Thousands of Euro)	**Groups' Operating Result**	**Total net equity**	**Groups' Operating Result**	**Total net equity**
Net equity and results for the year as recorded in the statutory financial statements of the parent company	33,700	394,246	33,547	392,954
Results obtained by subsidiary companies net of the book value of the consolidated equity investments	48,933	(22,985)	29,117	(46,104)
Variations				
Goodwill	(0)	56,176	(0)	56,176
Trade relation value, net of tax effects	(1,384)	5,704	(1,139)	7,089
Appreciation of gas distribution network, net of tax effects	(810)	10,737	34	11,547
Elimination of infra-group dividends	(24,980)	(0)	(20,524)	(0)
Effects of the evaluation of companies consolidated with the net assets method	1,157	(4,505)	1,491	(5,662)
Effects of the evaluation of joint companies consolidated with the net assets method	650	(5,242)	2,593	4,530
Other effects	(323)	(406)	243	(392)
Total variations, net of tax effects	**(25,691)**	**72,948**	**(17,302)**	**73,287**
Net Shareholders' equity and resul t for the period as recorded in the consolidated financial statement	**56,942**	**444,209**	**45,362**	**420,137**
Minority interests and results	**3,307**	**6,154**	**2,349**	**4,873**
Operating result and net equity for the period as recorded in the consolidated financial statement	**53,635**	**438,055**	**43,014**	**415,264**

Ascopiave Group

Prospects of the consolidated financial statements
as of 31 December 2016

Consolidated assets and liabilities statement

(Thousands of Euro)		31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	316,905	316,659
Tangible assets	(3)	32,364	34,987
Shareholdings	(4)	68,738	68,078
Other non-current assets	(5)	13,566	15,366
Non-current assets from derivative financial instruments	(6)		0
Advance tax receivables	(7)	9,758	11,333
Non-current assets		**522,574**	**527,182**
Current assets			
Inventories	(8)	4,311	3,577
Trade receivables	(9)	148,079	172,022
Other current assets	(10)	47,207	46,518
Current financial assets	(11)	0	3,487
Tax receivables	(12)	1,007	1,368
Cash and cash equivalents	(13)	8,822	28,301
Current assets from derivative financial instruments	(14)	1,304	
Current assets		**210,730**	**255,272**
ASSETS		**733,304**	**782,454**
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		17,521	17,521
Reserves and result for the period		221,164	198,374
Net equity of the Group		**438,055**	**415,264**
Net equity of Others		**6,154**	**4,873**
Total Net equity	(15)	**444,209**	**420,137**
Non-current liabilities			
Provisions for risks and charges	(16)	6,992	7,360
Severance indemnity	(17)	4,077	3,864
Medium- and long-term bank loans	(18)	34,541	43,829
Other non-current liabilities	(19)	20,267	18,903
Non-current financial liabilities	(20)	357	422
Deferred tax payables	(21)	16,814	19,571
Non-current liabilities		**83,050**	**93,948**
Current liabilities			
Payables due to banks and financing institutions	(22)	64,397	97,866
Trade payables	(23)	103,052	122,823
Tax payables	(24)	1,231	397
Other current liabilities	(25)	33,691	43,324
Current financial liabilities	(26)	3,645	3,708
Current liabilities from derivative financial instruments	(27)	29	252
Current liabilities		**206,045**	**268,370**
Liabilities		**289,095**	**362,317**
Net equity and liabilities		**733,304**	**782,454**

Pursuant to 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.

Overall consolidated income statement

(Thousands of Euro)		Financial year 2016	Financial year 2015
Revenues	(28)	**497,689**	**581,655**
Total operating costs		**405,325**	**504,675**
Purchase costs for raw material (gas)	(29)	231,029	325,936
Purchase costs for other raw materials	(30)	18,887	20,495
Costs for services	(31)	107,503	119,151
Costs for personnel	(32)	24,233	21,573
Other management costs	(33)	24,269	18,110
Other income	(34)	596	591
Amortization and depreciation	(35)	20,227	20,029
Operating result		**72,137**	**56,950**
Financial income	(36)	247	803
Financial charges	(36)	791	1,321
Evaluation of subsidiary companies with the net equity method	(36)	7,750	7,449
Earnings before tax		**79,343**	**63,881**
Taxes for the period	(37)	22,401	18,519
Result for the period		**56,942**	**45,362**
Group's Net Result		53,635	43,014
Third parties Net Result		3,307	2,349
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		1,786	(194)
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		(10)	190
Total comprehensive income		**58,718**	**45,358**
Group's overall net result		55,215	43,027
Third parties' overall net result		3,503	2,331
Base income per share		0.241	0.194
Diluted net income per share		0.241	0.194

Pursuant to 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.

.

Statement of changes in shareholders' equity

(thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2016	**234,412**	**46,882**	**(17,522)**	**(99)**	**108,578**	**43,014**	**415,264**	**4,873**	**420,137**
Result for the period						53,635	53,635	3,307	56,942
Other operations					1,589		1,589	197	1,786
IAS 19 TFR actualization for the period				(9)			(9)	(1)	(10)
Total result of overall income statement				**(9)**	**1,589**	**53,635**	**55,214**	**3,503**	**58,718**
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)
Long-term incentive plans			(0)		923		923		923
Balance as of 31st December 2016	**234,412**	**46,882**	**(17,522)**	**(108)**	**120,757**	**53,635**	**438,055**	**6,155**	**444,209**

(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						43,014	43,014	2,349	45,362
Other operations					(172)		(172)	(21)	(194)
IAS 19 TFR actualization for the period				186			186	3	190
Total result of overall income statement				**186**	**(172)**	**43,014**	**43,027**	**2,331**	**45,358**
Allocation of 2014 result					35,583	(35,583)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(33,332)		(33,332)		(33,332)
Dividends distributed to third parties shareholders							(0)	(1,768)	(1,768)
Long-term incentive plans			138		74		212		212
Balance as of 31st December 2015	**234,412**	**46,882**	**(17,522)**	**(99)**	**108,578**	**43,014**	**415,264**	**4,873**	**420,137**

Consolidated financial statements

(thousands of Euro)	FY 2016	Restated FY 2015
Net income of the Group	**53,635**	**43,014**
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	3,307	2,349
Amortization	20,227	20,029
Bad debt provisions	2,891	4,004
Variations in severance indemnity	214	(104)
Current assets / liabilities on financial instruments	(2,012)	252
Net variation of other funds	789	123
Evaluation of subsidiaries with the net equity method	(7,750)	(7,449)
Depreciation of fixed assets	0	232
Losses / (gains) on disposal of fixed assets	0	454
Interests paid	(579)	(1,240)
Taxes paid	(20,420)	(13,535)
Interest expense for the year	678	1,211
Taxes for the year	22,401	18,519
Variations in assets and liabilities		
Inventories	(734)	(1,095)
Accounts payable	20,947	(28,221)
Other current assets	(689)	27,454
Trade payables	(19,770)	(13,356)
Other current liabilities	(9,763)	13,019
Other non-current assets	2,361	1,730
Other non-current liabilities	2,728	1,859
Total adjustments and variations	**14,827**	**26,235**
Cash flows generated (used) by operating activities	**68,461**	**69,249**
Cash flows generated (used) by investments		
Investments in intangible assets	(19,674)	(21,112)
Realisable value of intangible assets	1,574	114
Investments in tangible assets	(1,164)	(901)
Realisable value of tangible assets	2	6
Other net equity operations	914	365
Cash flows generated/(used) by investments	**(18,348)**	**(21,527)**
Cash flows generated (used) by financial activities		
Net changes in debts due to other financers	(64)	(67)
Net changes in short-term bank borrowings	(71,256)	(155,112)
Net variation in current financial assets and liabilities	2,863	8,106
Ignitions loans and mortgages	151,000	146,500
Redemptions loans and mortgages	(122,500)	(88,000)
Dividends distributed to Ascopiave S.p.A. shareholders’	(33,347)	(33,332)
Dividends distributed to other shareholders	(2,222)	(1,768)
Dividends distribuited from subsidiary companies	5,934	3,369
Cash flows generated (used) by financial activities	**(69,593)**	**(120,304)**
Variations in cash	**(19,479)**	**(72,582)**
Cash and cash equivalents at the beginning of the period	**28,301**	**100,882**
Cash and cash equivalents at the end of the period	**8,822**	**28,301**

Pursuant to 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 31 December 2016, 61.56% of the Company’s share capital, amounting to Euro 234,411,575 was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario – STAR Segment – organized and managed by Borsa Italiana S.p.A.

The registered office of the Company is in Pieve di Soligo (TV), via Verizzo, 1030, Italy. The publication of the Financial report as of 31 December 2016 of the Ascopiave Group was authorized by resolution of the Board of Directors on 14th March 2017. Ascopiave is a company with Italian domicile that was created in Italy

The activities of the Ascopiave Group

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 electrical energy, heat management and co-generation.
The Group owns concessions and direct entrusting for the management of the activity of gas distribution in 208 municipalities (208 municipalities in 2015), supplying the service to more than one million users. The group is the owner of the distribution network managed that is extended for more than 8,946 kilometres.

The activity of natural gas sale to end customers is carried out through different companies, some of which are controlled with majority shares, others are shared with other partners and on them the Group exercise a joint control with other shareholders. In the Gas sale sector Ascopiave is one of the main National operators, featuring approximately 961 million cubic meters of gas sold[4].

General drafting criteria and declaration of conformity with IFRS

The Ascopiave Group Consolidated Financial Statements as of 31 December 2016 have been prepared pursuant to IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission pursuant to the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The consolidated financial statements are based on the principle of historical cost, considering the adjustments as appropriate, except for the budget items that under IFRS must be recognized at fair value as described in the evaluation criteria and according to the principle of going-concern.

4

The data specified about the volumes of gas sold are obtained by adding each Group company’s data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

The accounting principles adopted are consistent with those used as of 31 December 2015, except as described in the following paragraph Accounting principles, amendments and interpretations effective from 1st January 2016. For comparative purposes, the consolidated profiles present the comparison with balance sheet figures as of 31 December 2015.

The consolidated financial statements are subject to auditing procedure by the auditing company PricewatherhouseCoopers SpA, in charge of the external audit of the Parent Company and the main Companies of the Group.

The consolidated financial statements are expressed in Euro, the currency used in the economy where the Group operates, and includes the Consolidated assets and liabilities statement, the Overall consolidated income statement, the Consolidated statement of changes in shareholders’ equity, the Consolidated financial statement and the Explanatory notes. All the values reported in the statements and explanatory notes are expressed in thousands of Euros, unless otherwise indicated.

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group. These consolidated financial statements as of 31 December 2016 were approved by the Board of Directors of the Company on 14th March 2017.

Financial statements representation

The items of the consolidated assets and liabilities statement are classified into “current” and “non-current”; those in the overall consolidated income statement are classified by their nature in multi-step format.

The statement of changes in shareholders' equity presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

The financial statement has been defined according to the "indirect" method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the economic situation and financial position.

Accounting principles, amendments and interpretations applied from 1st January 2016

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31 December 2016, implemented on 1st January 2016. The application of said principles shall not have effects on the Company, as they relate to instances that are not present in our company or are sole financial reporting provisions.

Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2012-2014 Cycle

In December 2013, the IASB issued the documents “*Annual improvements to IFRSs – 2010-2012 Cycle*” applicable to the fiscal periods beginning on, or after, 1st February 2015. In September, IASB issued the documents “*Annual improvements to IFRSs – 2012-2014 Cycle*” applicable to the fiscal periods beginning on, or after, 1st January 2016. Both documents have been issued as part of the principles’ annual improvement programme. Most are clarifications or corrections of existing IFRSs or amendments subsequent to changes previously made to IFRS.

Amendments to IAS 19: *Employee Benefits*

In November 2013, the IASB issued the document "*Defined Benefit Plans: Employee Contributions.* The changes made to IAS 19 allow the entry (without obligations to do so), to reduce the current service cost of the period, of the contributions paid by employees or by third parties, that are not related to the number of years of service, instead of allocating such contributions over the period when the service is rendered.

IFRS 11 – *Joint arrangements*

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

IAS 16 - *Property, Plant and Equipment* and I**AS 38** - *Intangible assets.*

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

IAS 27 – *Separate financial statement*

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

IAS 1 - *Presentation of Financial Statements*

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

Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exceptions*

In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28. The aim is to clarify: i) the method of accounting for investment entities; ii) the exemption from preparing consolidated financial statements for an intermediate parent entity and iii) how a company that is not an investment entity should apply the equity method evaluation of an investment entity.

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

IFRS 15 - *Revenues from contracts with customers*

In May 2014, the IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1st January 2018. Early adoption as of 1 January 2016 is envisaged. However, Ascopiave did not pursue the early adoption.

Following a preliminary analysis on the current ongoing sale contracts, the expected impact of the application of this new accounting standard on revenues will be negligible.

IFRS 9 – *Financial instruments*

In July 2014, the IASB issued IFRS 9 - Financial Instruments. The series of changes introduced by the new standard replace the provisions of IAS 39 and introduce a logical approach for the classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single impairment model to be applied to all financial assets based on expected losses and a substantially reformed approach for hedge accounting. This new standard will be applied to all new yearly statements from 1 January 2018. Early adoption as of 1 January 2016 is envisaged. However, Ascopiave did not pursue the early adoption. Following a preliminary specifically on hedge accounting, the expected impact of the application of this new accounting standard on revenues will be negligible.

Issued accounting principles, amendments and interpretations that are not yet applicable

Please find below a brief description of the new standards, amendments, improvements and interpretations already issued but not yet approved by the European Union and therefore not applicable for the preparation of financial statements closed as of 31 December 2016. The list does not include the standards and interpretations, which by their nature are not adoptable by the Group.

IFRS 14 - *Regulatory Deferral Accounts*

In January 2014 IASB issued the IFRS 14 “Regulatory Deferral Accounts”, applicable from 1 January 2016. The European Commission decided to suspend the homologation process to wait for the “rate-regulated activities” new standard to be issued. IFRS 14 enables first time adopters of IFRS to continue to enter rate regulation amounts following their previously adopted accounting standards. In order to improve comparability with entities that apply IFRS and do not enter said amounts, the standards require that the effect of rate regulation be presented separately from the other items.

IFRS 16 - Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, which will have significant impact on Statements of lessees. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between financial leases and operating leases, introducing a new single model for all leases, which will result in an asset entry for the right of use and a liability entry for the lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15- Revenue from Contracts with Customers.

IFRS 10 – *Consolidated Statement* **and IAS 28:** *Share interest in Subsidiaries or Joint Ventures*

In September 2014, the IASB issued amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures. The aim is to clarify the accounting method of the results related to the sale of assets between companies in a group and associated companies and joint ventures. The approval process of these amendments has been suspended and the application date has been postponed to a future date to be determined

.

IAS 12 – *Recognition of Deferred Tax Assets for Unrealized Losses*

In January 2016 IASB published some amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealized Losses.* Said modifications clarify how to account for deferred tax assets for payable instruments calculated at fair value. These changes apply from 1 January 2017. Early adoption is envisaged.

IAS 7 - *Disclosure initiative*

Their purpose is to improve presentation and circulation of financial information in financial reports and solve certain critical issues as reported by operators. These changes apply from 1 January 2017

IFRS 15 – *Revenue from Contracts with Customers*

On 12 April 2016, IASB issued some further amendments to IFRS 15 - Revenue from Contracts with Customers, in order to provide in-depth clarifications on how to identify performance obligations, account revenues from licenses on intellectual property and value principal versus agent. These amendments will be applicable from years beginning on or after 1 January 2018.

IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*

In June 2016 IASB issued some amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. The aim of these changes is to resolve some issue related to the accounting on share-based payments. Specifically, the amendments improve considerably the following areas i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. These amendments will be applicable from years beginning on or after 1 January 2018.

IFRIC 22 - *Operations in foreign currency and advance payments*

On 8 December 2016 IASB published the IFRIC 22 – Operations in foreign currency and advance payments. The aim of this document is to set the exchange rate of to be used in transactions in foreign currencies in case the payment is made or received in advance. This interpretation will be applicable from years beginning on or after 1 January 2018

IAS 40 – *Transfers of Investment Property*

On December 2016 IASB issued amendments to IAS 40 - Transfers of Investment to discipline transfer of /from investment property to other asset groups. Specifically, it is settled if a property under construction or development accounted in inventories may be reclassified in tangible fixed assets if there was a change in its usage. These amendments will be applicable from years beginning on or after 1 January 2018.

Amendments to IFRS 4 - *Regarding the implementation of IFRS 9 Financial Instruments*

In September 2016 IASB issued the amendments to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments. Their purpose is to resolve the issues deriving from the application of the IFRS 9, the new standard in financial instruments, before the implementation of the standard, which will substitute the IFRS 4, currently under development by IASB. This amendment will be applicable from years beginning on or after 1 January 2018.

Annual Improvements 2014-2016

On 8 December 2016 IASB issued several amendments to the standards in order to clarify some provisions regarding IFRS 1, IFRS 12 and IAS 28, all applicable on or after 1 January 2018.

Name and registered headquarter of the company in charge of drafting the consolidated statement

Pursuant with the information required by Art. 2427, item 22-5 and-6 of the Italian Civil Code, we specify that Company Ascopiave S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo drafts the Consolidated Financial Statement of smaller group of which it is part as a subsidiary company. The entirety of this Consolidated Financial Statement is available at its registered office. Furthermore, Company Asco Holding S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo draft the Consolidated Financial Statement of largest group of which it is part. The entirety of this Consolidated Financial Statement is available at its registered office

Consolidation principles

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity 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 charges 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 recognized as “Goodwill”; if negative, it is recognized 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 based on 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 recognized in the equity; similarly, the effects arising from the sale of minority interests without loss of control are recognized 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 amortized 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 realized. 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 recognized 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 unrealized 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 unrealized losses are eliminated, except when they represent an impairment.
The financial statements of the Subsidiaries used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the Consolidated companies are adjusted, where necessary, to harmonize them with the accounting standards used by the Parent company, which are pursuant to IFRSs adopted by the European Union.

Business combinations

The business combinations through which the control of an entity is acquired are recognized, pursuant to the provisions of IFRS 3 - Business Combinations, by using the acquisition method. The cost of acquisition is the fair value at the date of purchase of the assets acquired, the liabilities assumed, and the equity instruments issued. The identifiable assets acquired, the liabilities and the potential liabilities assumed are recognized at acquisition-date fair value, except deferred tax assets and liabilities, assets and liabilities for employees' benefits and assets held for sale booked based on the relevant accounting standards. The difference between the cost of acquisition and the fair value of the acquired assets and liabilities, if positive, is recorded under intangible assets as goodwill and, if negative, after verifying the correct measurement of the fair values of assets and liabilities acquired and the cost acquisition, is recognized directly in the profit and loss account as gain. The acquisition-related costs are recognized in the income statement when they are incurred. The cost of acquisition also includes the contingent consideration, recognized at fair value at the date of control acquisition. Subsequent changes in fair value are recognized in profit or loss or the overall profit and loss account if the contingent consideration is a financial asset or liability. Contingent considerations classified as Equity are not recalculated and the subsequent settlement is accounted for directly in Equity. If the business combinations through which control is acquired occur in multiple stages, the Group recalculates the equity interest it previously held in the acquiree at fair value at the acquisition date and recognizes in the profit and loss account any resulting profit or loss. Acquisitions of minority interests in entities for which control is already held or sale of minority interests which do not involve the loss of control are considered as Equity transactions; therefore, any difference between the cost of acquisition/divestiture and its acquired/divested portion of Shareholders' equity is recognized to adjust the Group's Shareholders' equity.
In the event of purchase of non-controlling interests, goodwill is only recognized for the portion attributable to the parent company. The minority interest amount is determined in proportion to the minority interests in the identifiable net assets of the acquiree. Incidental expenses related to the acquisition are recognized in profit or loss when the services are rendered.

Consolidation area and principles

The companies included in the consolidation area as of 31 December 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 far as the companies ASM Set S.r.l., Estenergy S.p.A. and Unigas Distribuzione S.r.l. are concerned, after purchasing part of their share capital, the Group set forth a governance structure and decision quorum for the Board of Directors and the Shareholders' Meeting so that it would have the joint control of the affiliated company, pursuant to IAS 31 international accounting standard.

Compared to 31 December 2015, it is noted that on 18 March 2016 100% Ascopiave S.p.A. controlled company to AP Reti Gas S.p.A was created. Furthermore, on 1 July 2016 to ensures compliance with the provisions of AEEGSI on unbundling ASM Distribuzione Gas S.r.l was renamed into 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.	18,317	1,918	2,184	(209)	Ita Gaap
AP Reti Gas S.p.A.	39,231	7,687	306,403	(6,420)	IFRS
Ascopiave S.p.A.	56,372	33,700	394,246	134,940	IFRS
Ascotrade S.p.A.	285,965	25,044	40,709	(18,629)	IFRS
Blue Meta S.p.A.	67,377	5,491	10,332	(8,695)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	5,179	1,163	10,306	(79)	Ita Gaap
Estenergy S.p.A.	125,199	10,374	23,505	(4,002)	IFRS
Etra Energia S.r.l.	7,175	463	885	(1,024)	Ita Gaap
Pasubio Servizi S.r.l.	35,003	3,550	6,430	(7,322)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	4,338	1,332	14,056	(770)	Ita Gaap
ASM Set S.r.l.	25,676	1,925	2,195	(4,419)	Ita Gaap
Unigas Distribuzione S.r.l.	13,430	2,728	41,173	1,889	Ita Gaap
Veritas Energia S.p.A.	81,485	2,285	4,201	1,877	Ita Gaap

The financial statements of subsidiaries prepared pursuant to national accounting standards are harmonized upon consolidation.

Information on consolidated subsidiaries with minority interests

The company Ascopiave S.p.A. holds interests in consolidated subsidiaries in which, in some cases, third parties hold minority interests. Please refer to the information table contained in the previous paragraph for the indication of the controlling interest relating to each consolidated company. The management deems that the stake that minority interests hold in the assets and financial flows of the Ascopiave Group is not significant.

Assessment criteria

The evaluation principles adopted by the Group are reported below:

Goodwill: the goodwill obtained from the acquisition of business branches operating in the supply and sale of gas is initially booked at cost and represents the excess of the purchase price compared to the portion pertaining to the purchaser for the net fair value referred to values identifying the current and potential assets and liabilities.

After the initial booking, goodwill can no longer be amortized and is reduced by any losses of value.

Goodwill is subjected to an annual recoverability analysis, or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible losses of value.

With the intent of analysing the recoverability, the goodwill acquired through groups of companies is allocated, as of the acquisition date, to each of the units (or groups of units) that generate financial flows with the Group that it is held would benefit from the synergy effects of the acquisition, without regard to the allocation of other assets or liabilities of these units (or groups of units).

Units generating financial flows:

(i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;

(ii) are no greater than one sector, as defined in the primary or secondary indication scheme of the Group pursuant to IFRS 8 “Product information sector”.

Loss of value is determined by defining the recoverable value of a unit, which generates flows (or groups of units) to which the goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is inferior to the book value, a loss of value is indicated. In cases in which the goodwill is attributed to a unit which generates financial flows (or group of units) which is activated through partial abandonment the goodwill associated with the transferred profit is considered in order to determine the positive or negative change derived from the operation. Goodwill transferred in such cases is calculated based on the values relative to the asset transferred with respect to the asset still held regarding the same unit.

Other intangible assets: intangible assets mainly include assets pertaining to concessions between the public and the private sectors (so-called service concession agreements) related to development, financing, management and maintenance of infrastructures in concession, of which:

(i) the lessor controls or regulates the services supplied by operator through the infrastructure and their prices;
(ii) the lessor controls through property, ownership of benefits or in other ways any significant remaining profit-sharing at the end of the concession.

Other intangible assets also include the recognition of the fair value of customer lists resulting from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years and in the current year (Veritas Energia S.p.A.) rather than, the recognition of charges paid to the awarding entities (Municipalities) and/or the outgoing operators subsequent to the assignment and/or the renewal of the relevant invitation to tender to award the service of natural gas distribution.

As concerns the write-off period:

(i) the customer lists are amortized on a straight-line basis, based on the estimate of the benefits that will have effects in future years and determined during the Purchase Price Allocation. In particular, the Directors have established that the useful life associated with customer lists is ten years, due to the low turnover rate of customers, represented mainly by civil users;
(ii) the concessions for the service of natural gas distribution are amortized on a straight-line basis, based on the duration of the concession period. The amortization period of the concessions acquired by the Ascopiave Group is equal to twelve years pursuant to the regulatory framework.

After the initial reporting, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortization operations and net of any losses in value, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Assets acquired under financial leases are booked at fair value, net of taxes due by the lessee or, if lower, at the current value of the minimum lease payments, including any sum payable for the exercise of the option to purchase, in intangible assets offsetting the financial debt to the lessor.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported on the income statement at the time of the sale.

Duration and residual value of assets under concession: The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, after 31 December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate.
In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.
Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalized.

Tangible assets are presented net of the relevant accumulated depreciation, and any losses of value determined according to the basis described below. Amortization is calculated in uniform instalments based on the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8.5% - 8.3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motorcars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and, in the event the book value should exceed the presumed realization value, the assets are devalued so as to reflect their realization value. The realization value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Losses of value are reported on the income statement with the costs for amortizations and write-downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above-mentioned elimination.

Shareholdings:

The shareholdings recognized in this item relate to long-term investments; the Group classifies its shareholdings into the following categories:

- shareholdings accounted for using the equity method;
- other shareholdings

Shareholdings accounted for using the equity method: these shareholdings are in turn divided into two categories:

- **Shareholdings in joint companies**: The shareholdings in joint companies, i.e. in which the Group controls the entity with other shareholders, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the joint company. According to the equity method, shareholdings are recognized in the balance sheet at cost, adjusted for post-acquisition changes in the net assets, net of any loss in value of individual shareholdings. The excess of acquisition cost as compared to the share attributable to the Group of the identifiable fair value of assets, liabilities and contingent liabilities of the company at the acquisition date is recognized as goodwill. Goodwill is included in the carrying value of the investment and is subject to impairment tests.
- **Shareholdings in affiliate companies:** The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the affiliate. If an affiliate company detects adjustments directly attributable to the net equity, the Group recognizes its share and includes it, where applicable, in the statement of changes in the net equity.

In the event the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognized in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf. If, at a later stage, the loss does no longer exist or has decreased, a reversal of an impairment loss is booked in the income statement, up to its cost.

Shareholdings in other companies: the shareholdings in companies other than subsidiaries, affiliate and joint ventures (generally with a stake lower than 20%), if their fair value at the date of the balance sheet cannot be determined because the related shares are not listed, are valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

Other non-current assets: are booked at their nominal value adjusted for any losses in value, corresponding to the amortized cost.

Financial assets

The Group classifies its financial assets into the following categories:

- assets at fair value through Profit or Loss;
- loans and receivables;

- financial assets held to maturity;
- financial assets available for sale.

Financial assets at fair value through Profit or Loss: this category includes financial assets acquired for the purpose of selling in the near term, as well as derivatives (for the latter, please refer to the specific paragraph below). The fair value of these instruments is determined regarding the market value at the closing date of the reporting period. The changes in fair value of the instruments falling within this category are immediately recognized in the profit and loss account. The distinction between current and non-current reflects the directors' expectations regarding their trading.

Loans and receivables: This category includes loans not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected. These assets are initially recognized at fair value and, subsequently, measured at amortized cost using the effective interest rate method. If there is objective evidence indicating impairment, the assets' value is reduced to such an extent as to be equal to the discounted value of future cash flows: the impairments determined upon the impairment test are recognized in the profit and loss account. If, in subsequent periods, the reasons for the previous write-downs cease to exist, the value of the assets is restored up to the value that would have resulted from the application of the amortized cost if the impairment test had not been performed. These assets are classified as current assets, except for those due beyond 12 months, which are included in non-current assets.

Financial assets held to maturity: this category includes financial instruments, other than derivatives, with fixed maturities and that the Group has the intention and ability to hold in its portfolio until maturity. They are classified as current assets if their contractual maturity is envisaged within the next 12 months. If there is objective evidence indicating impairment, the asset's value is reduced to such an extent as to be equal to the discounted value of future cash flows: the impairments determined upon the impairment test are recognized in the profit and loss account. If, in subsequent periods, the reasons for the previous write-downs cease to exist, the value of the assets is restored up to the value that would have resulted from the application of the amortized cost if the impairment test had not been performed.

Financial assets available for sale: This category includes financial assets, other than derivative instruments, specifically designated as falling within this category or not classified in any of the previous items. These assets are measured at fair value, which is calculated regarding market prices at the date of annual or interim financial statements, or through financial evaluation techniques and models, recognizing their changes in value in a specific equity reserve. The classification as current or non-current depends on the intentions of the Management and the actual marketability of the security itself. They are classified as current assets if they are expected to be realized within 12 months.

Inventories: inventories are booked at whichever of the following is lower: purchase and/or manufacturing cost, determined pursuant to the weighted average cost basis, or the estimated realizable net value. The net realization value is determined based on the estimated sales price in normal market conditions, net of direct sales costs.

Obsolete and/or slow to realize inventories are written down in relation to their presumed possibility of use or future realization. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Inventories of stored natural gas

The inventories of stored natural gas, are booked at whichever of the following is lower: purchase cost including incidental expenses, determined by applying the weighted average cost, or the spot market value at the closing date of the period.

Trade receivables and other current assets: trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortized cost net of the relevant value losses. These are suited to their presumed realization value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement. Additionally, the Group sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are with recourse.

Cash and cash equivalents: they include cash values, values available at sight, other short term financial investments. They are accounted at nominal value.

Own shares: Re-acquired own shares are taken as a decrease in the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognized under the net equity.

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues. The liability related to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions and is recognized on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR) owed to the employees of the Group companies pursuant to Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27th December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1st January 2007, the Severance indemnity is classified as a defined contribution plan.

The Group's obligations are separately determined for each plan, by estimating the present value of future benefits that employees have accrued during the current year and in previous financial periods. This calculation is performed using the projected unit credit method.

The components of the defined benefits are recognized as follows:

- the re-measurement components of liabilities, which include actuarial gains and losses, are recognized immediately in Other comprehensive income (loss);
- costs related to the provision of services are recognized in the profit and loss statement;
- net financial charges in the defined benefit liability are recognized in the income statement;

The re-measurement components recognized in Other comprehensive income (loss) are never reclassified in the profit and loss statement of the following years.

For the Severance indemnity accrued after 1st January 2007, the company is only required to pay contributions to the State (so-called Fondo INPS) or to a trust fund or a legally separate entity (so-called Fund) and is determined based on contributions due.

Moreover, the Group has signed compensation plans partly based on Ascopiave S.p.A. shares and settled through the delivery of shares (stock option plans, long-term incentive plans), recognized as liabilities and measured at fair value at the end of each accounting period and up to the time of payment. Any subsequent change in fair value is recognized in the profit and loss statement.

The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. 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, the financial regulation of which is based on the trend of the share title. This fair value is spent in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each closure of the period, until the date of regulation, with all changes made to the fair value reported on the income statement.

In 2016, the compensation plans relating to the preceding three-year period were settled; this operation has entailed the allotment of 99,078 shares. Pursuant to the rules governing the plan, there were no other allotments in the period, since the benefits will accrue at the end of the financial year. These compensation plans are accounted for in compliance with the requirements set out in IFRS 2.

For more details on the compensations paid during the year 2015, please refer to “Section II” of the Remuneration Report, prepared pursuant to Art. 123 - ter Legislative Decree no. 58/1998 (TUF).

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when:

(i) there is a current obligation (legal or implicit) that derives from a past event;

(ii) an outlay of resources is likely in order to meet the obligation;

(iii) a reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probably, the relevant potential liability is not marked in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties upon period end. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

Financial liabilities: financial liabilities include the medium and long-term loans recorded initially at fair value, net of any transaction costs incurred and, subsequently, measured at amortized cost, calculated by applying the effective interest rate, net of principal repayments already made.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorization for its publishing - not to require the payment because of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Other current financial liabilities are measured at amortized cost and are eliminated when they are settled, that is when the specific obligation in the contract is fulfilled, cancelled or has expired.

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, refer to financial liabilities resulting from trade transactions and are recognized at amortized cost.
Payables in a currency differing from the account currency are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

Other current liabilities: This item includes sundry transactions, which are booked at their nominal value, corresponding to their amortized cost.

Derivative financial instruments: The Group holds derivative instruments for the purposes of hedging its exposure to the risk of changes in methane gas and electricity prices. About such activity, the Group must manage the risks associated with the misalignment between the indexation formulas relating to the purchase of gas and electricity and the indexation formulas linked to the sale of the same commodities. The instruments used to manage the risk related to the volatility of goods prices basically consist in commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in market conditions.
The transactions which, pursuant to risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as “hedging transactions” (and recognized as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the international standards, are classified as “trading transactions”. In this event, the changes in fair value of derivatives are recognized in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

Derivatives embedded in financial assets/liabilities are separated and assessed at fair value, except for cases where, pursuant to IAS 39, the strike price of the derivative at the starting date is close to the value determined based on the amortized cost of the reference asset/liability. In this event, the valuation of the embedded derivative is absorbed in the valuation of the asset/financial liability.

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

(i) Level 1, financial instruments whose fair value is determined based on a price listed in an active market;

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

The Group, as of 31 December 2016, has only one type of financial instruments on commodities falling within the scope of level 3.

Revenues and costs: revenues and costs are booked on an accrual basis.

The revenues from sales and service performance are recognized to the extent to which it possible to determine their fair value, and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. Depending on the type of operation, revenues are entered based on the following specific criteria:

- the revenues from natural gas transportation are recognized at the time when the supply or the service are provided - although not yet invoiced - and are determined by combining estimates with the values recorded during the financial year based on the so-called reference tariffs, in order to determine the restriction on total revenues as provided for by the regulations issued by the Authority for Electricity, Gas and Water;
- the revenues for gas sales are recognized at the moment of disbursement and depend on the type of customer. The product sector norms hold that, in relation to customers that have not chosen to utilize the right to directly negotiate the conditions for supplies with the company that sells the gas, mainly consisting of domestic users, the tariffs for natural gas sales are regulated and updated quarterly based on Resolution made by the Authority for Electrical Energy, Gas and Water (“AEEGSI”).
- the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the Income statement;
- the revenues for service performance are recognized regarding the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be not booked until the amounts of the costs incurred into are deemed recovered;
- Revenues are entered net of all discounts, rebates and premiums, as well as the taxes directly connected;

As concerns, the quantification of consumption, commencing 1st January 2013, the AEEGSI has amended, by resolution 229/2012/R/GAS dated 31 May 2012, the Network Code appointing Snam Rete Gas S.p.A. as the entity in charge of allocating natural gas to the sales companies. The resolution has also amended the deadlines for the publication of the temporary and definitive allocations, which, up to the previous financial year, were performed by local distributors in the three months subsequent to those of consumption, at the end of which the final allocation was definitive.

Commencing 1st January 2013, the allocation methods envisage the publication of a first allocation during the month following that of consumption which will be subject to a first adjustment session within the month of May of the following financial year, and undergo further refinement as part of the multi-year adjustment sessions to be carried out in the following years up to the limit of five years.

The adjustment sessions modify the first allocations by considering the further information received by local distributors and transmitted to Snam Rete Gas S.p.A.

The regulatory changes described above, therefore, generate a scenario in which it is possible that the amounts allocated in the first phase are adjusted after the terms of approval of the draft financial statements.

For the purpose of valuation of revenues for the supply of natural gas to end-customers, given the regulatory change and the adjustments that occur during the following year, the Group has deemed it reasonable, in order to determine the revenues, to balance the cubic meters sold (except the cubic meters consumed by clients subject to monthly reading) with the cubic meters allocated by Snam Rete Gas S.p.A.

The physical quantities allocated during adjustment sessions are subject to valuation in the following year subsequent to the publication of the data made available by Snam Rete Gas S.p.A.

By resolution 250/2015/R/GAS dated 29th May 2014, the AEEGSI approved the request submitted by Snam Rete Gas S.p.A. to perform the 2013 annual session adjustment by the month of May 2015 as part of the first multi-year adjustment session that will affect the financial years 2013 and 2014.

Following the decision above, the AEEGSI, with Resolution 276/2015/R/GAS dated 9th June 2015, suspended the payment of the invoices issued subsequent to the first multi-year adjustment session as well as the count of the invoices as part of the activities for monitoring the potential exposure of the system against the user, for the time necessary to conduct the required audits and, in any case, with timelines suitable to ensure the proper execution of the next adjustment session. The recent resolution has consequently outlined a scenario that exposes the Group to assume 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 because of the failure to perform the adjustment session affect the financial years 2013 and 2014 as well as the effects accrued in 2015. To represent consistently the results achieved by the Group, maintaining a conservative approach and safeguarding the correlation of costs incurred and revenues generated, the directors have considered it appropriate to balance the cubic meters sold during the reference year with the cubic meters allocated by the entity in charge of the balance; however, the economic effects of the measurement differentials of the previous years have been taken into consideration.

The coefficient used to separate the revenues generated by the measurement differential is the ratio between the cubic meters placed in the network by the leading distributor and the cubic meters read at the point of redelivery by the distributor itself. This percentage is believed to be a much more reliable estimate, by virtue of the significant amounts of readings recorded during the years being analysed, which include real measurements of almost all the redelivery points.

Once the effect resulting from the measurement factor was separated, the residual differential between the volumes allocated by the entity in charge of the balance and the volumes sold to end customers (billed based on actual measurements), will be a probably adjusted. These adjustments will be performed when the first valid correct adjustment session is completed.

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.

At the end of financial year 2016, as in 2014 and 2015, the amounts of natural gas valued at purchase and sale may be less than the amounts of gas actually sold.

Public contributions: public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

Private contributions: it should be noted that private contributions received up to 31 December 2013 for the construction of connections to users were fully entered in the income statement when the costs for their construction were incurred and the work was commissioned. The contributions received for the construction of these works that were not related to the costs incurred for their construction were suspended in liabilities and recognized in the income statement when the conditions were fulfilled. The private contributions received for the construction of connections to users are recorded from 1st January 2014 in liabilities at the moment of payment and recorded to the income statement from the date of connection construction, consistent with the recognition of costs to which the works refer and their useful life.

Financial income and expenses: income and costs are booked by competence according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and not on the income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave and the almost entirety of its subsidiaries benefited for a three-year period 2016 -2018 of the national fiscal consolidation regime pursuant to art. 117/129 of the Single Reference Text on Revenue Taxes (TUIR). This option enabled the calculation of IRES based on a taxable amount equalling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. AscoHolding S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

Each of the participating companies transfers its income tax (taxable income or tax loss) to the consolidating company recognizing therefore in the income statement the item "tax consolidation charges" or "tax consolidation income" for an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Asco Holding S.p.A.

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is probable that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, except for the following:

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible

temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

Earnings per share: 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.

Use of estimates

The preparation of the financial statements requires the management to provide estimates and assumptions based on complex and/or subjective judgments, estimates based on experience and assumptions deemed to be reasonable and realistic based on information available at the time of estimate. This affects the values of the assets and liabilities reported on the consolidated financial statements, as well as costs and revenues and information relating to potential assets and liabilities as of that date. 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.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31 December 2010 and 31 December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above-mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Permanent reductions in the value of non-financial assets: At each balance sheet date, the Group assesses whether there are permanent reductions in the value of all non-financial assets. Goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate. As of 31 December 2015, the book value of goodwill amounts to Euro 80,758 thousand (2014: Euro 80,758 thousand). Further details can be found under Note 1;
- The valuation of the revenues from gas consumption for which the actual reading is not yet available;

- Provisions for risks on receivables, obsolete inventories, the useful lives of intangible and tangible fixed assets and related amortization, employee benefits and payment plans based on stock options (so-called phantom stock option), taxes and provisions for risks and charges.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the Directors have taken decisions based on the stated discretional evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Impairment of assets

The Group performs at least once a year an impairment test on tangible and intangible assets if their useful lives are indefinite or, more often, in the presence of events suggesting that their carrying amount may not be recoverable. Goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this test requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.
As of 31 December 2016, the accounting value of the Goodwill is 80,758 thousand (2015: Euro 80,758 thousand).

Recognition of Revenue

Revenues from the sale of electricity and gas are recognized and recorded upon delivery and include the allocation for the services provided between the date of the last reading and the end of the year, but not yet invoiced. This allocation is based on the customer's daily consumption estimates, based on the historic profile, adjusted to reflect weather conditions or other factors that may affect the consumption under evaluation.

Amortization and depreciation

Amortization and depreciation are calculated based on the estimated useful life of the asset or the remaining term of the concession; the useful life is determined by the directors, with the assistance of technical experts, when the asset is entered in the financial statements; the assessments about the duration of the useful lives are based on historical experience, market conditions and expectations of future events that could affect the useful life, including technological innovations. On a regular basis, the company evaluates technological and sector changes, dismantling and close-down charges and the recovery value in order to update the asset's remaining useful life. This periodic update may lead to a change in the depreciation/amortization period and thus the depreciation/amortization quota for future periods.

Duration and residual value of assets under concession: The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31 December 2010 and 31 December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry.

Provisions for risks

These provisions have been devised by adopting the same procedures as in the previous years and by referring to the updated reports prepared by the lawyers and consultants who are examining the disputes, as well as based on the procedural developments of the latter.

Provision for doubtful accounts

The provision for doubtful accounts reflects the estimated losses connected with the receivables of the company. Provisions have been established to cover specific cases of insolvency, as well as in relation to expected bad debts estimated based on experience with respect to receivables with a similar risk profile.

Deferred tax assets

Deferred tax assets are recognized based on expectations about the Group's taxable income in future years. The assessment of the expected taxable income for the purpose of accounting for deferred taxes depends on factors that may vary over time and that might have significant effects on the recoverability of deferred tax assets.

Benefits to employees

The expenses and related liabilities are calculated based on actuarial assumptions. The effects arising from any changes in these actuarial assumptions are recognized in a specific shareholders' equity reserve.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. *Goodwill*

Goodwill, equal to Euro 80,758 thousand as of 31 December 2016, remains unchanged as compared to 31 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.

Pursuant to 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	31.12.2016
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
Total goodwill	**80,758**			**80,758**

The depreciation audit on goodwill has been carried out by comparing the recoverable value of the activities of natural gas distribution and sale with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sale value between the aware and available parties in the activity of gas sale and distribution, other than the criteria put forward in literature to evaluate the branches of a company, the recoverable value of the audited asset is defined by its use value.

The recoverable value of gas sale and distribution financial flow-generating units has been estimated using the Discounted Cash Flow method, discounting back the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.
The financial flows used to calculate the recoverable value cover the forecasts formulated by the management in the Economic and Financial Plan for the period 2016-2018 approved with resolution of the Board of Directors dated 26th February 2016.

The current sector legislation establishes that the natural gas distribution service is awarded by means of tender procedures in the minimum territorial areas within pre-established time limits.
The tenders for the award of the service in the territorial areas where the Group currently holds most of its municipal concessions – if the deadlines illustrated in the regulations (recently postponed by Law no. 21/2016) are respected – will mainly take place during the two-year period 2017-2018. Although it is reasonable to believe that some tenders will be launched and awarded before 31 December 2018, the Economic and Financial Plan - and consequently also the

assessment methods adopted to determine the use value of the gas distribution CGU - assumes that the Group, during the three-year period 2016-2018, will maintain the management of the current portfolio of concessions.

Regarding the activity of gas distribution, it was hypothesized that in the period 2017-2019 the management would generate financial flows in line with those envisaged in the Economic and Financial Plan 2017-2019 while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by hypothesizing two alternative scenarios:

- scenario 1: The Group obtains in 2019 the renewal of all the concessions and credits in effect on 31 December 2016;
- scenario 2: The Group ends the activity of gas distribution in 2019, realizing the return value of the plants as per Art. 15 of Legislative Decree no. 164/2000;

Regarding scenario 1, the terminal value has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals.
The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.15%, in line with the inflation rate forecasts elaborated by BMI Research and however lower than the inflation target of the European Central Bank.

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

a) an average beta unlevered sector coefficient, as indicated by the AEEG in Attachment A of Resolution 583/2015/R/com dated 2nd December 2015;
b) the level of financial leverage (ratio between financial debt and own means) is in line with the financial structure of reference presumed by the AEEG in Attachment A of Resolution 583/2015/R/com dated 2nd December 2015;
c) the market risk equal to 5.5% (5.5% as of 31 December 2015), based on authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);
d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31 December 2016.
e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31 December 2016 and increased by a 3% spread;
f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 1% (1% as of 31 December 2015).

Based on these elements, the average weighted cost of the post-tax capital is equal to 4.73%. These rates have been used for updating cash flows in the period provided for by the Plan 2017-2019.
The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.64% and was calculated based on the above parameters and providing for an additional risk premium for the

calculation of the cost of equity (Ke) of 2.0% (2% as of 31 December 2015)., to consider the uncertainty on the possible renewal of the concessions and their conditions of renewal.

The results obtained have undergone sensitivity tests, in order to find out how the result of this assessment process might vary depending on the change of profitability parameters assumed in future cash flows, of the growth rate considered upon determining the terminal value or of the discount rate to discount the cash flows. This analysis has led the Directors to evaluate that the expected cash flows can absorb normal variations of the parameters highlighted with respect to the sensitivity analyses generally performed in assessment practice.

The Directors have identified - in scenario 1 - which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 7.0% (6.0% as of 31 December 2015), or an average decrease in EBITDA equal to 24.7% (7.6% as of 31 December 2015).

The Directors have finally identified - in scenario 2 - which discount rate value and which variation in plants reimbursement values considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Distribution CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 12.5% (10.6% as of 31 December 2015), or an average decrease in reimbursement values equal to 27.1% (19.1% as of 31 December 2015).

The estimate of the recoverable value of the cash generating units requires discretion and the use of estimates by the management. Several factors related to the evolution of the difficult regulatory context could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

Regarding the activity of natural gas sale, cash flows used to calculate the recoverable value implement the forecasts made by management for the period 2017-2019. The terminal value has been estimated as an estimate of a perpetuity based on results expected for 2019.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.5% (1.5% as of 31 December 2015), in line with the inflation rate forecasts elaborated by BMI Research and however lower than the inflation target of the European Central Bank.

The cost of capital (WACC) of the gas sale CGU was calculated assuming:

a) a beta unlevered coefficient determined based on a sample of comparable companies (listed Italian utility companies); stock market prices were observed over a period of two years on a weekly basis;
b) the level of financial leverage (ratio between financial debt and own means) in line with the financial structure of reference (Italian multi-utility companies);

c) a market risk premium equal to 5.5% (5.5% as of 31 December 2015), based on authoritative academic sources, professional practices, market consensus and the guidance provided by Organismo Italiano di Valutazione (OIV);
d) the Risk-Free Rate adopted - equal to the annual average of net yields on 10-year government bonds as of 31 December 2016;
e) the cost of debt equal to the annual average of 10-year Interest Rate Swap on Euribor, calculated as of 31 December 2016 and increased by a 3% spread (3% as of 31 December 2015);
f) an additional risk premium in order to calculate the cost of equity (Ke) equal to 2% (2% as of 31 December 2015).

Based on these elements, the average weighted cost of the post-tax capital is equal to 5.24% (5.83% as of 31 December 2015). These rates have been used for updating cash flows in the period provided for by the Plan 2017-2019.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.82% (6.38% as of 31 December 2015) and was calculated based on the above parameters and providing for a further additional risk premium or the calculation of the cost of equity (Ke) of 3% (3% as of 31 December 2015), to consider a fiercer competitive context.

Considering the other hypotheses described, the recoverable value of financial flow-generating units for gas sales is higher than the accounting values and therefore the conditions are not met to proceed to devaluing the goodwill for depreciation.

The results obtained have undergone sensitivity tests, in order to find out how the result of this assessment process might vary depending on the change of profitability parameters assumed in future cash flows, of the growth rate considered upon determining the terminal value or of the discount rate to discount the cash flows. This analysis has led the Directors to evaluate that the expected cash flows can absorb normal variations of the parameters highlighted with respect to the sensitivity analyses generally performed in assessment practice.

The Directors have finally identified which discount rate value and which variation in EBITDA considered upon performing the impairment test could result in a use value equal to the book value of the net assets associated with the Gas Sale CGU. This additional sensitivity analysis has led to identify the breakeven point of the CGU with a discount rate of 29.0% (21.5% as of 31 December 2015), or an average decrease in EBITDA equal to 82.3% (73.7% as of 31 December 2015).

The estimate of the recoverable amount of the cash generating units requires discretion and the use of estimates by the management. Several factors could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

Upon transfer to AP Reti Gas S.p.A. of the gas distribution activities, Ascopiave S.p.A. became a share interest holding that carries out direction and strategic coordination activities in the Ascopiave Group. Pursuant to IAS 36 accounting standard, we verified the recoverability of the so-called “corporate assets” of Ascopiave S.p.A. i.e. the assets and liabilities related to the main Ascopiave S.p.A. assets that have not been allocated in the CGUs during the first level impairment tests. The test has been carried out on a consolidation level (second level test) as prescribed in IAS 36. We verified the net invested consolidated capital of Ascopiave, net of un-consolidated share interests. Specifically, the recoverable amount has been determined as the sum of the following: i) recoverable amount of the CGUs gas distribution, gas sale and activities that were deemed as primary during the first level impairment test and ii) the recoverable amount of company Ascopiave. In both cases the value-in-use value configuration was used.

About the recoverable amount of Ascopiave, the cash flows used are consistent with the forecasts set forth by company management for the years 2017 – 2019. Terminal value was determined as the estimate of infinity starting from the results expected in 2019.

The (g) growth factor that was used for the calculation of the terminal value was set to 1.15% (1.5% as of 31 December 2015), consistent with the inflation estimate for Italy by the International Monetary Fund and below the inflation target of the Central European Bank.

The pondered cost of capital (WACC) was estimated as the pondered average of WACC amounts calculated for each CGU, where ponderation factors weight in percentage over the Operating Results of each CGU for the entire Operating Result of 2016.

We calculated that the recoverable amount determined with these parameters is higher than the accounting values and therefore it is not necessary to depreciate Goodwill.

2. Other intangible fixed assets

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

	31.12.2016			31.12.2015		
(Thousands of Euro)	**Historic cost**	**Accumulated depreciation**	**Net value**	**Historic cost**	**Accumulated depreciation**	**Net value**
Industrial patent and intellectual property rights	4,910	(4,524)	386	4,886	(4,321)	565
Concessions, licences, trademarks and similar rights	9,933	(4,835)	5,098	9,933	(4,096)	5,837
Other intangible assets	25,632	(17,300)	8,332	25,631	(14,838)	10,793
Tangible assets under IFRIC 12 concession	544,096	(243,789)	300,307	520,579	(230,243)	290,336
Intangible assets in progress under IFRIC 12 concession	2,783	0	2,783	9,128	0	9,128
Other intangible assets	**587,353**	**(270,448)**	**316,905**	**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					31.12.2016
(Thousands of Euro)	**Net value**	**Change for the period**	**Decrease**	**Amortizations during the period**	**Depreciations**	**Net value**
Industrial patent and intellectual property rights	565	34	0	203	0	386
Concessions, licences, trademarks and similar rights	5,837	0	0	739	0	5,098
Other intangible assets	10,793	1	0	2,462	0	8,332
Tangible assets under IFRIC 12 concession	290,336	25,339	1,825	14,449	(906)	300,307
Intangible assets in progress under IFRIC 12 concession	9,128	(5,700)	645	0	0	2,783
Other intangible assets	**316,659**	**19,674**	**2,481**	**17,853**	**(906)**	**316,905**

The investments made during the financial year amount to Euro 19,674 thousand and refer to costs incurred for the realization 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 34 thousand explained by the purchase and of software.

Industrial patents and intellectual property rights

During the period considered, the item “Industrial patents and intellectual property rights” shows an increase equal to Euro 34 thousand explained by the purchase of software.

Concessions, licenses, 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 amortization. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortized 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 year 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.

Plants and equipment in concession regime

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 financial year, variations amount to Euro 25,339 thousand, and mainly relate to the construction of the distribution facilities for natural gas for Euro 1,365 thousand, to the construction of the distribution network for Euro 6,361 thousand and connections for Euro 4, 952 thousand as well as the installation of meters for Euro 7,037 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 in progress 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 negative balance in the item amounts to Euro 5,700 thousand and is explained by a reclassification of fixed assets in the 2015 FY that have been completed in the year under examination. This was partially offset by investments during FY 2016.

3. Tangible assets

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

	31.12.2016			31.12.2015		
(Thousands of Euro)	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	37,169	(9,708)	27,461	36,575	(8,629)	27,945
Plant and machinery	2,599	(1,129)	1,470	4,576	(1,879)	2,697
Industrial and commercial equipment	3,192	(2,673)	519	3,172	(2,539)	633
Other tangible assets	15,871	(13,195)	2,676	15,354	(12,232)	3,122
Tangible assets in progress and advance payments	238	0	238	590	0	590
Other tangible assets	**59,071**	**(26,706)**	**32,364**	**60,266**	**(25,278)**	**34,987**

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

	31.12.2015						31.12.2016
(Thousands of Euro)	Net value	Change for the period	Decrease	Amortizations during the period	Reclassification contributions received for the realization of the plants	Depreciations	Net value
Lands and buildings	28	713		1,081	(116)		27,461
Plant and machinery	2,697	153		189	(1,191)		1,470
Industrial and commercial equipment	633	27		140	0		519
Other tangible assets	3,122	518		963	0		2,676
Tangible assets in progress and advance payments	590	(246)	2	0	(104)		238
Other tangible assets	**34,987**	**1,164**	**2**	**2,374**	**(1,411)**	**0**	**32,364**

At the end 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 recognized 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 713 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 Euro1.470 thousand on 31 December 2016. The change is mainly explained by the reclassification of the contributions received for the construction of co-generation plants. During the year, this item received investments for Euro 153 thousand.

Industrial and commercial equipment

The item "Industrial and commercial equipment" in the period considered registered investments equal to Euro 27 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 financial year 2015, increased the item “Other assets” by Euro518 thousand, and they mainly relate to the costs incurred for the purchase of corporate vehicles for Euro 310 thousand and hardware for Euro 103 thousand.

Tangible assets in progress and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the year, the item decreased by Euro 246 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. Share interests

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			**31.12.2016**
(Thousands of Euro)	**Net value**	**Increase**	**Decrease**	**Net value**
Shareholdings in jointly controlled companies	68,078	6,594	5,935	68,737
Shareholdings in other companies	1	0		1
Shareholdings	**68,078**	**6,594**	**5,935**	**68,738**

Shareholdings in joint companies

Shareholdings in joint companies increase from Euro 68,078 thousand to Euro 68,738 thousand marking an increase of Euro 660 thousand. In particular, the increase is mainly explained by the results achieved in 2016 for Euro 6,594 thousand of which Estenergy S.p.A. Euro 4,479 thousand, ASM Set S.r.l. Euro 876 thousand and Unigas Distribuzione S.r.l. Euro 1,237 thousand, partially offset 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, net of the changes due to the remeasurement of defined benefit plans (IAS 19R) for Euro 9 thousand.

The valuation of investments in joint ventures using the equity method and the economic and financial data of these companies are shown in the section "Synthesis data as of 31 December 2016 of jointly controlled companies consolidated using the equity method" of the Explanatory Notes.

Shareholdings in affiliate companies

Sinergie Italiane S.r.l. in liquidation

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

The scope of activity of the associate company during the financial year 2014-2015 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, finalized before to the liquidation.

It should be noted that during the month of 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 will be extended to 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 focused 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 2014-2015, as approved by the Shareholders' meeting on 19th December 2016 and on preliminary operating data of financial year 2016-2017 restated pursuant to international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 13,561 thousand, of which Euro 4,196 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31 December 2015 amounted to € 17,300 thousand, of which € 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 1,157 thousand, with a positive impact on the profit and loss statement (Euro 1, 528 thousand as of 31 December 2015).

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

(Values referred to pro-rata partecipation in Million of Euro)	31/12/2016	30/09/2016	31/12/2015
Non-current assets	2.62	2.67	2.84
Current assets	9.01	6.72	9.33
Net equity	(4.03)	(4.35)	(5.13)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	14.63	12.72	16.28
Revenues	15.36	53.32	15.89
Costs	(14.82)	(51.38)	(15.39)
Gross operative margin	0.54	1.94	0.50
Amortization and depreciation	(0.20)	(0.80)	(0.20)
Operating result	0.34	1.14	0.30
Net result	0.32	1.08	0.30
NFP	2.45	2.09	2.60

5. Other non-current assets

(Thousands of Euro)	31.12.2016	31.12.2015
Security deposits	9,438	11,304
Other receivables	4,128	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 decrease from Euro 15,366 thousand to Euro 13,566 thousand marking a decrease of Euro 1,800 thousand, mainly due to the cash in of a collateral deposit that company Ascotrade S.p.A. had paid to a Sinergie Italiane S.r.l. under 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 31 December 2006. The delivery of said infrastructures occurred following the date of expiry of the concession, on 31 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 Ascopiave Group Ascopiave Group – Interim Report as of 30th September 2016 55 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 31 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 31 December 2016, there are on-going litigations with the municipalities mentioned above in order to define the value of compensation of the delivered distribution systems. The Group, also following the opinion of its legal advisors, believes that the result of the litigation and arbitration procedures is uncertain.

6. Non-current financial asset

The following table shows the breakdown of Non-current assets at the end of each period considered:

(Thousands of Euro)	31.12.2016	31.12.2015
Non-current assets from derivative financial instruments	485	
Non-current assets from derivative financial instruments	**485**	

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 January and September 2018:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	19513462	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	14-apr-16	1-gen-18	30-set-18	Long/Buy	100.032 MWh	485
Totali									**100.032**	**485**

7. Advance tax receivables

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

(Thousands of Euro)	31.12.2016	31.12.2015
Advance tax receivables	9,758	11,333
Advance tax receivables	**9,758**	**11,333**

Advance taxes decrease from Euro 11,333 thousand to Euro 9,758 thousand, marking a decrease of Euro 1,575 thousand.

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 31 December 2016 and at the time when it is estimated that any temporary differences will be carried forward.

The total value of the temporary differences and the related amounts on which advance tax assets were recognized are as follows:

	31.12.2016			31.12.2015		
Description	**Temporary differences**	**Tax rate**	**Total effect**	**Temporary differences**	**Tax rate**	**Total effect**
Allocation of bad debt provisions	3,180	24.0%	763	1,303	24.0%	313
Allocation of bad debt provisions	0	27.5%	0	5,064	27.5%	1,393
Allocation of inventory write-down	33	28.2%	9	33	28.2%	9
Other - IRES 24% + IRAP 4.2%	1,355	28.2%	382	1,371	28.2%	386
Risks fund	1,588	24.0%	381	2,267	24.0%	544
Exceeding amortizations within 2013	6,838	28.2%	1,928	11,224	28.2%	3,165
Other 24%+IRAP 4,2%	1,058	28.2%	298	1,491	28.2%	420
Risks fund stocking gas	0	31.4%	0	559	31.4%	176
Phatom stock option+risks fund	1,386	24.0%	333	0	31.4%	0
Risks fund	59	27.9%	17	324	27.9%	90
Other - IRES 24%	522	24.0%	125	682	27.5%	188
IRES 24% exceeding amortizations	22,290	24.0%	5,349	18,945	24.0%	4,547
Other - gas sale IRES 24% + IRAP 3,9%	579	27.9%	161	297	31.4%	93
Other - gas distr. IRES 24% + IRAP 4,2%	36	28.2%	10	29	31.7%	9
Total advance taxes	**38,922**		**9,758**	**43,588**		**11,333**

Current assets

8. Inventories

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

	31.12.2016			31.12.2015		
(Thousands of Euro)	**Gross value**	**Bad debt provision**	**Net value**	**Gross value**	**Bad debt provision**	**Net value**
Gas stockage	1,945	0	1,945	1,980	(562)	1,418
Fuels and warehouse materials	2,399	(33)	2,366	2,192	(33)	2,158
Fuels and warehouse materials	**4,344**	**(33)**	**4,311**	**4,172**	**(595)**	**3,577**

As of 31 December 2016, inventories are equal to Euro 4,311 thousand and show an overall increase equal to Euro 734 thousand as compared to 31 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 +208 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 33 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 based on the market price recorded on the last day of the reporting period (31 December 2016, that is 20.55 €/MWh, 31 December 2015 16.500 €/MWh; source PB-GAS).
Unlike 31 December 2015, no depreciation of stocked gas price was necessary, as the market value was higher than the loading value of the stocked natural gas.
It is noted that the change in the source used was caused by the divestment of the PB-GAS platform as of October 2016.

9. Trade receivables

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

(Thousands of Euro)	31.12.2016	31.12.2015
Receivables from customers	66,882	82,411
Receivables for invoices to be issued	88,345	101,662
Bad debt provisions	(7,148)	(12,052)
Trade receivables	**148,079**	**172,022**

Trade receivables decreased from Euro 172,022 thousand to Euro 148,079 thousand, marking a decrease of Euro 23,943 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 4,904 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 FY 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 7,796 thousand of the total uses of the provision for bad debts for FY 2016 are attributable for Euro 3,647 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 in 2016 alone.
The changes in the provision for doubtful accounts are shown in the following table:

(Thousands of Euro)	31.12.2016	31.12.2015
Bad debt provisions	12,052	18,566
Provisions	2,891	4,004
Use	(7,796)	(10,518)
Final bad debt provision	**7,148**	**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 seniority.

(Thousands of Euro)	31st December 2016	31st December 2015
Gross trade receivables for invoices issued	66,882	82,413
- allowance for doubtful accounts	(7,148)	(12,052)
Net trade receivables for invoices issued	**59,734**	**70,362**
Aging of trade receivables for invoices issued:		
- to expire	51,710	62,031
- expired within 6 months	6,574	6,892
- overdue by 6 to 12 months	3,047	3,504
- expired more than 12 months	5,550	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)	31.12.2016	31.12.2015
Tax consolidation receivables	4,777	1,570
Annual pre-paid expenses	275	736
Advance payments to suppliers	9,837	7,587
annual accrued income	0	136
Receivables due from CSEA	25,819	29,217
VAT Receivables	4,096	3,309
UTF and Provincial/Regional Additional Tax receivables	2,353	3,515
Other receivables	50	449
Other current assets	**47,207**	**46,518**

Other current assets increase by Euro 689 thousand, going from Euro 46,518 to Euro 47,207 thousand in 2016.

The main variation is due to the increase for Euro 2,250 thousand of advance payments to suppliers pertaining the concession payments for the municipalities, tender costs for gas distribution concessions and advance payments to the GME for the purchase of energetic efficiency certificates. Additionally, a Euro 3,207 thousand for the increase of receivables for the fiscal consolidation of the Group, Euro 787 for increased VAT receivables, partially offset by the decrease in CCSEI receivables for Euro 3,398 thousand, decreased receivables on gas and electricity taxes and Euro 461 thousand for decreased yearly deferred payments.

The variation in receivables to the Bank for Environmental and Energy Services is mainly related to a decrease in the receivables for tariff components for the natural gas distribution service (Euro -15,161 thousand). This decrease has been partially offset with the accounting of the receivable amount for the contributions for the attainment of energetic efficiency objectives (+ Euro 9,564 thousand) as well as the receivables related to the APR mechanism (+Euro 2,687 thousand). Specifically, these receivables derive from the balance of the APR mechanism and is described in detail in the paragraph “Other significant events” herein.

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. regarding the companies of the Group which have adopted this option.

11. Current financial assets

The following table highlights the breakdown of the item for the period under consideration:

(Thousands of Euro)	31.12.2016	31.12.2015
Other financial current assets	0	3,487
Current financial assets	**0**	**3,487**

The current financial assets decrease to zero from Euro 3,487 thousand of the previous year.

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)	31.12.2016	31.12.2015
Receivables related to IRAP	655	368
Receivables related to IRES	0	647
Other tax receivables	352	352
Tax receivables	**1,007**	**1,368**

Tax receivables decreased from Euro 1,368 thousand to Euro 1,007 thousand, thus marking a decrease of Euro 361 thousand. The item includes the residual credit, minus the taxes attributed to FY 2016, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

Other tax receivables pertain tax credits for previous fiscal year for which a reimbursement has been requested.

13. Cash and cash equivalents

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

(Thousands of Euro)	31.12.2016	31.12.2015
Bank and post office deposits	8,803	28,286
Cash and cash equivalents on hand	19	15
Cash and cash equivalents	**8,822**	**28,301**

Cash and cash equivalents decreased from Euro 28,301 thousand to Euro 8,822 thousand, marking a decrease of Euro 19,479 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 period, 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)	31.12.2016	31.12.2015
Cash and cash equivalents	8,822	28,301
Current financial assets	0	3,487
Current financial liabilities	(3,552)	(3,641)
Payables due to banks and financing institutions	(64,397)	(97,866)
	(93)	(67)
Net short-term financial position	**(59,220)**	**(69,786)**
Medium- and long-term bank loans	(34,541)	(43,829)
Non-current financial liabilities	(357)	(422)
Net medium and long-term financial position	**(34,899)**	**(44,250)**
Net financial position	**(94,119)**	**(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 financial year 2016” of the report on management and under the paragraph “Medium- and long-term loans” of these Annual 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)	31.12.2016	31.12.2015
Current assets from derivative financial instruments	1,304	
Current assets from derivative financial instruments	**1,304**	

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 31 December 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 (€/000)
1	19355256	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	22-mar-16	1-set-17	31-ott-17	Long/Buy	13.080	MWh	60
2	19513462	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	14-apr-16	1-ott-17	31-dic-17	Long/Buy	80.880	MWh	355
3	374160156	Unicredit	Commodity Swap	TTF Month Ahead	14-apr-16	1-ott-16	30-set-17	Long/Buy	195.027	MWh	782
4	377847968	Unicredit	Commodity Swap	TTF Month Ahead	17-giu-16	1-gen-17	31-mar-17	Long/Buy	43.922	MWh	46
5	20703547	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	5-ott-16	1-dic-16	31-dic-16	Long/Buy	22.320	MWh	31
6	20647812	BNP Paribas	Commodity Swap	TTF Month Ahead	24-ott-16	1-gen-17	31-mar-17	Long/Buy	21.590	MWh	9
7	385016489	Unicredit	Commodity Swap	TTF Month Ahead	25-ott-16	1-gen-17	31-mar-17	Long/Buy	28.675	MWh	4
8	21035057	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	17-nov-16	1-gen-17	31-gen-17	Long/Buy	7.440	MWh	1
9	21168410	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	5-dic-16	1-feb-17	28-feb-17	Long/Buy	6.720	MWh	14
Totali									**419.654**		**1.304**

Consolidated Shareholders’ Equity

15. Net shareholders' equity

Ascopiave S.p.A. share capital as of 31 December 2016 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

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

(Thousands of Euro)	31.12.2016	31.12.2015
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	120,648	108,478
Group's Net Result	53,635	43,014
Net equity of the Group	**438,055**	**415,264**
Net equity of Others	2,847	2,524
Third parties Net Result	3,307	2,349
Net equity of Others	**6,154**	**4,873**
Total Net equity	**444,209**	**420,137**

During FY 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 10 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 31 December 2016 The hedging effects accrued during the year and those transferred to the profit and loss account in order to adjust the underlying supply costs with reference to all derivatives designated as hedge accounting during the year are:

(Thousands of Euro)	
Opening balance	194
Effectiveness gained during the year	1849
Effectively released in the income statement during the year	(283)
Closing balance	**1,760**

The value of the cash flow hedge reserve as of 31 December 2016 refers to the expected supply flows which will be recognized at cost (and therefore with effects on the income statement) during 2017 (for Euro 784 thousand) and 2018 (for Euro 839 thousand).

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) at year-end, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 796 thousand in the balance of the Equity cash flow hedge reserve; instead, there would be no impact on the Profit and Loss statement due to the total effectiveness of the hedging relationships analysed.

Net equity of minority interests

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

Non-current liabilities

16. Reserves for risks and charges

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

(Thousands of Euro)	**31.12.2016**	**31.12.2015**
Provisions for pension for gas sector employees	1,089	
Other reserves for risks and charges	5,903	7,360
Reserves for risks and charges	**6,992**	**7,360**

Reserves for risks and charges decrease by Euro 368 thousand, going from Euro 7,360 to Euro 6,992 thousand.

The variation is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation, the provision for personnel welfare and the use of the provision for employment-related litigations with employees.

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

(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2016	7,360
Provisions for risks hedging losses of associates with the equity method	(1,157)
Provisions for risks and charges	1,089
Use of provisions for risks and charges	(300)
Provisions for risks and chargesas of 31st december 2016	**6,992**

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

(Thousands of Euro)	31.12.2016	31.12.2015
Cover losses associated companies	4,196	5,353
Risks of litigation with suppliers	232	232
Funds on just working causes	1,475	1,775
Retirement fund and similar obligations	1,089	
Total	**6,992**	**7,360**

The pension funds and similar obligations item includes commitments to employees and managers regarding PILT. Please refer to “Costs of personnel” in the explanatory notes for additional information.

17. Severance indemnity

Severance indemnity increases from Euro 3,864 thousand as of 1st January 2016 to Euro 4,077 thousand as of 31 December 2016 with an increase of Euro 213 thousand.

(Thousands of Euro)	
Severance indemnity as of 1st January 2016	3,864
Retirement allowance	(1,402)
Payments for current services and work	1,534
Actuarial loss/(profits) of the period (*)	82
Severance indemnity as of 31st december 2016	**4,077**

*including the interest cost booked in the income statement.

The liabilities for employee severance indemnities are measured using an actuarial method, its value is therefore sensitive to changes in assumptions. The main assumptions used in the measurement of severance indemnities are the discount rate, the annual average percentage of outgoing employees and the maximum retirement age of employees.
The discount rate used for the measurement of the liability resulting from employee severance indemnity is determined regarding the market yields of high quality fixed-income securities for which the due dates and amounts correspond to

the due dates and amounts of future payments envisaged. For this plan, the average discount rate that reflects the estimated due dates and amounts of future payments relating to the 2015 plan is 1.31% (2.03% as of 31 December 2015)

The main hypotheses of the model are:

- mortality rate: survival table ANIA IPS55
- invalidity rate: INPS tables year 2000
- personnel rotation rate: 3.00%
- increase in remuneration rate: 3.00%
- inflation rate: 1.50%
- anticipation rate: 2.00%

The sensitivity analysis on the actuarial value of the provision did not highlight significant discrepancies compared to the value accounted in the statement.

The cost of work activities has been included in the costs of personnel, while the interest cost, equal to Euro 64 thousand has been accounted in Other financial costs.

18. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2016	31.12.2015
Loans from Prealpi	684	757
Loans from European Investment Bank	31,000	34,500
Loans from Unicredit S.p.A.	2,857	8,571
Medium- and long-term bank loans	**34,541**	**43,829**
Current portion of medium and long-term loans	9,287	9,628
Medium and long-term loans	**43,828**	**53,456**

Medium and long term loans, mainly represented as of 31 December 2016 by the payables of the Parent Company to the European Investment Bank for Euro 34,500 thousand and Unicredit for Euro 8,571 thousand, decrease from Euro 53,456 thousand to Euro 43,828 thousand, thus marking an increase of Euro 9,628 thousand, explained by the payment of the loan instalments during FY 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 31 December 2016 is equal to Euro 34,500 thousand, with Euro 3,500 thousand classified in due to banks and short-term loans.

The first loan tranche, whose original amount was Euro 35,000 thousand, will be reimbursed in 14 constant six-month instalments between 27th February 2017 and 28th August 2023; an interest rate equal to the six-month Euribor plus a 95.5 basis points spread will be applied. The second loan tranche, whose original amount was Euro 10,000 thousand, will be reimbursed in 16 constant six-month instalments, the first expiring on 27th February 2018 and the last expiring on 27th August 2025; an interest rate equal to the six-month Euribor plus a 71.5 basis points spread will be applied, in addition to the annual cost of 135 basis points related to the guarantee issued by Cassa Depositi e Prestiti S.p.A.

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.
The loan agreement envisages the fulfilment of the following covenants applied to consolidated data and to be checked twice a year:

a) Ebitda / net financial expenses ratio higher than 5;
b) Net financial position / Ebitda ratio lower than 3.5.

In addition, the bank is entitled to request a reimbursement before the deadlines envisaged by the amortization schedule, in the following cases:

a) decrease in project cost below the amount originally envisaged by the contract;
b) anticipated reimbursement of non-EIB loans (except revolving lines of credit);
c) change in the control of Ascopiave S.p.A. or Asco Holding S.p.A.;
d) changes in the regulatory framework, which could jeopardize Ascopiave S.p.A. ability to fulfil its obligations;
e) loss of concessions, if determining a value for consolidated RAB lower than Euro 300 million.

At the end of 2016, the covenants envisaged by the contract were respected since:

a) the Ebitda / net financial expenses ratio was equal to 156.34, calculated as the ratio between the Ebitda consolidated on that date, amounting to Euro 80,983 thousand, and the consolidated net financial expenses, amounting to Euro 518 thousand;
b) the net financial position / Ebitda ratio was 1.41, calculated as the ratio between the net financial position consolidated on that date, amounting to Euro 114,037 thousand, and the consolidated Ebitda, amounting to Euro 80,983 thousand.

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 and the loan has a seven-year duration. The prepayment of the loan is set on six-month postponed instalments, from 31 December 2011 to 30th June 2018.
During 2016 two instalments of said loan have been paid for Euro 2,857 thousand each, leading to a decrease in the loan itself for Euro 5,714 thousand and to an outstanding debt amounting to Euro 8,571 thousand at the end of the financial year.
The interest rate is variable, and it involves a three-month indexation parameter provided for in EURIBOR and a fixed margin to be added to the "spread" parameter. The value of the fixed margin is apt to increase based on the value of the ratio between the consolidated net financial position and the consolidated gross operative margin at the end of each financial year, as reported in the following table:

Value of N.P.P./G.O.M.	ratio Spread value
Indez>2.5	125 basis point
2<Index>2.5	90 basis point
Index<2	70 basis point

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

a) the value of the index described above cannot be higher than 3.5 (covenant modified with notary deed dated

22nd December 2014, this limit was previously equal to 2.75);

b) R.A.B.'s value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;

c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

As a guarantee of the fulfillment of the obligations associated with the loan agreements, the Parent Company has sold to Unicredit a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions.

Subsequent to an agreement reached with Unicredit S.p.A. on 20th November 2015, the annual verification of compliance with financial and operating covenants under a) and b), since 2015 is no longer performed on the Group's consolidated data prepared pursuant to the IFRSs, but 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 31 December 2016, having complied with the index under letter a), equal to 1.30, calculated as the ratio between the pro-forma net debt on that date, amounting to Euro 112,652 thousand, and the pro-forma EBITDA, equal to Euro 86,636 thousand and with the ratio under letter b), amounting to Euro 394,049 thousand, the spread applied as from 1st January 2017 will be 75 basis points.

The following table shows the deadlines of medium- and long-term loans:

(Thousands of Euro)	31.12.2016
Financial year 2017	9,287
Financial year 2018	7,681
Financial year 2019	4,826
Financial year 2020	4,828
After 31st December 2020	17,207
Total medium and long-term loans	**43,828**

19. Other non-current liabilities

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

(Thousands of Euro)	31.12.2016	31.12.2015
Security deposits	12,052	12,054
Multi-annual passive prepayments	8,215	6,849
Other non-current liabilities	**20,267**	**18,903**

Other non-current liabilities increased from Euro 18,903 thousand to Euro 20,267 thousand, with an increase of Euro 1,364 thousand. Security deposits refer to deposits of gas and electricity users. Long-term deferred income was recognized 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 Yearly Financial Report.

20. Non-current financial liabilities

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

(Thousands of Euro)	31.12.2016	31.12.2015
Payables due to leasing companies (over 12 months)	357	422
Non-current financial liabilities	**357**	**422**

Non-current financial liabilities decreased from Euro 422 thousand as of 31 December 2015 to Euro 357 thousand, marking a decrease of Euro 65 thousand, and mainly include payables to leasing companies due after 12 months. The current instalment amounts to Euro 93 thousand and it has been classified under “Current financial liabilities”.
The table below shows the due dates of the financial lease instalments:

(Thousands of Euro)	31.12.2016
Financial year 2018	79
Financial year 2019	78
Financial year 2020	82
Financial year 2021	86
Financial year 2022	32
Payables due to leasing companies (over 12 months)	**357**

21. Deferred tax payables

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

(Thousands of Euro)	31.12.2016	31.12.2015
Deferred tax payables	16,814	19,571
Deferred tax payables	**16,814**	**19,571**

Payables for deferred taxation decrease from Euro 19,571 thousand to Euro 16,814 thousand, marking a decrease of Euro 2,757 thousand, mainly due to the dynamics of amortizations 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.
The total value of the temporary differences and the related amounts on which liabilities for deferred tax were recognized are as follows:

Description	31.12.2016 Temporary differences	Tax rate	Total effect	31.12.2015 Temporary differences	Tax rate	Total effect
Exceeding amortizations	27,954	24.0%	6,709	30,037	24.0%	7,209
Exceeding amortizations	0	31.7%	0	318	31.7%	101
Severance indemnity	31	24.0%	7	31	24.0%	7
Exceeding amortizations	15,598	28.2%	4,399	21,198	28.2%	5,978
Goodwill deductibility for tax purposes - gas sale	2,236	27.9%	624	2,014	27.9%	562
Customer lists within 2016	0	31.7%	0	2,074	31.7%	657
Gas sales uncollected interest on late payments	0	24.0%	0	110	24.0%	26
Customer lists after 2016	7,900	28.2%	2,228	7,900	28.2%	2,228
Goodwill deductibility for tax purposes	9,872	28.2%	2,784	9,872	28.2%	2,784
Other operations	0	28.2%	0	67	28.2%	19
Total deferred tax payables			**16,814**			**19,571**

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)	31.12.2016	31.12.2015
Payables due to banks	55,110	88,238
Current portion of medium-long-term loans	9,287	9,628
Payables due to banks and financing institutions	**64,397**	**97,866**

Payables to banks decrease from Euro 97,866 thousand to Euro 64,397 thousand, marking a decrease of Euro 33,469 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The following table shows the allocation of Group’s credit lines used and available and related rates applied as of 31 December 2016.

Banks	Tipe	Credit lines 31/12/2016	Interest rate 31/12/2016	Debt 31/12/2016
Banca di Credito Cooperativo delle Prealpi	Cash loans	5,000	n.a.	-
Banca di Credito Cooperativo delle Prealpi	Bank loan	757	2.10%	757
Banca Europea per gli Investimenti	Bank loan	24,500	0.76%	24,500
Banca Europea per gli Investimenti	Bank loan	10,000	0.52%	10,000
Banca Monte dei Paschi di Siena	Cash loans	10,000	n.a.	-
Banca Monte dei Paschi di Siena	Guarantees	20,000	0.30%	10,980
Banca Nazionale del Lavoro	Cash loans	48,953	n.a.	-
Banca Nazionale del Lavoro	Guarantees	11,047	0.30%	1,052
Banca Popolare dell'Emilia Romagna	Cash loans	10,000	n.a.	-
Banca Popolare di Vicenza	Cash loans	45,000	n.a.	-
Banca Popolare Friuladria	Cash loans	11,000	n.a.	-
Banca Popolare Friuladria	Guarantees	2,000	n.a.	-
Banca Sella	Cash loans	5,000	n.a.	-
Banco BPM	Cash loans	17,000	n.a.	-
Banco BPM	Guarantees	12,485	0.40%	3,137
Banco di Brescia	Cash loans	30,000	0.01%	20,000
Banco di Desio e della Brianza	Cash loans	5,000	n.a.	-
BNP Paribas Lease Group	Financial derivatives	10,000	n.a.	377
Cassa di Risparmio del Veneto	Cash loans	13,000	n.a.	-
Credito Emiliano	Cash loans	25,000	0.00%	25,000
Intesa SanPaolo	Cash loans	40,000	0.30%	-
Intesa SanPaolo	Financial derivatives	7,000	n.a.	3,416
Large Corporate One	Bank loan	8,571	0.75%	8,571
Unicredit	Cash loans	48,705	0.00%	10,000
Unicredit	Guarantees	42,000	0.30%	13,342
Banca Monte dei Paschi di Siena	Guarantees	556	0.30%	556
Banca Nazionale del Lavoro	Guarantees	1,000	0.30%	30
Banco BPM	Guarantees	515	0.30%	515
Unicredit	Cash loans	1,804	n.a.	-
Unicredit	Guarantees	10,800	0.30%	7,158
Unicredit	Financial derivatives	15,000	n.a.	2,744
Veneto Banca	Guarantees	200	0.40%	200
Banca Popolare di Bergamo	Guarantees	50	n.a.	-
Banca Monte dei Paschi di Siena	Guarantees	33	n.a.	-
Cassa di Risparmio del Veneto	Guarantees	213	0.40%	213
Banca Popolare di Vicenza	Cash loans	500	n.a.	-
Unicredit	Cash loans	1,100	n.a.	-
Unicredit	Guarantees	1,410	n.a.	-
Banca Popolare Friuladria	Guarantees	2,000	0.40%	1,996
BNP Paribas Lease Group	Cash loans	427	n.a.	110
Intesa SanPaolo	Guarantees	1,100	n.a.	-
		498,727		**144,654**

Please note: the total usage does not correspond to the total payables to banks as the use of the credit line to issue letters of credit does not entail the creation of a bank payable.

During 2016 loans requested by the Group decreased from Euro 513,055 to Euro 498,727, with a drop of Euro 14,328 thousand, consistently with the decrease of their usage by Euro 29,038 thousand.

23. Trade payables

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

(Thousands of Euro)	31.12.2016	31.12.2015
Payables to suppliers	25,100	43,078
Payables to suppliers for invoices not yet received	77,952	79,744
Trade payables	**103,052**	**122,823**

Trade payables decrease from Euro 122,823 thousand to Euro 103,052 thousand, a decrease of Euro 19,771 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)	31.12.2016	31.12.2015
IRAP payables	1,029	176
IRES payables	202	221
Tax payables	**1,231**	**397**

Tax payables increase from Euro 397 thousand to Euro 1,231 thousand, with an increase of Euro 834 thousand and include payables accrued at the end of year 2016 for IRAP, and the IRES payable related to the companies which do not adhere to Asco Holding S.p.A. 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)	31.12.2016	31.12.2015
Advance payments from customers	2,519	1,821
Amounts due to parent companies for tax consoli	6,382	3,020
Amounts due to social security institutions	1,451	1,441
Amounts due to employees	4,679	4,419
VAT payables	2,650	2,643
Payables to revenue office for withholding tax	936	951
Annual passive prepayments	627	1,102
Annual passive accruals	368	1,059
UTF and Provincial/Regional Additional Tax paya	6,500	2,881
Other payables	7,579	23,986
Other current liabilities	**33,691**	**43,324**

Other current liabilities decreased from Euro 43,324 thousand to Euro 33,691 thousand, marking a decrease of Euro 9,633 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realization of thermal plants in progress as of the end of the financial period as of 31 December 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 of the IRES payables accrued for taxation up to 31 December 2016 is with an increase of Euro 3,362 thousand from the previous year.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as of 31 December 2016 but not yet paid as of year-end.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31 December 2016 but not paid out on that date. This item increased from the previous year by Euro 260 thousand, mainly due to the payables accrued as of year ended due to the incentive plan.

VAT payables

VAT payables to the state are payables accrued in VAT payments for the FY 2016, net of forward payments.

Annual deferred income

The change in the item is mainly related to the reclassification from other payables of deferred income on revenues from cogeneration/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 regarding the previous year. As of 31 December 2016, the Group's total amount of payables is Euro 6,500 thousand.

Other payables

These figures decreased by Euro 16,407 thousand as compared to 31 December 2015 and mainly include: payables to the Authority for Electricity and Gas and Water regarding the new tariff components of transport by vector companies, payables from unpaid employee obligations accrued as of 31 December 2016 (Euro 1,101 thousand) and payables to the State for national television taxes charge in the electric bills of household clients (Euro 605 thousand).

Benefits based on financial instruments

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

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)	31.12.2016	31.12.2015
Financial payables within 12 months	3,552	3,641
Payables to leasing companies within 12 months	93	67
Current financial liabilities	**3,645**	**3,708**

Current financial liabilities decrease by Euro 63 thousand, going form 3,708 thousand to Euro 3,645 thousand, mainly due to the bank account balance for the joint control subsidiary ASM SET S.r.l. for Euro 3,412 thousand, net of the Euro 2,838 thousand for the February 2016 compensation to Ascopiave S.p.A. by Veritas S.p.A. This compensation was 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.

Payables to leasing companies includes the current instalment of the payable to the Leasing company for the purchase of the co-generation plants as already highlighted din the paragraph "Non-current financial liabilities" of this Yearly Financial Report.

27. Current liabilities from derivative financial instruments

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

(Thousands of Euro)	31.12.2016	31.12.2015
Current liabilities from derivative financial instruments	29	252
Current liabilities from derivative financial instruments	**29**	**252**

Liabilities on derivatives are represented by the fair value of the following commodity as of 31 December 2016, which will have financial manifestation during year 2016 and 2017

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	377846650	Unicredit	Commodity Swap	TTF Quarter Ahead	17-apr-16	1-ott-16	31-dic-16	Long/Buy	41.940 MWh	23
2	20695952	BNP Paribas	Commodity Swap	TTF Quarter Ahead	4-nov-16	1-gen-17	31-mar-17	Long/Buy	11.467 MWh	5
Totali									**11.467**	**29**

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

28. Revenues

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Revenues from gas transportation	28,968	26,752
Revenues from gas sale	379,730	472,974
Revenues from electricity sale	58,691	61,188
Revenues from connections	276	1,133
Revenues from heat supply	66	13
Revenues from distribution services	4,866	3,563
Revenues from services supplied to Group companies	1,330	1,157
Revenues from AEEGSI contributions	17,066	8,871
Other revenues	6,696	6,003
Revenues	**497,689**	**581,655**

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 497,689 thousand, with a decrease of Euro 83,966 thousand as compared to the same period in the previous year. The revenues from natural gas sale, equalling Euro 379,730 thousand, record a decrease as compared to the same period of the previous financial year totalling Euro 93,244 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 (-18.2 million cubic meters); during 2016, 800,3 million cubic meters were sold as compared to 818,6 million in the same period in the previous year. At the end 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 50,623 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 28,968 thousand, with an increase as compared to the same period of the previous year of Euro 2,216 thousand, involving the transport of 801.7 million cubic meters (+13.2 million as compared to 2015). The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company 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 equalization results for the year 2015. This communication shows – for the companies consolidated using the line-by-line method – a positive difference of Euro 1,174 with respect to the equalization amounts entered in the 2015 financial statements; this amount was recognized in the accounts as of 31 December 2016. The difference recorded is mainly due to the different valuation of the restriction on revenue, since the equalization amounts allocated in the 2015 financial statements were calculated based on the temporary reference rates published in the Annex to Resolution 147/2015/R/GAS, whereas the equalization 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 reference year, the revenues from electricity sales amounted to Euro 58,691 thousand, showing a decrease over the previous year of Euro 2,497 thousand. The GWhs sold in 2016 amount to 339.9 million, marking a decrease of 18.8 million over the previous year. The revenues from connection services to the distribution network are equal to Euro 276 thousand, with a decrease of Euro 857 thousand as compared to 2015. The revenues from the distribution companies of the Group are fully recognized 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 4,866 thousand, show an increase of Euro 1,303 thousand as compared to the same period in the previous year. The change is mainly explained by the reclassification of revenues recognized 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 17,066 thousand recording an increase of Euro 8,195 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 recognized in 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 fulfillment 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 31 December 2016 and amounting to Euro 166,7 (source: STX). The item “Other revenues” increased from Euro 6,003 thousand in of 2015, to Euro 6,696 thousand in the period considered, showing an increase of Euro 693 thousand. The item includes Euro 396 thousand resulting from the execution of the agreements entered 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. Cost for gas purchase

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Purchase costs for raw material (gas)	231,029	325,936
Purchase costs for raw material (gas)	**231,029**	**325,936**

At the end of the reference year, the costs for natural gas procurement amounted to Euro 231,029 thousand, showing a decrease of Euro 94,907 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 800.3 million cubic meters, which translates into a decrease of 18.3 million in consumption. During 2016, the compensation to the Group amounting to Euro 11,122 thousand for the adoption of the mechanism for the promotion of long term contract renegotiations for years 2014 - 2016 pursuant to AEEGSI 447/2013/R/gas Resolution affected the reduction of purchase costs considerably. In the period considered, the company purchased and stored natural gas for a total amount of Euro 1,945 thousand as compared to Euro 1,980 thousand as of 31 December 2015. The accounting of the economic effects of the hedging derivatives accrued during the year has determined the recognition of costs totalling Euro 34 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. 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)	Financial Year 2016	Financial Year 2015
Purchase of electricity	16,894	18,824
Purchase of other raw material	1,991	1,671
Purchase costs for other raw materials	**18,887**	**20,495**

At the end of the fiscal year, the costs incurred for the purchase of other raw materials register a decrease equal to Euro 1,608 thousand mainly explained by the lower costs incurred to procure electricity.
The costs incurred for the purchase of electricity showed a decrease of Euro 1,930 thousand, from Euro 18,824 thousand, to Euro 16,894 thousand in the reference period. The decrease is mainly explained by the decrease in KWh traded (-18.8 million) which at the end of 2016 amount to 339.9 million.
The costs incurred for the purchase of other materials register an increase equal to Euro 320 thousand, from Euro 1,671 thousand in 2015 to Euro 1,991 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)	Financial Year 2016	Financial Year 2015
Costs of conveyance on secondary networks	73,821	85,777
Costs for counting meters reading	675	755
Costs for mailing bills	563	461
Mailing and telegraph costs	1,164	1,483
Maintenance and repairs	2,253	2,672
Consulting services	4,982	4,131
Commercial services and advertisement	2,061	2,173
Sundry suppliers	1,436	1,729
Directors' and Statutory Auditors' fees	1,303	1,086
Insurances	1,182	1,016
Personnel costs	999	836
Other managing expenses	6,533	6,283
Costs for use of third-party assets	9,902	10,531
Storage services	629	218
Costs for services	**107,503**	**119,151**

The costs for services incurred during the financial year showed a decrease of Euro 11,648 thousand, from Euro 119,151 thousand in 2015, to Euro 107,503 thousand in the reference period. This variation is mainly explained by the lower costs totalling Euro 11,956 thousand related to the carriage costs on the primary and secondary networks, utilities (- Euro 293 thousand) as well as costs connected to use of third party asset (Euro -629 thousand).

This decrease is partially offset by higher costs for consultancies (Euro 851 thousand, for transportation of electricity (Euro 523 thousand), other expenses (Euro 250 thousand) and warehouse services (Euro 411 thousand)

The lower costs incurred for the transportation of natural gas re mainly explained by the decrease in consumption recorded in the period considered (-18.3 million cubic meters) as well as decreased amounts of commercialized electrical power (- 18.8 Gigawatt/h).

The costs incurred for consultancy services increase from Euro 4,131 thousand in 2015, to Euro 4,982 thousand in the reference period. This increase is mainly explained by higher costs incurred for the creation of company AP Reti Gas S.p.A. for Euro 560 thousand.

Costs for other management expenses surge for Euro 250 thousand mainly due to the increased costs for bank and postal account commissions for Euro 153 thousand and the increase in cleaning costs for Euro 64 thousand.

The costs incurred for the use of third-party assets have decreased by Euro 629 thousand compared to the previous year. This mainly includes fees paid to Local Authorities for the management of the natural gas distribution concessions.

32. Costs for staff

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Wages and salaries	21,040	18,607
Social security contributions	6,294	5,926
Severance indemnity	1,375	1,291
Other costs	28	164
Total personnel costs	**28,737**	**25,987**
Capitalized personnel costs	(4,504)	(4,414)
Personnel costs	**24,233**	**21,573**

The cost for staff is net of costs capitalized 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 decrease from Euro 25,987 thousand in 2015 to Euro 28,737 thousand in the reference period, marking an increase of Euro 2,750 thousand.

Including welfare obligations, the surge is due for Euro 1,452 thousand to the accounting of the long-term personnel incentive scheme for Euro 745 thousand, as well as to the rise in salaries for the year under consideration, due to personal merits and agreement obligations.

Pursuant to IFRS 2, the cost of the long-term incentive scheme was offset by a provision in the Shareholders' Equity for Euro 923 thousand for shares and in the Pension Funds for the cash amount of Euro 529 thousand.

The amounts accounted for the long-term incentive plans refer to the first two years of the 2015-2017 three-year period, which is the period for the accrual of the incentive. At the date of approval of the 2015 Statement, parameters for the calculation of prospective amounts were not available to calculate the cost that would be accrued.

For additional details please refer to "Section II" of the Remuneration Report, as envisaged by Art. 123 – par3 of the Legislative Decree no. 58/1998 (so-called Unified Financial Text).

Capitalized personnel cost registered an increase of Euro 89 thousand, going from Euro 4,414 thousand of the previous year to Euro 4,504 thousand of 2016, decreasing the overall cost of personnel of the same amount.

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

Type	FY 2016	FY 2015	Variation
Managers (average)	17	17	0
Office workers (average)	362	357	5
Manual workers (average)	103	105	(2)
No. of personnel employed	**482**	**478**	**4**

33. Other operating costs

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Provision for risks on credits	2,891	4,004
Other provisions		532
Membership and AEEGSI fees	697	646
Capital losses	886	454
Extraordinary losses	819	1,353
Other taxes	948	969
Other costs	681	865
Costs of contracts	641	522
Energy efficency certificates	16,705	8,766
Other management costs	**24,269**	**18,110**

Other operating costs, increasing from Euro 18,110 thousand in 2015, to Euro 24,269 thousand in the reference period, show an increase of Euro 6,159 thousand, mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +7,939 thousand), partially offset by lower allowances for doubtful accounts (Euro -1,113 thousand) made possible thanks to the appropriate capacity of the bad debt provision. The item “Capital losses” has increased by Euro 432 thousand as compared to the same period in 2015. The item includes the net book value of fixed assets divested during the reference period. The costs recognized as of 31 December 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 31 December 2016, and amounting to Euro 191,4, source: STX (Euro 105.7 on 31 December 2015).

34. Other operating revenues

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Other income	596	591
Other income	**596**	**591**

At the end of the reference period, other operating income shows an increase of Euro 5 thousand, from Euro 591 thousand in 2015, to Euro 596 thousand. In 2016, the item includes mainly the plus values deriving from sale of durable goods.

35. Amortization and depreciation

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Intangible fixed assets	17,853	17,657
Tangible fixed assets	2,397	2,521
Amortization and depreciation	**20,227**	**20,029**

Amortization and depreciation record an increase of Euro 198 thousand, from Euro 20,029 thousand in 2015, to Euro 20,227 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)	Financial Year 2016	Financial Year 2015
Interest income on bank and post office accounts	11	309
Other interest income	232	489
Other financial income	4	5
Financial income	**247**	**803**
Interest expense on banks	90	516
Interest expense on loans	511	621
Other financial expenses	190	184
Financial charges	**791**	**1,321**
Evaluation of subsidiary companies with net equity method	1,157	1,491
Evaluation of subsidiary companies with net equity method	6,593	5,958
Evaluation of subsidiary companies with the net equity method	**7,750**	**7,449**
Total net financial expenses	**7,206**	**6,931**

At the end of 2016, the balance between financial income and expenses showed a loss of Euro 544 thousand, a decrease from the previous year of Euro 26 thousand.

This variation is due to the combined effect of lack of arbitrage operations of interest rates in 2016, which had been carried out in 2015, and the reduction of interest rates of banks to the lines of credit, as well as an improvement of the financial situation, which decreased the necessity to use said lines of credit.

The item “Evaluation of associated companies using the equity method” amounts to Euro 1,157 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 334thousand.

The item “Result quota from jointly controlled companies” includes the net results achieved by the jointly controlled companies in the reference period; they increased by Euro 635 thousand compared to the previous year, totalling Euro 6,593 thousand.

Taxes

37. Taxes in the reference 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)	Financial Year 2016	Financial Year 2015
IRES current taxes	20,870	17,953
IRAP current taxes	2,714	3,232
(Advance)/Deferred taxes	(1,182)	(2,666)
Taxes for the period	**22,401**	**18,519**

Accrued taxes increase from Euro 18,519 thousand in 2015 to Euro 22,401 thousand in the reference period, thus registering an increase of Euro 3,882 thousand. The increase recorded is mainly explained by the higher profit achieved in 2016.

The table below shows the breakdown of IRES taxes in the years considered:

(Thousands of Euro)	FY 2015	FY 2015
IRES	983	850
Additional IRES	0	0
Charges / (income) from tax consolidation	19,887	17,103
Current taxes IRES	**20,870**	**17,953**

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

(Thousands of Euro)	Financial Year 2016	Financial Year 2015
Earnings before tax	79,343	63,881
Taxes for the period	22,401	18,519
Percentage of income before taxes	**28.2%**	**29.0%**

The tax-rate recorded as of 31 December 2016 is equal to 28.2%, a decrease of 0.8% compared to the previous year.

Non-recurrent components

Pursuant to CONSOB n.15519/2005 Resolution it is noted that the item “cost for the purchase of gas raw materials” include Euro 11,122 thousand accounted to subsidiary Ascotrade S.p.A. by the AEEGSI for the balance of the APR system. It is also noted that revenues of company Ap Reti Gas S.p.A. for natural gas distribution services benefitted from the positive effect of Euro 1,173 thousand deriving from the differential between preliminary estimates and balance of 2015 revenues. Said components are non-recurrent and both have been included in the paragraph “Other significant events” herein.

Transactions deriving from unusual and/or atypical operations

Pursuant to CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that during 2015 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31 December 2016

Commitments and risks

Guarantees given

As of 31 December 2016, the Group provided the following bank guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31th Decembre 2016	31th Decembre 2015
On credit lines	6,400	6,400
On financial leasing agreements	0	956
Guarantees on credit lines (letter of comfort)	231	1,653
On execution of works (letter of comfort)	903	943
Agreements on incentives art. 4 of Law no. 92/2012	43	119
On UTF offices and regions for taxes on gas (letter of comfort)	4,157	6,232
On UTF offices and regions for taxes on electricity (letter of comfort)	119	669
On distribution concession (letter of comfort)	3,414	2,789
On conveyance agreements (letter of comfort)	12,841	8,778
On agreements for transport of electricity (letter of comfort)	16,751	13,849
On purchase of gas agreements (letter of comfort)	22	556
On purchase of electricity agreements (letter of comfort)	2,000	2,000
On contest	0	19
On storage of natural gas service	410	110
Total	**47,290**	**45,072**

The increase of issued collaterals is related to the increased requested coverage by the national operator in charge of distribution of electrical power, as well as by increased letters of credit issued for gas transportation companies, outside the Group.

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

(Thousands of Euro)	31th Decembre 2016	31th Decembre 2015
On credit lines	26,665	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)	1,128	671
On agreements for transport of electricity (letter of comfort)	216	406
On leases	114	114
Total	**29,801**	**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 31 December 2016 to Euro 26,665 thousand (Euro 34,333 thousand in 2015).

Risk and uncertainty factors

Information pertaining agreements that are not stated in the income statement

Pursuant to Art. 2427, first paragraph, item 22-ter of the Italian Civil Code, introduced with Legislative Decree 173 dated 23 November 2008, it is noted that the company does not subscribe to agreements that are not included in the income statement.

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 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 at variable rates.

Furthermore, the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 31 December 2016 of Euro 43,828 thousand and due dates between 1st January 2017 and 5th February 2026.

The medium - long term loans are mainly represented by the loan granted in 2011 by Unicredit S.p.A. with an outstanding debt of Euro 8,517 thousand as of 31 December 2016, subject to a securitization operation by the lender, and by the loan issued in August 2013 by the European Investment Bank with an outstanding debt of Euro 34,500 thousand. Both are subject to covenants which are met.

For further details please see paragraph no. 17 *“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	October	November	December	Total
Net Financial Position 2016	(120,610)	(94,608)	(70,635)	(42,423)	(64,081)	(46,639)	(69,473)	(76,740)	(62,985)	(77,462)	(96,334)	(94,119)	
Positive average rate	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%	0.01%	0	0.01%	
Negative average rate	0.63%	0.66%	0.71%	0.67%	0.58%	0.62%	0.63%	0.61%	0.55%	0.44%	0.36%	0.34%	
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%	2.01%	2.00%	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%	2.44%	2.36%	2.34%	
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%	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%	0.00%	0.00%	0.00%	
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)	(77,594)	(96,492)	(94,279)	
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)	(77,429)	(96,2944)	(94,079)	
Effect to income before taxes with increase of 200 basis point	(205)	(150)	(120)	(70)	(109)	(77)	(118)	(130)	(104)	(132)	(158)	(160)	(1,532)
Effect to income before taxes with decrease of 50 basis point	51	38	30	17	27	19	30	33	26	33	40	40	383

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 1,532 thousand (2015: Euro 2,205 thousand) or positive for Euro 383 thousand (2015: Euro 551thousand).

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 of the Group not to dispose of available and sufficient financial resources in order to meet its financial obligations, in the forecast 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, minimizing that risk. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by the operative or investment assets, on the other hand the expiry characteristics and debt renewal.

Risk of prices of raw materials

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

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

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

Risk management and control policy

In September 2015, the Group applied the “Management and Control of Energy and Financial Risks” Policy, to pursue the goals of containing the volatility deriving from energy risks on the overall margins and stabilize cash flows, as well as balance financing resources and decrease funding costs.

Pursuant to the provisions of the “Energy and Financial Risk Management and Control” Policy, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks.

To this end, the “Compliance with EMIR Regulation” Procedure has been approved, 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.

The main parties involved in fulfilling these obligations are the Group's Finance and Treasury Department and the Supply & Sale Pricing Director of the Sales SBU, the first in relation to derivatives on interest and exchange rates, the second regarding commodity derivatives. They will consult the relevant bank officers in order to prepare the reporting activity required by the EMIR Regulation.

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 because 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.

Specifically, 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 (comparable to Swap contracts); both operating situations involve the periodic swap of a differential between a fixed price and a variable price indexed to a specific market benchmark.

It is noted that, as of 31 December 2016, derivative instruments, detailed in paragraph 6 “Non-current assets on derivative financial instruments”, 14 “Current assets on derivative financial instruments” and 27 “Current liabilities on derivative financial instruments” of which the mark-to-market amounts to Euro +1,760 thousand in total, have a future and retroactive effect.

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.

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 depend on the performance of gas volumes sold and purchased during the year. Therefore, the data and information contained in the interim financial statements do not allow drawing meaningful conclusions as to the overall trend of the year.

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)	31.12.2016	31.12.2015
Financial position in the short term	59,220	69,786
financial position in the medium-long term	34,899	44,250
Financial gross debt	***94,119***	***114,037***
Share capital	234,412	234,412
Own shares	(17,521)	(17,521)
Reserves	173,684	160,233
Undistributed net profit	53,635	43,014
Total Net equity	***444,209***	***420,137***
Total capital and gross debt	***350,089***	***306,100***
Debt/Net assets ratio	*0.21*	*0.27*

The debt/net equity ratio as of 31 December 2016 is 0.21, a decrease as compared to 31 December 2015, equal to 0.27. The decrease in this indicator is related to the combined effect of the increase in the Net financial position (Euro +19,918 thousand in 2016), and the Shareholders' equity, which has increased by Euro 24,072 thousand compared to 31 December 2015, even if there was a considerable dividend distribution among Shareholders during the year, for Euro 33,347 thousand (Euro 33,332 thousand in 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 31 December 2016 and 31 December 2015 is as follows:

				31.12.2016				
(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		485					485	485
Trade receivables and Other current assets				185,174			185,174	185,174
Cash and cash equivalents				8,822			8,822	8,822
Current assets from derivative financial instruments		1,304					1,304	1,304
Medium- and long-term bank loans						34,541	34,541	34,541
Other non-current liabilities						12,052	12,052	12,052
Non-current financial liabilities						357	357	357
Payables due to banks and financing institutions						64,397	64,397	64,397
Trade payables and Other current liabilities						133,598	133,598	133,598
Current financial liabilities						3,645	3,645	3,645
Current liabilities from derivative financial instruments		29					29	29

				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 recognized in the Profit and Loss Account
B - Assets and liabilities at fair value directly recognized 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 recognized at amortized cost

Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers’ Regulation, hereby a full overview of remuneration of the Auditing Company for 2015 is provided. Payment includes both the auditing service and additional services as well.

Type of service	Entity providing the service	Recipient	Fees (Thousands of Euro)
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	127
	PricewaterhouseCoopers S.p.A.	Controlled companies	187
Audit and other service	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	20
	PricewaterhouseCoopers S.p.A.	Controlled companies	24
Other service	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	5
	PricewaterhouseCoopers S.p.A.	Controlled companies	-
Total			**363**

Business segment reporting

The sector information is provided regarding 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 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, financial results and balance sheet items concerning the business segments of the Group for the years 2016 and 2015.

Financial year 2016 (Thousands of Euro)	Gas Distribution	Gas Sale	Electricity sale	Other	Cancellations and adjustments	Total
Net revenues of third-party customers	37,558	399,279	59,044	1,808		497,689
Intra-group revenues among the segments	51,431	5,452	31,546	18,797	(107,226)	0
Segment revenues	**88,989**	**404,731**	**90,590**	**20,605**	**(107,226)**	**497,689**
Operating result before amortization	37,535	52,596	4,943	(2,684)	(27)	92,363
Amortization	16,708	2,599	0	920		20,227
Operating result	**20,828**	**49,997**	**4,943**	**(3,605)**	**(27)**	**72,137**
Result before taxes	**23,361**	**55,550**	**4,943**	**(4,511)**		**79,343**
Assets	398,344	240,157	7,858	156,882	(69,938)	733,304
Liabilities	(81,859)	(145,657)	(11,579)	(119,939)	69,938	(289,095)

Financial Year 2015 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	31.12.2015 values from new acquisitions	Elisions	Total
Net revenues of third-party customers	46,861	472,974	61,188	632	0		581,655
Intra-group revenues among the segments	60,905	1,954	31,267	0	0	(94,126)	0
Segment revenues	**107,765**	**474,928**	**92,455**	**632**	**0**	**(94,126)**	**581,655**
Operating result before amortization	36,207	37,962	3,167	(356)	0		76,980
Amortization	17,031	2,414	156	428	0		20,029
Operating result	**19,175**	**35,547**	**3,011**	**(783)**	**0**		**56,950**
Result before taxes	**20,153**	**41,062**	**3,449**	**(783)**	**0**		**63,881**
Assets	570,783	257,414	9,781	0	0	(55,524)	782,454
Liabilities	(283,243)	(130,864)	(3,735)	0	0	55,524	(362,317)

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

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of 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.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method forecast by IAS 33 are reported below:

(Thousands of Euro)	Amount at 31 dicembre 2016	Amount at 31 dicembre 2015
Net profit attributable to parent company shareholders	53,635	43,014
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,100,873	12,148,044
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	**222,310,702**	**222,263,532**
Earnings per share (in Euro)	0.241	0.194

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 Goods	Costs Services	Costs Other	Revenues Goods	Revenues Services	Revenues Other
Parent company										
ASCO HOLDING S.P.A.	36	4,925		7,738	0		20,982	0	61	0
Total parent company	**36**	**4,925**	**0**	**7,738**	**0**	**0**	**20,982**	**0**	**61**	**0**
Affiliated companies										
ASCO TLC S.P.A.	110	0	0		0	533	0	0	121	347
SEVEN CENTER S.R.L.	40	0	69	0	2	248	6	0	37	0
Total affiliated companies	**150**	**0**	**69**	**0**	**2**	**781**	**6**	**0**	**158**	**347**
Subsidiary companies										
Estenergy S.p.A.	36	0	75	0	0		0	0	0	0
ASM SET S.R.L.	1,659	21	19	3,412	20	48	9	6,521	443	57
Unigas Distribuzione Gas S.r.l.	31	0	2,533	0	0	9,056	0	100	62	1
SINERGIE ITALIANE in liquidazione S.R	13	8,193	0	0	58,151	27	0	0	66	0
Total subsidiary companies	**1,739**	**8,214**	**2,627**	**3,412**	**58,171**	**9,131**	**9**	**6,621**	**572**	**58**
Total	**1,925**	**13,139**	**2,697**	**11,150**	**58,173**	**9,913**	**20,998**	**6,621**	**790**	**405**

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

Revenue to Parent Company Asco Holding S.p.a. mainly derives from contract services stipulated by the parties, mainly pertaining administrative services.

The costs for assets due to Sinergie Italiane S.r.l. in liquidation relate to the purchase of natural gas for 2016 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 26,665 thousand as of 31 December 2016 (Euro 34,400 as compared to 31 December 2014).

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;
- regarding 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.

From 24 November 2010, the Board of Directors approved a procedure for operations with related parties (the “Procedure”). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12 March 2010 and subsequent modifications.
The Procedure was implemented on 1st January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11th September 2006 (and following modifications).
For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf.
In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the afore-mentioned operations.

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)		31.12.2016	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)	316,905							316,659						
Tangible assets	(3)	32,364							34,987						
Shareholdings	(4)	68,738			68,737		68,737	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						
Non-current assets from derivative financial instruments	(6)	485													
Advance tax receivables	(7)	9,758							11,333						
Non-current assets		**52,2574**			**76,930**		**76,930**	**14.7%**	**527,182**			**68,078**		**68,078**	**12.9%**
Current assets															
Inventories	(8)	4,311							3,577						
Trade receivables	(9)	14,8079	36	150	1,739		1,925	1.3%	172,022	65	184	1,871		2120	1.2%
Other current assets	(10)	47,207	4,925				4,925	10.4%	46,518		9,900			9,952	21.4%
Current financial assets	(11)	0							3,487						
Tax receivables	(12)	1,007							1,368						
Cash and cash equivalents	(13)	8,822							28,301						
Current assets from derivative financial instruments	(14)	1,304													
Current assets		**210,730**	**4,961**	**150**	**1,739**		**6,850**	**3.3%**	**255,272**	**117**	**10,084**	**1,871**		**12,072**	**4.7%**
ASSETS		**733,304**	**4,961**	**150**	**78,669**		**83,780**	**11.4%**	**782,454**	**117**	**10,084**	**69,948**		**80,149**	**10.2%**
Net equity and liabilities															
Total Net equity															
Share capital		234,412							234,412						
Own shares		(17,521)							(17,521)						
Reserves		221,164							198,374						
Net equity of the Group		**43,8055**							**415,264**						
Net equity of Others		**6,154**							**4,873**						
Total Net equity	(15)	**444,209**							**420,137**						
Non-current liabilities															
Provisions for risks and charges	(16)	6,992							7,360						
Severance indemnity	(17)	4,077							3,864						
Medium- and long-term bank loans	(18)	34,541							43,829						
Other non-current liabilities	(19)	20,267							18,903						
Non-current financial liabilities	(20)	357							422						
Deferred tax payables	(21)	16,814							19,571						
Non-current liabilities		**83,050**							**93,9478**						
Current liabilities															
Payables due to banks and financing institutions	(22)	64,397							97,866						
Trade payables	(23)	103,052		69	2,627		2,697	2.6%	122,823		131	3,025		3,156	2.6%
Tax payables	(24)	1,231							397						
Other current liabilities	(25)	33,691	7,738				7,738	23.0%	43,324						
Current financial liabilities	(26)	3,645			3,412		3,412	93.6%	3,708			249		249	6.7%
Current liabilities from derivative financial instruments	(27)	29							252						
Current liabilities		**206,045**	**7,738**	**69**	**6,040**		**13,847**	**6.7%**	**268,370**		**131**	**3,274**		**3,405**	**1.3%**
Liabilities		**289,095**	**7,738**	**69**	**6,040**		**13,847**	**4.8%**	**362,317**		**131**	**3,274**		**3,405**	**0.9%**
Net equity and liabilities		**733,304**	**7,738**	**69**	**6,040**		**13,847**	**1.9%**	**782,454**		**131**	**3,274**		**3,405**	**0.4%**

Legend for the Related Parties column heading:

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

Overall consolidated income statement

(Thousands of Euro)	Note	FY 2016	Of which related parties A	B	C	D	Total	%	FY 2015	Of which related parties A	B	C	D	Total	%
Revenues	(28)	**497,689**	**61**	**505**	**7,247**		**7.813**	**1.6%**	**581,655**	**68**	**498**	**7,066**		**7,632**	**1.3%**
Total operating costs		**405,325**		**790**	**67,302**	**1,628**	**69,720**	**17.2%**	**504,675**		**872**	**88,760**	**1,426**	**91,058**	**18.0%**
Purchase costs for raw material (gas)	(29)	231,029			58,165		58,165	25.2%	325,936			79,417		79,417	24.4%
Purchase costs for other raw materials	(30)	18,887		2	6		8	0.0%	20,495		8			8	0.0%
Costs for services	(31)	107,503		781	9,131	568	10,481		119,151		841	9,280	563	10,684	9.0%
Costs for personnel	(32)	24,2334				1,060	1,060	4.4%	21,573				863	863	4.0%
Other management costs	(33)	24,269		6			6	0.0%	18,110		23	62		85	0.5%
Other income	(34)	596							591						
Amortization and depreciation	(35)	20,227							20,029						
Operating result		**72,137**	**61**	**(284)**	**(60,055)**	**(1,628)**	**(61907)**	**-85.8%**	**56,950**	**68**	**374**	**81,694**	**1,426**	**83,426**	**-146.5%**
Financial income	(36)	247			3		3	1.1%	803			10		10	1.2%
Financial charges	(36)	791			9		9	1.1%	1,321			5		5	0.4%
Evaluation of subsidiary companies with the net equity method	(36)	7,750		(12)			(12)	-0.2%	7,449		(10)			(10)	-0.1%
Earnings before tax		**79,343**	**61**	**(296)**	**(60,061)**	**(1,628)**	**(61,925)**	**-78.0%**	**63,881**	**68**	**383**	**81,689**	**1,426**	**83,431**	**-130.6%**
Taxes for the period	(37)	22,401	20,981				20,981	93.7%	18,519	17,102				17,102	92.4%
Result for the period		**56,942**	**(20,920)**	**(296)**	**(60,061)**	**(1,628)**	**(82,906)**	**-145.6%**	**45,362**	**17,034**	**383**	**81,689**	**1,426**	**100,533**	**-221.6%**
Net result for the period		**56,942**	**(20,920)**	**(296)**	**(60,061)**	**(1,628)**	**(82,906)**	**-145.6%**	**45,362**	**17,034**	**383**	**81,689**	**1,426**	**100,533**	**-221.6%**
Group's Net Result		53,635							43,014						
Third parties Net Result		3,307							2,349						
Consolidated statement of comprehensive income															
1. Components that can be reclassified to the income statement															
Fair value of derivatives, changes in the period net of tax		1,768							(194)						
2. Components that can not be reclassified to the income statement															
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		(10)	(14)				(14)	-136,6%	190	(14)				(14)	-7.1%
Total comprehensive income		**58,718**	**(20,934)**	**(296)**	**(60,061)**	**(1,628)**	**(82,920)**	**-141.2%**	**45,358**	**17,048**	**383**	**81,689**	**1,426**	**100,547**	**-221.7%**
Group's overall net result		55,213	(20,934)	(296)	(60,061)	(1,628)	(82,920)	-150.2%	43,027	(17,030)	(366)	(81,672)	(1,408)	(100,529)	-233.6%
Third parties' overall net result		3,503							2,331	(18)	(18)	(18)	(18)	(18)	-0,8%

Legend for the Related parties column heading:

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

Consolidated financial report

(thousands of Euro)	FY 2016	Of which related parties A	B	C	D	Total	%	FY 2015	Of which related parties A	B	C	D	Total	%
Net income of the Group	**53,635**							**43,014**						
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash														
Third-parties operating result	3,307					**0**	0%	2,349					**0**	0%
Amortization	20,227					**0**	0%	20,029					**0**	0%
Bad debt provisions	2,891					**0**	0%	4,004					**0**	0%
Variations in severance indemnity	214					**0**	0%	(104)					**0**	0%
Current assets / liabilities on financial instruments	(2,012)					**0**	0%	252					**0**	0%
Net variation of other funds	789					**0**	0%	123					**0**	0%
Evaluation of subsidiaries with the net equity method	(7,750)	0		(6,593)		**(6,593)**	85%	(7,449)	0		(5,994)	0	**(5,994)**	80%
Provision for risk fund	0					**0**	0%	232					**0**	
Losses / (gains) on disposal of fixed assets	0					**0**	0%	454					**0**	
Interests paid	(579)					**0**	0%	(1,240)					**0**	0%
Taxes paid	(20,420)					**0**	0%	(13,535)					**0**	0%
Interest expense for the period	678					**0**	0%	1,211					**0**	0%
Taxes for the period	22,401					**0**	0%	18,519					**0**	0%
Variations in assets and liabilities														
Inventories	(734)					**0**	0%	(1,095)					**0**	0%
Accounts payable	20,947	(4,925)	(52)	(9,900)	0	**(14,877)**	-71%	(28,221)	(55)	(91)	(50)	0	**(196)**	1%
Other current assets	(689)	0	0	0	0	**0**	0%	27,454	3,717	(52)	(9,900)	0	**(6,234)**	-23%
Trade payables	(19,770)	0	0	0	0	**0**	0%	(13,356)	0	(512)	(1,890)	0	**(2,402)**	18%
Other current liabilities	(9,763)	0	0	3,163	0	**3,163**	**-32%**	13,019	(1,028)	0	0	0	**(1,028)**	-8%
Other non-current assets	2,361	0	0	(8,193)	0	**(8,193)**	-347%	1.730	0	0	24.030		**24.030**	1,389%
Other non-current liabilities	2,728	0	0	0	0	0	0%	1,859					0	0%
Total adjustments and variations	**14,827**	**(4,925)**	**(52)**	**(21,522)**	**0**	**(26,499)**	**-179%**	**26,235**	**2,635**	**(655)**	**6,196**	**0**	**8,177**	**31%**
Cash flows generated (used) by operating activities	**68,461**	**(4,925)**	**(52)**	**(21,522)**	**0**	**(26,499)**	**-39%**	**69,249**	**2,635**	**(655)**	**6,196**	**0**	**8,177**	**12%**
Cash flows generated (used) by investments														
Investments in intangible assets	(19,674)					**0**	0%	(21,112)					**0**	0%
Realisable value of intangible assets	1,574					**0**	0%	114					**0**	0%
Investments in tangible assets	(1,164)					**0**	0%	(901)					**0**	0%
Realisable value of tangible assets	2					**0**	0%	6					**0**	0%
Other net equity operations	914					**0**	0%	365					**0**	0%
Cash flows generated/(used) by investments	**(18,348)**	**0**	**0**	**0**	**0**	**0**	**0%**	**(21,527)**	**0**	**0**	**0**	**0**		**0%**
Cash flows generated (used) by financial activities														
Variation in non-current financial liabilities	(64)	0	0	0	0	**0**	0%	(67)					**0**	0%
Net changes in short-term bank borrowings	(71,256)					**0**	0%	(155,112)					**0**	0%
Net variation in current financial assets and liabilities	2,863	0	0	0	0	**0**	0%	8,106	0	0	7,530	0	**7,530**	93%
Ignitions loans and mortgages	151,000					**0**	0%	146,500					**0**	0%
Redemptions loans and mortgages	(122,500)					**0**	0%	(88,000)					**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 distribuited from subsidiary companies	5,934			5,934		5,934	100%	3,369			3,369		3,369	100%
Cash flows generated (used) by financial activities	**(69,593)**	**0**	**0**	**5,934**	**0**	**5,934**	**-9%**	**(120,304)**	**0**	**0**	**10,899**	**0**	**10,899**	**-9%**
Variations in cash	**(19,479)**					**0**	**0%**	**(72,582)**					**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	**8,822**					**0**	**0%**	**28,301**					**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)	31.12.2016	Of which related parties A	B	C	D	Total	%	31.12.2015	Of which related parties A	B	C	D	Total	%
A Cash and cash equivalents on hand	19							15						
B Bank and post office deposits	8,803							28,286						
C Securities held for trading														
D Liquid assets (A) + (B) + (C)	**8,822**							**28,301**						
E Current financial assets	0							3,487						
F Payables due to banks	(55,110)							(88,238)						
G Current portion of medium-long-term loans	(9,287)							(9,628)						
H Current financial liabilities	(3,645)			(3,412)		(3,412)	93.6%	(3,708)			(249)		(249)	6.7%
I Current financial indebtedness (F) + (G) + (H)	**(68,042)**			**(3,412)**		**(3,412)**	**5.0%**	**(101,574)**			**(249)**		**(249)**	**0.2%**
J Net current financial indebtedness (I) - (E) - (D)	**(59,220)**			**(3,412)**		**(3,412)**	**5.8%**	**(69,786)**			**(249)**		**(249)**	**0.4%**
K Medium- and long-term bank loans	(34,541)							(43,829)						
L Non current financial assets								0						
M Non-current financial liabilities	(357)							(422)						
N Non-current financial indebtedness (K) + (L) + (M)	**(34,899)**							**(44,250)**						
O Net financial indebtedness (J) + (N)	**(94,119)**			**(3,412)**		**(3,412)**	**3.6%**	**(114,037)**			**(249)**		**(249)**	**0.2%**

Legend for the Related parties column heading:

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

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

Group A - Parent companies:
-- Asco Holding S.p.A.

Group B - Associates:
-- Asco TLC S.p.A.
-- Seven Centre S.r.l.

Group C - Affiliates and jointly controlled companies
-- Joint companies:

- 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 event after the year end 2016

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

On 31 January 2017, the Aeb-Gelsia and Ascopiave Groups as part of a possible industrial combination agreement envisaged by letter of intent on 12 July 2016, the Parties decided to extend the term for negotiation up to 30 April 2017.

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

On 2 February 2017, a hearing at the Council of State took place to discuss the appeal filed by second-placed company against the Administrative Court of Veneto (TAR) Sentence dated 7 December 2017. Following this sentence, the Panel confirmed the emergency proceeding n. 644/2016 of TAR Veneto, therefore overruling the appeal filed by the other competitor that aimed at the suspension of the tender results regarding the main appeal, issued by the TAR Veneto. Currently no final hearings have been scheduled by the Court.
In case the operation is successful, Ascopiave will finance the acquisition through financial indebtedness.

Tax Authority inspection

On 15 February 2017, the Internal Revenue Service of Treviso started auditing activities for Ascopiave S.p.A. as part of its medium-sized taxpayer periodic inspections. The activities will analyse the 2014 year for direct taxation and VAT.

As of today, said inspections are still ongoing. The effects of these verifications will be valued upon its completion, according to the official results.

Significant events after the approval of the draft financial statements

No significant events occurred after the approval of the draft financial statement.

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.

Synthesis data as of 31 December 2016 of jointly controlled companies consolidated through the 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 recognized in the consolidated financial statements through the 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)	31.12.2016	31.12.2015
Current assets	**56,707**	**61,728**
of which		
Cash and cash equivalents	4,014	2,751
Non-current assets	**71,240**	**73,452**
Current liabilities	**31,905**	**38,647**
of which		
Current financial liabilities	11	18
Non - current liabilities	**5,280**	**5,974**
	90,762	**90,560**
Group inteterest	**48.999%**	**48.999%**
Net profit for the period attributable of the Group	**44,472**	**44,373**

Income Statement - summary data		
(Thousands of Euro)	**Financial year 2016**	**Financial year 2015**
Revenues	125,199	146,235
Total operating costs	110,725	134,502
Gross operative margin	**14,474**	**11,733**
Amortization and depreciation	1,780	1,934
Operating result	**12,694**	**9,799**
Financial income	329	3,951
Financial charges	10	75
Earnings before tax	**13,013**	**13,674**
Taxes of the period	3,872	5,206
Result of the period	**9,141**	**8,468**
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	**4,479**	**4,149**

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 recognized in the consolidated financial statements through the 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)	**31.12.2016**	**31.12.2015**
Current assets	**18,467**	**14,848**
of which		
Cash and cash equivalents	4,335	3,322
Non-current assets	**46,993**	**46,146**
Current liabilities	**21,933**	**18,764**
of which		
Current financial liabilities	0	0
Non - current liabilities	**1,070**	**929**
	42,457	**41,302**
Group inteterest	**48.86%**	**48.86%**
Net profit for the period attributable of the Group	**20,745**	**20,180**

Income Statement - summary data		
(Thousands of Euro)	**Financial year 2016**	**Financial year 2015**
Revenues	18,065	16,570
Total operating costs	12,417	11,273
Gross operative margin	**5,648**	**5,298**
Amortization and depreciation	2,527	2,431
Operating result	**3,121**	**2,867**
Financial income	4	15
Financial charges	72	80
Earnings before tax	**3,053**	**2,802**
Taxes of the period	519	775
Result of the period	**2,533**	**2,027**
Group inteterest	48.86%	48.86%
Net profit for the period attributable of the Group	**1,238**	**990**

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 recognized in the consolidated financial statements through the 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)	**31.12.2016**	**31.12.2015**
Current assets	**10,084**	**10,707**
of which		
Cash and cash equivalents	1,006	4,375
Non-current assets	**5,319**	**5,538**
Current liabilities	**7,263**	**8,058**
of which		
Current financial liabilities	0	0
Non - current liabilities	**957**	**995**
	7,183	**7,192**
Group inteterest	**49.000%**	**49.000%**
Net profit for the period attributable of the Group	**3,520**	**3,524**

Income Statement - summary data		
(Thousands of Euro)	**Financial year 2016**	**Financial year 2015**
Revenues	25,676	28,697
Total operating costs	22,853	25,994
Gross operative margin	**2,823**	**2,703**
Amortization and depreciation	204	207
Operating result	**2,620**	**2,496**
Financial income	30	38
Financial charges	10	20
Earnings before tax	**2,640**	**2,514**
Taxes of the period	852	845
Result of the period	**1,788**	**1,670**
Group inteterest	49.000%	49.000%
Net profit for the period attributable of the Group	**876**	**818**

This statement has been cleared for publishing by the Board of Directors of Ascopiave S.p.A. during the 14th March 2017 Meeting. Said publication shall be carried out pursuant to Law regulations. The Board has authorized the Chairman to modify this statement to perfect the form of this document within the time frame between 14th March 2017 and the Shareholders' Meeting in which this statement will be approved.

Pieve di Soligo, 14th March 2017

Chairman of the Board of Directors

Fulvio Zugno

Annual Financial Report

as of 31December 2016

TABLE OF CONTENTS

Premise

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2 February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Management of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Management, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Management also contains all information relating to the balance sheet of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

ASCOPIAVE S.p.A.

Statement of assets and liabilities as of 31 December 2016 and as of 31 December 2015

(Euro)		31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Goodwill	(1)		20,433,126
Other intangible assets	(2)	248,388	267,494,985
Tangible assets	(3)	29,296,954	33,891,193
Shareholdings	(4)	481,777,734	183,037,099
Other non-current assets	(5)	4,461,934	4,534,382
Advance tax receivables	(6)	1,858,435	8,298,269
Non-current assets		**517,643,445**	**517,689,053**
Current assets			
Inventories	(7)	0	1,731,340
Trade receivables	(8)	7,411,698	28,439,336
Other current assets	(9)	9,067,385	35,209,431
Current financial assets	(10)	2,533,893	20,973,338
Tax receivables	(11)	756,578	375,864
Cash and cash equivalents	(12)	4,511,059	9,389,611
Current assets		**24,280,614**	**96,118,920**
Assets held for sale			
ASSETS		**541,924,059**	**613,807,973**
Net equity and liabilities			
Total Net equity			
Share capital		234,411,575	234,411,575
Own shares		(17,521,332)	(17,521,332)
Reserves		143,656,208	142,516,363
Result of the period		33,699,756	33,547,021
Net equity of the Group	(13)	**394,246,207**	**392,953,628**
Non-current liabilities			
Provisions for risks and charges	(14)	643,021	550,000
Severance indemnity	(15)	252,802	1,171,798
Medium- and long-term bank loans	(16)	34,541,407	43,828,512
Other non-current liabilities	(17)	44,279	5,533,825
Non - current financial liabilities	(18)	0	421,677
Deferred tax payables	(19)	22,000	12,231,658
Non-current liabilities		**35,503,511**	**63,737,471**
Current liabilities			
Payables due to banks and financing institutions	(20)	64,287,088	97,622,233
Trade payables	(21)	1,779,494	15,516,232
Other current liabilities	(22)	2,951,665	31,282,466
Current financial liabilities	(23)	43,156,094	12,695,944
Current liabilities		**112,174,342**	**157,116,875**
Liabilities		**147,677,852**	**220,854,346**
Net equity and liabilities		**541,924,059**	**613,807,973**

Pursuant to Consob Decision no. 15519 dated 27 July 2006, the effects of relations among associated parties are highlighted in the specific paragraph herein “Relations with associated parties”

Income statement - FY 2016 and FY 2015

(Euro)		Financial year 2016	Financial year 2015
Revenues	(23)	**56,371,726**	**32,588,153**
Distribution of dividends from controlled companies		30,922,835	23,842,374
Other revenues		25,448,891	8,745,779
Total operating costs		**31,495,004**	**13,446,666**
Purchase costs for raw material	(24)	22,105	4,999
Costs for services	(25)	9,215,579	6,752,995
Costs for personnel	(26)	7,646,739	5,962,935
Other management costs	(27)	14,666,468	762,694
Other income	(28)	55,887	36,957
Amortization and depreciation	(29)	1,778,538	1,730,277
Operating result		**23,098,184**	**17,411,210**
Financial income	(30)	100,231	797,722
Financial charges	(30)	832,885	1,293,035
Earnings before tax		**22,365,531**	**16,915,897**
Taxes for the period	(31)	4,550,339	2,525,795
Result for the period		**26,915,870**	**19,441,693**
Net income from discontinued operations / held for sale	(33)	6,783,886	14,105,329
Net Result		**33,699,756**	**33,547,021**
Statement of comprehensive income			
1. Components that can be reclassified to the income statement Actuarial (losses)/gains from remeasurement on defined-benefit		16,494	(67,806)
Total comprehensive income		**33,716,250**	**33,479,215**
Base income per share		0.1516	0.1509
Diluted net income per share		0.1516	0.1509

Pursuant to Consob Decision no. 15519 dated 27 July 2006, the effect of relations among associated parties are highlighted in the specific paragraph herein “Relations with associated parties”

Statement of changes in shareholders' equity as of 31 December 2016 and as of 31 December 2015

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Result for the period	Total net equity
Balance as of 1st January 2016	**234,411,575**	**46,882,315**	**(17,521,332)**	**95,695,586**	**(61,537)**	**33,547,021**	**392,953,628**
Result for the period						33,699,756	33,699,756
IAS 19 TFR actualization for the period					16,494		16,494
Total result of overall income statement				**(0)**	**16,494**	**33,699,756**	**33,716,250**
Allocation of 2015 result				33,547,021		(33,547,021)	(0)
Dividends paid to shareholders				(33,346,605)			(33,346,605)
Long-term incentive plans				922,934			922,934
Balance as of 31st December 2016	**234,411,575**	**46,882,315**	**(17,521,332)**	**96,818,935**	**(45,043)**	**33,699,756**	**394,246,207**

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Result for the period	Total net equity
Balance as of 1st January 2015	**234,411,575**	**46,882,315**	**(17,659,718)**	**85,325,906**	**(129,344)**	**43,628,329**	**392,459,063**
Allocation of result				43,628,329		(43,628,329)	-
Dividends paid to shareholders				(33,332,158)			(33,332,158)
IAS 19 TFR actualization					67,806		67,806
Purchase / sale of own shares			138,387	73,508			211,895
Result for the period						33,547,021	33,547,021
Balance as of 31st December 2015	**234,411,575**	**46,882,315**	**(17,521,331)**	**95,695,586**	**(61,537)**	**33,547,021**	**392,953,628**

Financial statement -FY 2016 and FY 2015

	31.12.2016	31.12.2015
Net income of the year	**33,699,756**	**33,547,021**
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash	**270,791**	**15,173,432**
Amortization and depreciation	1,778,538	15,614,231
Variations in severance indemnity	(9,061)	(2,437)
Net variation of other funds	575,584	306,328
Losses/(gains) on disposal fixed assets		428,696
Interests paid	(847,735)	(1,337,561)
Interest expense for the year	832,885	1,293,035
Taxes paid	(6,609,759)	(6,698,896)
Taxes for the year	4,550,339	5,570,035
Variations in assets and liabilities	**9,177,178**	**714,890**
Inventories	31,273	249,203
Accounts payable	(63,727)	(5,258,215)
Other current assets	(4,681,458)	(4,930,219)
Trade payables	(4,313,242)	(3,918,552)
Other current liabilities	(2,153,233)	12,868,288
Other non-current assets	(404,198)	(54,524)
Other non-current liabilities	6,800	1,758,909
Cash flows generated from Assets and Liabilities held for sale	20,754,964	
Total adjustments and variations	**9,447,970**	**15,888,322**
Cash flows generated (used) by operating activities	**43,147,726**	**49,435,343**
Cash flows generated (used) by investments		
Investments in intangible assets	0	(18,424,102)
Realisable value of intangible assets	10,032	0
Investments in tangible assets	(80,967)	(700,470)
Realisable value of tangible assets	1,884	0
Disposal/(acquisitions) in investments and avances	(200,000)	0
Cash flows used from Assets and Liabilities held for sale	(20,754,964)	0
Other net equity operations	0	73,508
Cash flows generated/(used) by investments	**(21,024,015)**	**(19,051,064)**
Cash flows generated (used) by financial activities		
Net changes in short-term bank borrowings	(42,622,249)	(96,737,349)
Net variation in current financial assets and liabilities	48,966,591	37,098,148
Purchase of own shares		138,387
Dividends paid to shareholders	(33,346,605)	(33,332,158)
Cash flows generated (used) by financial activities	**(27,002,263)**	**(92,832,971)**
Variations in cash	**(4,878,552)**	**(62,448,692)**
Cash and cash equivalents at the beginning of the year	**9,389,611**	**71,838,303**
Cash and cash equivalents at the end of the year	**4,511,059**	**9,389,611**

Pursuant to Consob Decision no. 15519 dated 27 July 2006, the effects of relations among associated parties are highlighted in the specific paragraph herein “Relations with associated parties”

ACCOUNTING PRINCIPLES ADOPTED IN DRAWING UP THE BALANCE SHEET AS OF 31 DECEMBER 2016

Drafting criteria and compliance with IRFS

The Ascopiave S.p.A. Financial Statements as of 31 December 2016 have been prepared in accordance with the IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission in accordance with the procedure set forth in Art. 6 of EC Directive no. 1606/2002 issued by the European Parliament and Council on 19 July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The annual financial report was prepared based on the principle of historical cost, considering the adjustments as appropriate, except for the budget items that under IFRS must be recognized at fair value as described in the evaluation criteria.

The accounting principles used are homogenous with the ones used for the Statement year ended 31 December 2015, except for the instances set forth in the Accounting Principles paragraph and amendments and interpretations applicable from 1 January 2016 onward. For comparative purposes, the data are presented with the income data of the 31 December 2015 Statement.

Auditing company PricewatherhouseCoopers S.p.A. performed the legal auditing of the Statement as the company in charge or accounting review for the main Group companies.

This Statement is drafted in Euro, as the currency of the country where the company operates. It includes Balance Sheet, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement and Explanatory Notes. All values stated in the tables and in explanatory notes are expressed as thousands of Euro, unless otherwise specified.

This Statement as of 31 December 2016 was approved by the Board of Directors of the Company on 14 March 2017.

Financial statements representation

The items of the balance sheet are classified into "current" and "non-current"; those in the income statement are classified by their nature; furthermore, the items of income suspended in equity are also highlighted in the comprehensive income.

It is noted that, following the transfer of the company branch “Gas distribution” to subsidiary company AP Reti Gas SpA, as of 1 July 2016, company Ascopiave S.p.A. modified its operation and became what is essentially a share interest holding company. In order to provide a clear representation of company performance and pursuant to IAS1.86 provisions, the company opted for a Statement outlook where the income from share interests and in particular dividends are accounted in the components of the operating result, as part of the revenues. The same structure of income statement was adopted for the year 2015 values and they are therefore provided here for comparison.

It is also noted that the income statement for year 2016 includes the item “Net result for transferred/discontinued assets” following the transfer of company branch “gas distribution” we previously described. For comparison, the 2015 income statement is reported and includes the same item. For additional details of revenues and costs that make up the net result for transferred/discontinued assets, please refer to the explanatory notes.

The statement of changes in shareholders' equity presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

The financial statement has been defined according to the "indirect" method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the economic situation and financial position.

Name and registered headquarter of the company in charge of drafting the consolidated statement

Pursuant with the information required by Art. 2427, item 22-5 and-6 of the Italian Civil Code, we specify that Company Ascopiave S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo drafts the Consolidated Financial Statement of smaller group of which it is part as a subsidiary company. The entirety of this Consolidated Financial Statement is available at its registered office. Furthermore, Company Asco Holding S.p.A. with registered office in Pieve di Soligo (TV), 1030 Via Verizzo draft the Consolidated Financial Statements of the largest group of which it is part. The entirety of this Consolidated Financial Statement is available at its registered office

Accounting principles, amendments and interpretations applied from 1 January 2016

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31 December 2016, implemented on 1 January 2016. The application of said principles shall not have effects on the Company, as they relate to instances not present in our company or are sole financial reporting provisions.

Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2012-2014 Cycle

In December 2013, the IASB issued the documents "*Annual improvements to IFRSs – 2010-2012 Cycle*" applicable to the fiscal periods beginning on, or after, 1 February 2015. In September, the IASB issued the documents "*Annual improvements to IFRSs – 2012-2014 Cycle*" applicable to the fiscal periods beginning on, or after, 1 January 2016. Both documents have been issued as part of the principles' annual improvement programme. Most are clarifications or corrections of existing IFRSs or amendments subsequent to changes previously made to IFRS.

Amendments to IAS 19: *Employee Benefits*

In November 2013, the IASB issued the document "*Defined Benefit Plans: Employee Contributions.* The changes made to IAS 19 allow the entry (without obligations to do so), to reduce the current service cost of the period, of the contributions paid by employees or by third parties, not related to the number of years of service, instead of allocating such contributions over the period when the service is rendered.

IFRS 11 – *Joint arrangements*

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

IAS 16 - *Property, Plant and Equipment* and I**AS 38** - *Intangible assets.*

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

IAS 27 – *Separate financial statement*

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

IAS 1 - *Presentation of Financial Statements*

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

Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exceptions*

In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28. The aim is to clarify: i) the method of accounting for investment entities; ii) the exemption from preparing consolidated financial statements for an intermediate parent entity and iii) how a company that is not an investment entity should apply the equity method evaluation of an investment entity.

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

IFRS 15 - *Revenues from contracts with customers*

In May 2014, the IASB issued the standard IFRS 15 - Revenues from contracts with customers, which requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To this end, the new recognition model defines a five-step process. The new standard also requires further additional information about the nature, the amount, timing and uncertainty about revenue and cash flows arising from a contract with a customer. The new standard is effective for annual periods beginning on or after 1 January 2018. Early adoption as of 1 January 2016 is envisaged. However, Ascopiave did not pursue the early adoption.

Following a preliminary analysis on the current ongoing sale contracts, the expected impact of the application of this new accounting standard on revenues will be negligible.

Issued accounting principles, amendments and interpretations not yet applicable

Please find below a brief description of the new standards, amendments, improvements and interpretations already issued but not yet approved by the European Union and therefore not applicable for the preparation of financial statements closed as of 31 December 2016. The list does not include the standards and interpretations which by their nature are not adoptable by the Group.

IFRS 14 - *Regulatory Deferral Accounts*

In January 2014 IASB issued the IFRS 14 "Regulatory Deferral Accounts", applicable from 1 January 2016. The European Commission decided to suspend the homologation process to wait for the "rate-regulated activities" new standard to be issued. IFRS 14 enables first time adopters of IFRS to continue to enter rate regulation amounts following their previously adopted accounting standards. In order to improve comparability with entities that apply IFRS and do not enter said amounts, the standards require that the effect of rate regulation be presented separately from the other items.

IFRS 16 - *Leases*

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, which will have significant impact on Statements of lessees. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between financial leases and operating leases, introducing a new single model for all leases which will result in an asset entry for the right of use and a liability entry for the lease. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15- Revenue from Contracts with Customers.

IFRS 10 – *Consolidated Statement* **and IAS 28:** *Share interest in Subsidiaries or Joint Ventures*

In September 2014, the IASB issued amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in associates and joint ventures. The aim is to clarify the accounting method of the results related to the sale of assets between companies in a group and associated companies and joint ventures. The approval process of these amendments has been suspended and the application date has been postponed to a future date to be determined.

IAS 12 – *Recognition of Deferred Tax Assets for Unrealized Losses*

In January 2016 IASB published some amendments to IAS 12 - *Recognition of Deferred Tax Assets for Unrealized Losses.* Said modifications clarify how to account for deferred tax assets for payable instruments calculated at fair value. These changes apply from 1 January 2017. Early adoption is envisaged.

IAS 7 - *Disclosure initiative*

Their purpose is to improve presentation and circulation of financial information in financial reports and solve certain critical issues as reported by operators. These changes apply from 1 January 2017

IFRS 15 – *Revenue from Contracts with Customers*

On 12 April 2016, IASB issued some further amendments to IFRS 15 - Revenue from Contracts with Customers, in order to provide in-depth clarifications on how to identify performance obligations, account revenues from licenses on intellectual property and value principal versus agent. These amendments will be applicable from years beginning on or after 1 January 2018.

IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*

In June 2016 IASB issued some amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions. The aim of these changes is to resolve some issue related to the accounting on share based payments. Specifically, the amendments improve considerably the following areas i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. These amendments will be applicable from years beginning on or after 1 January 2018.

IFRIC 22 - *Operations in foreign currency and advance payments*

On 8 December 2016 IASB published the IFRIC 22 – Operations in foreign currency and advance payments. The aim of this document is to set the exchange rate of to be used in transactions in foreign currencies in case the payment is made or received in advance. This interpretation will be applicable from years beginning on or after 1 January 2018

IAS 40 – *Transfers of Investment Property*

On December 2016 IASB issued amendments to IAS 40 - Transfers of Investment to discipline transfer of /from investment property to other asset groups. Specifically, it is settled if a property under construction or development accounted in inventories may be reclassified in tangible fixed assets if there was a change in its usage. These amendments will be applicable from years beginning on or after 1 January 2018.

Amendments to IFRS 4 - *Regarding the implementation of IFRS 9 Financial Instruments*

In September 2016 IASB issued the amendments to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments. Their purpose is to resolve the issues deriving from the application of the IFRS 9, the new standard in financial instruments, before the implementation of the standard which will substitute the IFRS 4, currently under development by IASB. This amendment will be applicable from years beginning on or after 1 January 2018.

Annual Improvements 2014-2016

On 8 December 2016 IASB issued several amendments to the standards in order to clarify some provisions regarding IFRS 1, IFRS 12 and IAS 28, all applicable on or after 1 January 2018.

Use of estimates

The preparation of the financial statements and related explanatory notes in compliance with the IFRS requires the management to provide accounting estimates based on complex and/or subjective assumptions, on experience and assumptions that are considered reasonable and realistic and that are known at the estimates moment. The use of these estimates affects the values of the assets and liabilities reported on the financial statements and the information relating to potential. 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.

Estimates are used to assess:

- Durable reductions in the value of all non-financial assets: the Group assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.
- Provisions for doubtful accounts, inventory obsolescence, useful lives of intangible fixed assets and their amortization amounts.
- Benefit plans for employees and share-based payment plans; (so-called phantom stock option).
- The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the directors have taken decisions based on the stated discretional evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Assessment criteria

The accounting principles adopted by Ascopiave S.p.A. are reported below.

Goodwill: the goodwill obtained from the acquisition of business branches operating in the supply and sale of gas is initially booked at cost and represents the excess of the purchase price compared to the portion pertaining to the purchaser for the net fair value referred to values identifying the current and potential assets and liabilities.

After the initial booking, goodwill can no longer be amortized and is reduced by any losses of value.

Goodwill is subject to an annual recoverability analysis or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible losses of value.

With the intent of analysing the recoverability, the goodwill acquired through company acquisitions is allocated, on its purchase date, to each cash flow-generating units (or groups of units) that it is deemed will benefit from the acquisition synergies, regardless of the allocation in assets or liabilities of said units (or groups thereof).

Said cash flow-generating units:

(i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;

(ii) are no greater than one sector, as defined in the primary or secondary indication scheme.

Loss of value is determined by defining the recoverable value of a unit which generates flows (or groups of units) to which the goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is inferior to the book value, a loss of value is indicated. In cases in which the goodwill is attributed to a unit which generates financial flows (or group of units) which is activated through partial abandonment the goodwill associated with the transferred profit is considered in order to determine the positive or negative change derived from the operation. Goodwill transferred in such cases is calculated based on the values relative to the asset transferred with respect to the asset still held regarding the same unit.

Other intangible fixed assets: Other intangible assets include agreements for service under concession between the public and the private sector (so-called service concession arrangements) for the development, funding, management and maintenance of infrastructure under concession in which:

(i) the grantor controls or governs the services provided by the operator through the infrastructure and the related price to apply;

(ii) the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement

Other intangible assets also include the recognition of the fair value of customer lists resulting from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous year, as well as the recognition of charges paid to the awarding entities (Municipalities) and/or the outgoing operators subsequent to the assignment and/or the renewal of the relevant invitation to tender to award the service of natural gas distribution.

As concerns the write-off period:

i) the customer lists are amortized on a straight-line basis, based on the estimate of the benefits that will have effects in future years and determined during the Purchase Price Allocation. In particular, the Directors have established that the useful life associated with customer lists is ten years, due to the low turnover rate of customers, represented mainly by civil users;

ii) the concessions for the service of natural gas distribution are amortized on a straight-line basis, based on the duration of the concession period. In particular, the amortization period of the concessions acquired by the Ascopiave Group is equal to twelve years in accordance with the regulatory framework.

After the initial reporting, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortization operations and net of any losses in value, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Assets acquired under financial leases are booked at fair value, net of taxes due by the lessee or, if lower, at the current value of the minimum lease payments, including any sum payable for the exercise of the option to purchase, in intangible assets offsetting the financial debt to the lessor.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported on the income statement at the time of the sale.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments based on the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8.5% -8 .3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and sotfware	20%
Motorcars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and in the event the book value should exceed the presumed realisation value, the assets are depreciated until they reach their realisable value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Losses of value are reported on the income statement with the costs for amortizations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above-mentioned elimination.

Share interests:

Share interests entered herein refer to lasting investments. The Company classifies share interests in the following categories:

- Share interests valued at Equity
- Other share interests

Share interests valued at equity: said share interests may be further divided into two categories:

(i) **Share interests in joint control companies:** share interests in joint control companies, in which the company has control over an entity with several other shareholders, are valued with the equity method. Income statement includes the share interest that is property of the Company for the reference year. According to the equity method, share interests are entered in the income statement at their cost, adjusted for possible subsequent variations due to purchase of net assets, net of possible losses of value for each share interest. The excess of purchase cost compared to the percentage of current value of assets, liabilities and potential liabilities that is attributed to the Company upon purchase date is attributed to goodwill. Goodwill is included in the load value of the investment and undergoes impairment tests.

(ii) **Shareholdings in joint companies:** The shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The income statement shows the share of the Group in the operating profit of the affiliate. If an affiliate company detects adjustments directly attributable to the net equity, the Group recognizes its share and includes it, where applicable, in the statement of changes in the net equity.

In the event the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognized in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf. If, at a later stage, the loss does no longer exist or has decreased, a reversal of an impairment loss is booked in the income statement, up to its cost.

Shareholdings in other companies: share interests in companies that are not joint companies or joint ventures (normally with a share interest not exceeding 20%) are entered at their fair value if it can be determined. Should the share interest be in companies not publicly traded, share interest is valued at their cost of purchase or subscription, minus any repayment of principal, and are subsequently adjusted for losses in value determined in the same manner previously described for the tangible assets.

Other non-current Assets: they are entered at nominal value. Said value may be amended in case of losses of value, for an amount equal to the amortized cost.

Financial Assets

The Company classifies financial assets according to the following categories:

- Fair value financial assets offset in the P&L account

- Credits and financings
- Financial assets held up to their expiry date
- Financial assets available for sale:

Fair value financial assets offset in the P&L account: this category includes financial assets that were acquired for short-term negotiations as well as derivative instruments. For additional details, please refer to the next paragraph. The fair value of said instruments is determined from their market value at the date of closure of the period under consideration. Variations of fair value of instruments of this category are immediately entered in the P&L account. Their classification as either current or non-current derives from the expectations of administrators regarding their negotiation.

Credits and financings: this category includes credits that do not include derivative instruments and not traded in an active market, from which fixed or determinable payments are expected. Said assets are initially entered at fair value and subsequently valued at their amortized cost based on actual interest rates.
Should there be an obvious indicator of loss of value, the value of the asset shall be reduced so that its value is equal to the monetary flows that are obtainable in the future: losses of value determined through an impairment test are entered in the P&L account. Should the reason of said depreciation cease to be applicable in future periods, the asset value shall be restored up to the value of the amortized cost should the impairment test never have been applied. Said assets are classified as current assets and instalments due past 12 months are entered as non-current assets.

Financial assets held up to their expiry date: this category includes non-derivative financial instruments with a set expiry that the Company intends and has the power to maintain in its portfolio up to their expiry. Assets that will expire in the following 12 months are all entered as current assets. Should there be an obvious indicator of loss of value, the value of the asset shall be reduced so that its value is equal to the monetary flows that are obtainable in the future: losses of value determined through an impairment test are entered in the P&L account. Should the reason of said depreciation cease to be applicable in future periods, the asset value shall be restored up to the value of the amortized cost should the impairment test never have been applied.

Financial assets available for sale: this category includes non-derivative financial instruments that are especially entered in this category or that may not be classified in any of the previous entries. These assets are valued at their fair value. The fair value is determined with market prices at the financial statement date or interim report, through models of financial evaluation, by determining changes in values, offset by a specific entry in the P&L account. Their classification as either current or non-current derives from the expectations of administrators regarding their negotiation: assets that are expected to be relinquished in the next 12 months are entered as current assets.

Inventories: inventories are booked at whichever of the following is lower: purchase and/or manufacturing cost, determined in accordance with the weighted average cost basis, or the estimated realizable net value. The net realisation value is determined based on the estimated sales price in normal market conditions, net of direct sales costs.
Obsolete and/or slow to realize inventories are written down in relation to their presumed possibility of use or future realization. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Trade receivables and other current assets: trade receivables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at cost (identified by their par value) net of the relevant value losses. These are suited to their presumed realization value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value.
Provisions to the reserve for doubtful accounts are reported on the income statement.
Additionally, the Group sells some of its trade receivables through sale operations of receivables ("factoring"). Factoring transactions are with recourse.

Cash and cash equivalents: they include cash values, values with the following requirements: availability at sight or in a very short term, good outcome, and no collection expenses. They are accounted at nominal value.

Own shares: Re-acquired own shares are taken as a decrease in the assets. The original cost of own shares, revenues from sales and any other subsequent variation are recognized under the net equity.

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programs with defined benefits (Employees' leaving indemnities) or with other long-term benefits (retirement indemnity) are recognized in the period when the right accrues. The liability related to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR) owed to the employees of the Group companies in accordance with Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27 December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1 January 2007, the Severance indemnity is classified as a defined contribution plan.

Company bonds are determined separately for each plan, measuring the current value of future benefits that the employees have accrued in the current year and in the previous ones. This calculation is carried out with the projected unit credit method.
The components of the defined benefits are established as follows:

- the re-measurement components of liabilities, which include actuarial profits and losses, are immediately measured in the total Other revenue (losses);
- Costs for the service performances are inscribed at their P&L account value;
- Net financial costs on liabilities on defined benefits are entered in the P&L account.

The components found in total Other revenues (losses) may never be reclassified in the P&L account in the following years.
For the Severance Indemnity accrued after 1 January 2007 the company is only required to pay contributions to the National Pension Institute or to a Fund or a legally separate entity. Said accrued amount is based on due contributions pursuant to law provisions.
Furthermore, the Group has created remuneration plans that are partially paid with Ascopiave S.p.A. shares, by allocating shares created in long-term stock options incentive plans. These are entered as liabilities and valued at their fair value at the end of each fiscal year up to the moment they will be paid (during the approval of the 2017 yearly statement). Each variation to their fair value is entered in the P&L account.

The remaining part of the incentive plan is composed of stock options that may be bought only in cash. The cost of the cash operation is initially valued at their fair value of their allocation date. Specifically, the stock plans of the Group envisage the attribution of rights based on the attainment by its recipients of special goals related to objectives. The financial treatment of these options is based, among other criteria, on the share title trend. Said fair value is paid up to its expiry and a corresponding liability is entered. This liability is calculated at the end of each year end up to and including the year of its payment. Each variation to their fair value is entered in the P&L account.
During 2015, the remuneration plans of the previous three-year period have been paid. This resulted in the allocation of 99,078 shares. Considering the regulations of the plan, no further allocations have been made during the year, as the benefits will be allocated at the end of the period. Said remuneration plans are accounted pursuant to what is set forth in IFRS 2.
For additional details please refer to “Section II” of the Remuneration Report, as envisaged by Art. 123 – par3 of the Legislative Decree no. 58/1998 (so-called Unified Financial Text).

Reserves for risks and charges: The reserves for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.
Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) an outlay of resources is likely in order to meet the obligation;
- iii) a reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probably, the relevant potential liability is not marked in the financial statements, but rather mentioned appropriately in the explanatory notes.
Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties upon period end. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

Financial liabilities: financial liabilities include mid to long term financings that are initially entered at fair value net of costs for transactions if applicable and are subsequently valued at their amortized cost, calculated by applying their effective interest rate, net of previous reimbursements.
Should the terms of the long-term financing agreement be breached before the end of the year with the effect that the liability becomes an account playable on request, the liability is classified as current even if the financing institution agreed, after the closure of the year under scrutiny and before the publishing of the yearly statement, to not demand payment of the sum as result of the agreement breach. The liability is classified as current because, at the date of reference of the statement, the company does not have the unconditional right to defer payment of said liability for at least 12 months from that date.

Other current financial liabilities are valued at their amortized cost and are eliminated upon their extinguishment, which is when the agreement obligations are achieved, cancelled or expired.

Trade payables and other liabilities: trade payables, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortized cost.
Payables in a currency differing from the account currency are booked at the exchange rate of the day of the operation and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported on the income statement.

Other current liabilities: Include various exchanges and are all booked at face value, corresponding to their amortized cost.

Fair value hierarchy
Financial assets and liabilities valued at fair value are further classified in a three-tier hierarchy system, based on the modalities in which the fair value itself was determined, i.e. the based to the surety of the input information that was used to determine value:

(i) **Tier 1:** financial instruments, which fair value is determined based on a share price in a public market;
(ii) **Tier 2**: financial instruments, which fair value is determined with valuation methods that adopt directly or indirectly observable market parameters. Instruments valued with a forward market curve and short term differential contracts are all part of this tier.
(iii) **Tier 3**: financial instruments, which fair value is determined with valuation methods that adopt valuation systems not based on market parameters, i.e. based exclusively on internal estimates.

Revenues and costs: revenues and costs are booked on an accrual basis.
The revenues from sales and service performance are recognized to the extent to which it possible to determine their fair value and it is likely that the connected economic benefits will be enjoyed upon transfer of the risks and advantages typical of the property or upon performance of the service. The revenues are entered net of all discounts, rebates and premiums, as well as directly connected taxes

Financial income and expenses: income and costs are booked by competence according to the interests accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and not on the income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave and the almost entirety of its subsidiaries benefited for a three-year period 2016 -2018 of the national fiscal consolidation regime pursuant to art. 117/129 of the Single Reference Text on Revenue Taxes (TUIR). This option enabled the calculation of IRES based on a taxable amount equalling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. AscoHolding S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

Each of the participating companies transfers its income tax (taxable income or tax loss) to the consolidating company recognizing therefore in the income statement the item "tax consolidation charges" or "tax consolidation income" for an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Asco Holding S.p.A.

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, in the amount in which the existence of suitable future tax income is likely that can make the use of the deductible temporary differences and tax assets and liabilities brought forward applicable, except for the following:

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is likely that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

Earnings per share: the basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of 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.

Activity impairment: at least every year the Company performs an impairment test on the tangible and intangible assets of indefinite life or when events occur that might result in the irreparable loss of value of the accounted statement value. Specifically, goodwill undergoes verification to assess possible losses at least every year and possibly more frequently if indicators of loss exist. Said verification requires a usage value valuation of the financial flow generating unit on which goodwill is based on, which in turn is based on the expected financial flows of the unit and their actualization with the adequate discount rate.

Amortizations: they are calculated according to the estimated residual life of the asset or the remaining duration of the concession. Useful life is determined by administrators, with the support of experts, when the asset is first entered in the statement. Estimates regarding useful life are based on history, market conditions and expectations of future events that might influence the useful life itself, including technological advances. The company regularly evaluates technological and sector changes, costs of dismantling/closure of an asset and the salvageable value of an asset when assessing its residual life. Said periodic updating might result in changes in the amortization period and therefore in variations in the amortization instalments for future years.

Provisions for risks: said provisions are set aside using the same procedures as the previous years, based on notifications and advices by consultants and lawyers in charge of proceedings, as well as on the actual developments thereof.

Provisions for doubtful accounts: they are based on estimated losses related to the account portfolio of the company. Specific insolvency instances have led to the creations of new provisions, as well as expected losses for doubtful accounts based on previous experiences with accounts with similar risk profiles.

Accrued tax credits: accounting of accrued tax credits is based on the expected taxable income of the Company in future years. The valuation of the expected taxable income for the accounting of accrued tax credits is based on several factors that may differ in time and have significant effect on the recoverability of tax credits for advanced taxation.

Employee's Benefits: expenses and liabilities related to employee's benefits are based on actuarial estimates. The effects deriving from modifications in said actuarial estimates are entered in a specific Equity entry.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

Ascopiave S.p.A. is not subject to management and coordination activities on the part of AscoHolding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Ascopiave S.p.A. avails itself of some services offered by AscoHolding S.p.A. and other subsidiary companies, under market conditions, for organization and economic reasons.

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES

Non-current assets

1. Goodwill

The item “Goodwill” of the previous year has been entirely included in the transferal of the natural gas distribution branch to AP Reti Gas S.p.A for Euro 20,433 thousand.

2. Other intangible fixed assets

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

(Thousands of Euro)	31.12.2016 Historic cost	31.12.2016 Accumulated depreciation	31.12.2016 Net value	31.12.2015 Historic cost	31.12.2015 Accumulated depreciation	31.12.2015 Net value
Industrial patent and intellectual property rights	3,269	(3,020)	248	4,194	(3,665)	529
Concessions, licences, trademarks and similar rights	49	(49)	0	9,887	(4,050)	5,837
Other intangible assets	12	(12)	0	1,241	(762)	478
Intangible assets under IFRIC 12 concession	0	0	0	456,371	(204,453)	251,918
Intangible assets in progress under IFRIC 12 concession	0	0	0	8,732	0	8,732
Other intangible assets	**3,330**	**(3,081)**	**248**	**480,425**	**(212,930)**	**267,495**

The following table highlights movements in other intangible fixed assets during the period:

(Thousands of Euro)	31.12.2015 Net value	Transferal	Net value restated	Change for the year	Decrease	Amortizations during the year	Depreciations	31.12.2016 Net value
Industrial patent and intellectual property rights	529	(468)	62	310	10	113		248
Concessions, licences, trademarks and similar rights	5,837	(5,837)	0	0		0		0
Other intangible assets	478	(478)	0	0	0	0	0	0
Intangible assets under IFRIC 12 concession	251,918	(251,918)	0	0		0		0
Intangible assets in progress under IFRIC 12 concessior	8,732	(8,732)	0	0		0		0
Other intangible assets	**267,495**	**(267,433)**	**62**	**310**	**10**	**113**	**0**	**248**

The variation in 2016 in intangible fixed assets is mainly due to the transferal, with effect from 1 July 2016, of natural gas distribution infrastructures to subsidiary AP Reti Gas S.p.A.

Industrial patents and intellectual property rights

During the year, the item “Industrial patents and intellectual property rights”, net of the transferal, did not highlight significant changes and the amortization rate amounts to Euro 113 thousand. This variation is due to a decreased amount transferred to Ap Reti Gas S.p.A. compared to initial expected amounts.

Concessions, licences, trademarks and similar rights

This item represented the costs paid to issuing authorities (Municipalities) and/or previous managing companies following the award and/or renewal of tenders for the management of the natural gas distribution services. The entirety of this item has been transferred to the subsidiary company.

Other intangible fixed assets

Net of the transferal, this item marked a decrease of Euro 452 thousand. This decrease is due to the sale of the co-generation plant in Milan to subsidiary company Veritas Energia S.p.A. The plant, acquired in financial lease was booked at fair value, net of contributions within the scope of the lessee, including any amount to pay to exercise the purchase option, among the intangible assets in consideration of financial debt towards the lessor

Leased plants and machinery

The item reported 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. The entirety of this item has been transferred to the subsidiary company.

Leased intangible fixed assets in progress

The item included the costs incurred into 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 financial year. The entirety of this item has been transferred to the subsidiary company.

3. Tangible fixed assets

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

			31.12.2016			31.12.2015
(Thousands of Euro)	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	36,438	(9,700)	26,738	36,091	(8,629)	27,462
Plant and machinery	1,612	(1,070)	542	4,567	(1,870)	2,697
Industrial and commercial equipment	169	(136)	32	2,828	(2,332)	496
Other tangible assets	9,399	(7,924)	1,475	13,421	(10,773)	2,648
Tangible assets in progress and advance payment	509	0	509	588	0	588
Other tangible assets	**48,127**	**(18,830)**	**29,297**	**57,495**	**(23,604)**	**33,891**

The following table highlights the variations in the tangible fixed assets item during the year under consideration.

	31.12.2015							31.12.2016
(Thousands of Euro)	Net value	Transferal	Net value restated	Change for the year	Decrease	Amortizations during the year	Depreciations	Net value
Lands and buildings	27,462	0	27,462	380		1,103		26,738
Plant and machinery	2,697	(2,095)	602	0	8	53	0	542
Industrial and commercial equipment	496	(456)	39	13		20		32
Other tangible assets	2,648	(747)	1,901	63		489		1,475
Tangible assets in progress and advance payment	588	295	883	(372)	2	0		509
Other tangible assets	**33,891**	**(3,003)**	**30,888**	**84**	**10**	**1,665**	**0**	**29,297**

Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and secondary warehouses. At the end of the year the item marked an increase of Euro 380 thousand. This variation is mainly due to the costs for the upgrading of company headquarters. The transferal did not involve this item.

Plants and machinery

Net of transferal, this item decreased by Euro 2,148 thousand. This variation is due to the sale of co-generation plant in the Venice area to subsidiary Veritas Energia S.p.A.

Industrial and commercial equipment

In the period considered, net of transferal, the item “Industrial and commercial equipment” registered investments equal to Euro 13 thousand.

Other assets

The item “other assets”, net of transferal, registered investments for Euro 63 thousand. These investments are mainly related to costs for hardware and telephone equipment.

Tangible assets in progress and advance payments

This item mainly includes costs for extraordinary maintenance in company headquarters and/or secondary warehouses. During the year, this item decreased for Euro 372 thousand, due to the reclassification of assets that were in progress as of 2015 and have been since completed and moved into their specific categories.

4. *Shareholdings:*

The following table shows the changes in the shareholdings interest in other companies by Ascopiave S.p.A. as of 31 December 2016:

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Controlled companies						
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	-1000000	306,402,830	7,762,134	100%	298,740,636
Ascotrade S.p.a.	Pieve di Soligo (TV)	1,000,000	40,708,984	24,705,118	89%	4,809,636
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	14,056,303	1,331,717	100%	14,964,474
Edigas Esercizio Distribuzione Gas S.p.A.	Cernusco sul Naviglio (MI)	1,000,000	10,306,004	1,178,304	100%	23,317,602
Pasubio Servizi S.r.l.	Schio (VI)	250,000	6,430,152	3,549,747	100%	23,053,908
Blue Meta S.p.A.	Orio Al Serio (BG)	606,123	10,332,303	5,540,328	100%	35,322,544
Veritas Energia S.p.A.	Venezia (VE)	1,000,000	4,201,270	2,307,889	100%	5,713,503
Amgas Blu S.r.l.	Foggia (FG)	10,000	2,183,820	1,932,942	80%	11,364,738
Etra Energia S.r.l.	Cittadella (PD)	100,000	884,766	462,626	51%	357,000
Name	**Location**	**Share capital**	**Total net equity**	**Result for the year**	**%**	**Book value**
Joint companies						
Estenergy S.p.A.	Trieste (TS)	1,718,096	23,505,114	10,373,812	48.999%	39,838,121
ASM Set S.r.l.	Rovigo (RO)	200,000	2,194,558	1,925,365	49.00%	3,333,229
Unigas Distribuzione S.r.l.	Nembro (BG)	3,700,000	41,172,852	2,727,879	48.86%	20,652,416
Name	**Location**	**Share capital**	**Total net equity**	**Result for the year**	**%**	**Book value**
Affiliated companies						
Sinergie Italiane S.r.l. - in liquidazione	Milano (MI)	1,000,000	(12,184,357)	2,898,875	30.94%	309,400

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Shareholdings in other companies						
B. Cred. Coop. Prealpi	Tarzo (TV)					528

It is to be pointed out that the net equity and results for the period of the controlled or jointly controlled companies reported in the tables above refer to financial statements for the periods ended 31 December 2016 and approved by the Boards of Directors of the associated companies.

AS far as the companies ASM Set S.r.l., Estenergy S.p.A. and Unigas Distribuzione S.r.l. are concerned, after purchasing part of their share capital, the Group set forth a governance structure and decision quorum for the Board of Directors and the Shareholders’ Meeting so that it would have the joint control of the affiliated company, pursuant to IAS 31 international accounting standard.

The item “share interest in affiliated companies” increased during the year by Euro 298,741 due to the creation of the new company AP Reti Gas S.p.A. for Euro 200 thousand and due to the transferal to the company of the natural gas

distribution branch for Euro 298,540 thousand, as explained in the paragraph “Transferal to AP Reti Gas S.p.A. of management of natural gas distribution services, operative as of 1 July 2016” herein.
The comparison between the value of the investments in subsidiaries and joint ventures and the share attributable to the Company highlights situations in which the value entered in the financial statement exceeds the total net assets of the subsidiary as of 31 December 2015.
At the end of the annual assessment of the eventual reduction of the values entered in the financial statements in Subsidiaries and joint ventures, we proceeded to determine the use value for each.
The use value was calculated by using the projected cash flows contained in the 2017-2019 business plans of the individual subsidiaries that have been approved by the Board of Directors on 21 February 2017. Following the results of the impairment tests on the single shareholdings, no depreciation was recognized.
The main criteria adopted in evaluating impairment, both in terms of growth rates for other periods than those illustrated on the plans and in terms of discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGU in the consolidated financial statements.

5. Other non-current assets

The following table shows the details of the items included under the "Other non-current assets" in the financial years considered:

		Restated		
(Thousands of Euro)	31.12.2016	31.12.2015	Transferal	31.12.2015
Security deposits	499	95	377	472
Other receivables	3,963	3,963	99	4,062
Other non-current assets	**4,462**	**4,058**	**476**	**4,534**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 476 thousand, therefore only highlighting the ordinary item variations during the year.

Other non-current assets increase by Euro 404 thousand, going from Euro 4,058 of 2015 to Euro 4,462 thousand of 2016.

The item “Other receivables” in composed by:

- Receivables from the local authority of Creazzo, for a value of Euro 2,141 thousand corresponding to the net book value of the distribution plants awarded in June 2005 for the natural expiry of the concession corresponding, pursuant to "Letta" Legislative decree, art. 15 subpar. 5, to the industrial value of the net according to evaluation reported in the experts’ examination. During the year 2014, the litigation with the Municipality about the value of the delivered distribution plant ended with the judgment of the Court of Vicenza, which enshrined in Euro 1,678 thousand the value of the refund, leading to a devaluation credit for Euro 463 thousand. The Company maintains good reason to believe it can recover the least recognition of the credit in the following states of the dispute that however is not maintained in writing and has become, because of that judgment, a contingent asset.
- Receivables from the municipality of Santorso, for Euro 748 thousand. This amount corresponds to the net book value of the distribution plants awarded in August 2007 to the Municipality itself and the delivery of the

infrastructures took place after the expiry of the concession on 31 December 2006.The value of the receivable from the municipality of Santorso corresponds to the 'Letta' law, 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 1 October 2011 to the Municipality; the delivery of infrastructures happened at the natural expiry date of the concession. The value of the credit is equal to the net book value of the divested asset, considered lower than the reconstruction value as per new request of the Local Body.

As of 31 December 2016, there is an outstanding litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. Please refer to paragraph "Litigations" herein for further details.

6. Advanced taxation

Advanced taxes decrease from Euro 2,254 thousand to Euro 1,858 thousand, marking a drop of Euro 396 thousand as highlighted in the table below:

		Restated		
(Thousands of Euro)	31.12.2016	31.12.2015	Transferal	31.12.2015
Advance tax receivables	1,858	2,254	6,044	8,298
Advance tax receivables	**1,858**	**2,254**	**6,044**	**8,298**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 6,044 thousand, therefore only highlighting the ordinary item variations during the year.

The Company has been performing a full accounting of advance taxes concerning temporary differences between tax-imposition and balance sheet value, as the Group supposes that future tax-imposition could take up all differences that generated them. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 24% IRES tax rate, and a 4.2% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15 July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6 July 2011.

The total value of the temporary differences and the amounts on which the deferred tax assets were calculated are as follows:

	31.12.2016			31.12.2015		
Description	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	464	24.0%	111	1,303	24.0%	314
Allocation of inventory write-down	0	28.2%	0	33	28.2%	9
Risks fund	250	24.0%	60	550	24.0%	132
Exceeding amortizations IRES	6,094	24.0%	1,462	18,714	24.0%	4,510
Exceeding amortizations previous 2007 within 2013	51	28.2%	14	11,399	28.2%	3,217
Other	23	28.2%	6	408	28.2%	116
Personnel incentive	854	24.0%	205	0	28.2%	0
Total advance taxes			**1,858**			**8,298**

Current assets

8. Inventories:

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

	Restated											
	31.12.2016			31.12.2015			Transferal			31.12.2015		
(Thousands of Euro)	Gross value	Bad debt	Net value	Gross value	Bad debt	Net value	Gross value	Bad debt	Net value	Gross value	Bad debt	Net value
Fuels and warehouse materials	0	0	0	31	0	31	1,734	(33)	1,701	1,765	(33)	1,731
Total inventories	**0**	**0**	**0**	**31**	**0**	**31**	**1,734**	**(33)**	**1,701**	**1,765**	**(33)**	**1,731**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 1,701 thousand, therefore only highlighting the ordinary item variations during the year.

At the end of the year there are no inventories remaining.

9. Trade receivables

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

		Restated		
(Thousands of Euro)	31.12.2016	31.12.2015	Transferal	31.12.2015
Receivables from customers	4,944	4,464	10,009	14,473
Receivables for invoices to be issued	2,468	3,164	11,082	14,246
Bad debt provisions		(280)		(280)
Trade receivables	**7,412**	**7,348**	**21,091**	**28,439**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 21,091 thousand, therefore only highlighting the ordinary item variations during the year.

Trade receivables are entered net of the advance payments in bills and net of provision for doubtful accounts accrued as of the closing date of the financial year. These receivables mainly relate to various invoicing services that Ascopiave S.p.A. entertains with other companies of the Group.

The item increases from Euro 7,348 thousand of the previous fiscal year, to Euro 7,412 thousand of the current financial year, with an increase of Euro 64 thousand.

All receivables from clients are entirely made up of Italian debtors.

At the end of the year, no doubtful accounts that would require further provisions have been identified.

It is noted that trade receivables will be collectable within the following year and currently there are no significant outstanding expired receivables.

9. Other current assets

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

(Thousands of Euro)	31.12.2016	Restated 31.12.2015	Transferal	31.12.2015
Tax consolidation receivables	4,768	646	0	646
Annual pre-paid expenses	144	398	255	653
Advance payments to suppliers	534	724	4,711	5,435
Annual accrued income	0	136	0	136
Receivables due from C.S.E.A.	0	0	28,168	28,168
VAT Receivables	766	3	0	3
UTF and Provincial/Regional Additional Tax receivables	82	0	85	85
Other receivables	2,863	83	0	83
Other current assets	**9,067**	**1,990**	**33,219**	**35,209**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 33.219 thousand, therefore only highlighting the ordinary item variations during the year.

Other current assets showed an increase of Euro 7,067 thousand, from Euro 1,990 thousand in 2015 to Euro 9,067 thousand in 2015. The increase is mainly explained by the increase in IRES receivables for the national fiscal consolidation and pertain receivables to parent company Asco Holding S.p.A., that took advantage of this option.
The item “other receivables” accounts for receivables to parent companies for shares that are part of company employee incentive programs.

10. Current financial assets

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

(Thousands of Euro)	31.12.2016	31.12.2015
Financial receivables from controlled companies	2,534	17,849
Other financial current assets		3,124
Current financial assets	**2,534**	**20,973**

Current financial assets are in the tune of Euro 2,534 thousand, marking a decrease of Euro 18,439 thousand compared to the previous year. The item includes balances of intercompany accounts through which the company managed the Group Treasury, granting the necessary funding to its subsidiaries and affiliates, in order to meet their financial requirements.
The item "Other current financial assets" included the credit liability to the town of San Vito di Leguzzano, which was collected within the expected deadline

Hereby the composition of financial assets from subsidiary and joint-control companies for the two years is highlighted.

(Thousands of Euro)	31.12.2016	31.12.2015
intercompany current account - Ascotrade S.p.A.		6,742
intercompany current account - AP Reti Gas Rovigo S.r.l.		335
intercompany current account - Edigas Es. Distribuzione Gas S.p.A.	261	623
intercompany current account - Veritas Energia S.p.A.	2,273	10,149
Current financial assets	**2534**	**17,849**

The variation, equal to Euro 15,315 thousand, is mainly explained by lower loans amounts granted to subsidiaries and associated companies due to decreased financial needs compared to the previous year.

11. Tax receivables

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

(Thousands of Euro)	31.12.2016	31.12.2015
Receivables related to IRAP	621	241
Other tax receivables	135	135
Tax receivables	**757**	**376**

Tax credits increased from Euro 376 thousand in 2015 to Euro 757 thousand in 2015 showing an increase of Euro 381 thousand.

12. Cash and cash equivalents:

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2016	31.12.2015
Bank and post office deposits	4,506	9,380
Cash and cash equivalents on hand	5	10
Cash and cash equivalents	**4,511**	**9,390**

The figures reported refer to the balances of bank accounts and to the values of company fund. Cash allowance at the end of the fiscal year amount to 4,511 thousand, with a decrease from the previous year of Euro 4,879 thousand. For a better understanding of changes in the cash flows occurred during the year, please refer to the cash flow statement.

Net Shareholder's Equity

13. Net shareholders' equity

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

(Thousands of Euro)	31.12.2016	31.12.2015
Share capital and reserves	360,546	359,407
Result for the period	33,700	33,547
Total Net equity	**394,246**	**392,954**

The composition of the net shareholders' equity is reported below:

(Thousands of Euro)	31.12.2016	31.12.2015
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	96,819	95,696
Reserve for severance pay discount ias 19	(45)	(62)
Result for the period	33,700	33,547
Total Net equity	**394,246**	**392,954**

Stockholders' equity as of 31 December 2016 amounted to Euro 394,246 thousand, an increase of Euro 1,292thousand compared to 31 December 2015. Please refer to the changes in equity for further details.

During 2016, the Shareholders' Meeting held on 6 May approved the distribution of dividends equal to Euro 33,347 thousand, corresponding to 0.15 euros per share.

The share capital of Ascopiave S.p.A. as of 31 December 2016 consists of 234,411,575 shares with a nominal value of Euro 1.00 each.

It is noted that during 2016 no own shares have been purchased.

The changes in the net shareholders' equity in FY 2016 are reported in the following tables:

Shares in circulation as of 31 December 2016 and 31 December 2015		
(Number of shares)	**31.12.2016**	**31.12.2015**
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	(12,101)	(12,101)
Total number of shares in circulation	**222,311**	**222,311**

Value of the shares in circulation	31.12.2016	31.12.2015
Ordinary shares	234,412	234,412
Own shares in portfolio	(17,521)	(17,521)
Total value of shares in circulation	**216,891**	**216,891**

Revenues (losses) entered directly in the Shareholders’ Equity

As of 31 December 2016, losses for Euro 45 thousand have been entered directly in the Shareholders’ Equity, marking an increase of Euro 16 thousand from 31 December 2015.

This reserve gathers accounting gains and losses deriving from the assessment of current benefit plans that shall never be reclassified under profit and loss account.

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distribution of net equity items are reported below:

Description	Amount		Possibility of use	Portion available	Usage in the previous three	
					For coverage of losses	For other reasons
Share capital	234,411,575		-			
CAPITAL RESERVES						
Share premium fund	50,171,613		A, B, C	50,171,613		
Own shares	(17,521,332)		-			
EARNINGS RESERVES						
Legal reserve	46,882,315		B			
Extraordinary reserve						
Free reserve						
Other reserve	46,602,280		A, B, C	46,602,280		
Total	**126,134,876**			**96,773,893**		
Portion non available						
Residual value of available portion				**96,773,893**		

Note: "A" = capital increase "B" = coverage of losses, "C" = distribution to shareholders

The share premium fund is available considering that the legal reserve reached a value equal to one fifth of the share capital, in accordance with civil law provisions.

Non-current liabilities

14. Reserves for risks and charges

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

(Thousands of Euro)	31.12.2016	31.12.2015
Provisions for pension for gas sector employees	393	
Other provisions for risks and charges	250	550
Provisions for risks and charges	**643**	**550**

The increase in the provision for risks and charges is due to provisions for pension for gas sector employees and to incentive schemes for employees.

Other provision for risks and charges is due provisions set aside for litigations with former employees.

15. Severance indemnity

The changes in severance indemnity in the year considered are shown in the following table:

(Thousands of Euro)	
Severance indemnity as of 1st January 2016	1,224
Transferal	(834)
Retirement allowance	729
Payments for current services and work	2
Actuarial loss/(profits) recorded	50
Severance indemnity as of 31st December 2016	**1,172**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 916 thousand, therefore only highlighting the ordinary item variations during the year.

The liability of the severance indemnity is calculated with the actuarial method. Its value is therefore subjected to variation between the various hypotheses. The main hypothesis used for the measurement of the severance indemnity is the discount rate, the average yearly employee turnover and maximum retiring age of employees.

The discount rate used to measure the liability deriving from severance indemnity is determined from market trend of fixed-rate, high quality bonds (AA rating or better) with due date and amount corresponding to due date and amounts of expected future payments. For this plan, the average discount rate reflecting the due dates and amounts of future payments for 2015 amounts to 1.49%.

The main hypotheses of the model are:

- Mortality rate: IPS55 survival table
- Inability rates: INPS tables year 2000
- Personnel rotation rate: 3.00%
- Annual probability rate of TFR down payment: 2.00%
- Increase in remuneration rate: 1.50 %
- Inflation rate: 1.00%

The sensitivity analysis on the actuarial evaluation of the provision did not highlight substantial discrepancies compared to the value as accounted in the balance statement.

The current cost related to work performance is included as personnel costs, while the interest cost, equal to Euro 18 thousand, is recorded under financial income and expense.

16. Medium- and long-term loans

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

(Thousands of Euro)	31.12.2016	31.12.2015
Loans from Prealpi	684	757
Loans from European Investment Bank	31,000	34,500
Loans from Unicredit S.p.A.	2,857	8,571
Medium- and long-term bank loans	**34,541**	**43,829**
Current portion of medium and long-term loans	9,287	9,628
Medium- and long-term loans	**43,828**	**53,456**

Medium and long term loans mark a decrease of Euro 9,628 thousand attributed to the reclassification of instalments that will be reimbursed during the year.

Specifically, the European Investment Bank financing, which was issued in two payments during 2013 for Euro 45,000 thousand in total as a residual debt of € 34,500 thousand as of 31 December 2016 with Euro 3,500 thousand being reclassified as short term payables to banks and financings.

The repayment of the first instalment of 35,000 thousand will be carried out in 14 residual six month instalments with a fixed amount, between 27 February 2017 and 28 August 2023, with the application of a Euribor 6-month interest rate increased with a 95.5 base point spread. The second instalment, amounting to Euro 10,000 thousand shall be repaid with 16 six-month instalments with a fixed amount from 27 February 2018 to 28 August 2025 with the application of a Euribor 6-month interest rate increased with a 71.5 base point spread as well as a 135-base point cost related to the guarantee issued by the "Cassa Depositi e Prestiti S.p.A." (Deposit and Loan Bank).

As guarantee of the obligations covered by the loan agreement, Ascopiave sold to the European Investment Bank a share of future claims arising from the repayment of the residual value of assets related to the Distribution Gas

Concessions now property of subsidiary company AP Reti Gas S.p.A., as set forth in the agreement integration stipulated in December 2016.

In particular, the Agreement envisages that the Company, for the entire duration of the Loan, undertake to respect the following parameters:

- EBITDA/ Net financial costs > 5;
- Net consolidated financial indebtedness/ EBITDA < 3,5

Furthermore, in the following instances the bank institutions may request anticipated reimbursement of the loan:

a) reduction of costs of the project below what was originally set forth in the agreement;
b) anticipated reimbursement of non-EIB loans (excluding revolving credit facilities);
c) change in control structure of Ascopiave S.p.A. or AscoHolding S.p.A.;
d) change in law framework that might hinder Ascopiave S.p.A ability to perform its obligations;
e) loss of concessions to an extent that would reduce consolidated RAB below 300 million Euro.

At the end of 2016, all envisaged covenants were respected because:

a) EBITDA/ Net financial costs ratio was 175.10, calculated as the ratio between consolidated EBITDA to that date, i.e. Euro 95,255 thousand and consolidated net financial costs Euro 544 thousand.
b) Net financial indebtedness/ EBITDA was 0.99, calculated as the ratio between consolidated net financial indebtedness to that date, Euro 94,002 thousand and consolidated EBITDA i.e. Euro 95,255 thousand.

The medium long term loan with Unicredit S.p.A. signed by the Parent Company in 2011 for Euro 40,000 thousand, used to finance crucial company operation for company aggregation purposes, has a seven-year duration and a reimbursement plan of six-month instalments, postponed, from 31 December 2011 to 30 June 2018.

During the year, two instalments have been repaid for Euro 2,857 each. This led to the reduction of the loan for Euro 5,714 thousand in total and a residual debt at the end of the year of Euro 8,571 thousand.

This loan has a variable interest rate, based on the Euribor three-month index and a spread margin to be summed to the index. The exact amount of the margin is based on the variations of the value, at the end of each year, of the ratio between net consolidated financial position and gross consolidated operating margin, as shown in the following table:

PFN/M.O.L. Ratio Value	Value of spread
Index>2.5	125 basis points
2<Index<2.5	90 basis points
Index<2	75 basis points

Along with the terms and conditions provided for to calculate the interest rate to be applied to the financed capital, the continuation of the loan agreement is subject to the following financial and operating terms and conditions:

a) the value of the index described above may not exceed 3.5 (covenants amended by notarial deed of 22 December 2014, the previous limit was equal to 2.75);
b) R.A.B. value (Regulatory Asset Base, i.e. the value of the gas network) cannot be lower than Euro 270,000 thousand;
c) the stake of ASCOHOLDING S.p.A. in ASCOPIAVE S.p.A. cannot be lower than 51%.

As collateral for the execution of obligations related to the loan, the company relinquished to Unicredit an interest of future credit deriving from the reimbursement of the residual value of the assets related to Gas Distribution Concessions.

Following a negotiation with Unicredit S.p.A. on 20 November 2015, yearly assessment of respect of financial covenants and operating parameters stated in items a) and b) from 2015 shall no longer carried out on the IFRS compliant Group consolidated results, but on a pro-forma consolidated report based on the sum of data of consolidated statement and the pro-quota of joint controlled companies.

As of 31 December 2016, having respected the indicator a), amounting to 0.88, calculated as the pro-forma net financial indebtedness to that date (90,962 thousand) and the pro-forma Ebitda (Euro 103,597 thousand) as well as letter b) for Euro 404,430, the applicable spread applicable from 1 January 2017 shall be 75 base points.

The following table highlights deadlines for the instalments of medium and long term loans according to their year:

(Thousands of Euro)	31.12.2016
Financial year 2017	9,287
Financial year 2018	7,681
Financial year 2019	4,826
Financial year 2020	4,828
After 31st December 2020	17,207
Total medium and long-term loans	**43,828**

17. Other non-current liabilities

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

		Restated		
(Thousands of Euro)	31.12.2016	31.12.2015	Transferal	31.12.2015
Security deposits	7		306	306
Multi-annual passive prepayments	37	37	5,191	5,228
Other non-current liabilities	**44**	**37**	**5,497**	**5,534**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 5,496 thousand, therefore only highlighting the ordinary item variations during the year.

Other non-current liabilities increased from Euro 37 thousand to Euro 44 thousand, marking an increase of Euro 7 thousand.

The change is mainly explained by the increase in long-term deferred detected liabilities in order to suspend the public and private contributions received for the construction of user derivations. The same are deferred and released to income over the useful life of the infrastructure built (45 years) and the carrying value of other non-current liabilities corresponds to the economic value of the same that will be released as from 2018.

18. Non-current financial liabilities

The following table shows how the items are broken down at the end of each period considered:

		Restated		
(Thousands of Euro)	31.12.2016	31.12.2015	Transferal	31.12.2015
Payables due to leasing companies (over 12 months)			422	422
Non-current financial liabilities			**422**	**422**

The item “Non-current financial liabilities” of the previous year included the financial lease on co-generation plants. The item was not transferred on 1 July 2016 and it has been included in the sale of co-generation plants to subsidiary company Veritas Energia S.p.A. during FY 2016.

19. Deferred tax payables

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2016	31.12.2015	Transferal	Restated 31.12.2015
Deferred tax payables	22	26	12,206	12,232
Deferred tax payables	**22**	**26**	**12,206**	**12,232**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 12,206 thousand, therefore only highlighting the ordinary item variations during the year.

Deferred taxes mark a variation from Euro 26 thousand, to Euro 22 thousand, a decrease of Euro 4 thousand.

The Company has provided a full accounting of deferred taxes on temporary differences between taxable values and book values. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the current IRAP at the moment in which the temporary differences are supposed to be deposited again. In particular, a 24% IRES tax rate, and a 4.2% IRAP tax rate were applied in accordance with the changes introduced by Law 111 dated 15 July 2011 to art. 23, paragraph 5 of Legislative Decree 98 dated 6 July 2011.

The total value of the temporary differences and the related amounts on which the liabilities for deferred taxes gave been detected are detailed below:

	31.12.2016			31.12.2015		
Description	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	61	24.0%	15	30,037	24.0%	7,209
Severance indemnity	31	24.0%	7	31	24.0%	7
Goodwill deductibility for tax purposes whithin 2007	0	28.2%	0	9,872	28.2%	2,802
Exceeding amortizations	0	28.2%	0	7,848	28.2%	2,213
Total deferred tax payables			22			12,232

Current liabilities

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

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2016	31.12.2015
Payables due to banks	55,000	87,995
Current portion of medium-long-term loans	9,287	9,628
Payables due to banks and financing institutions	**64,287**	**97,622**

At the end of FY 2016, short term bank payables are broken down into negative bank account balances for Euro 55,000 thousand and short-term loan instalments for Euro 9,287 thousand. The total decrease, amounting to Euro 33,335 thousand, is mainly explained by decreased use of the credit available.

The following table shows the allocation of Ascopiave S.p.A. credit lines used and available and relative rates applied as of 31December 2016.

Banks	Type	Credit lines 31 dec 2016	Interest rate 31 dec 2016	Debt 31 dec 2016
Banca di Credito Cooperativo delle Prealpi	Cash loans	5,000	n.a.	-
Banca di Credito Cooperativo delle Prealpi	Bank loan	757	2.10%	757
Banca Europea per gli Investimenti	Bank loan	24,500	0.76%	24,500
Banca Europea per gli Investimenti	Bank loan	10,000	0.52%	10,000
Banca Monte dei Paschi di Siena	Cash loans	10,000	n.a.	-
Banca Monte dei Paschi di Siena	Guarantees	20,000	0.30%	10,980
Banca Nazionale del Lavoro	Cash loans	48,953	n.a.	-
Banca Nazionale del Lavoro	Guarantees	11,047	0.30%	1,052
Banca Popolare dell'Emilia Romagna	Cash loans	10,000	n.a.	-
Banca Popolare di Vicenza	Cash loans	45,000	n.a.	-
Banca Popolare Friuladria	Cash loans	11,000	n.a.	-
Banca Popolare Friuladria	Guarantees	2,000	n.a.	-
Banca Sella	Cash loans	5,000	n.a.	-
Banca BPM	Cash loans	17,000	n.a.	-
Banca BPM	Guarantees	12,485	0.40%	3,137
Banco di Brescia	Cash loans	30,000	0.01%	20,000
Banco di Desio e della Brianza	Cash loans	5,000	n.a.	-
BNP Paribas Lease Group	Financial derivatives	10,000	n.a.	377
Cassa di Risparmio del Veneto	Cash loans	13,000	n.a.	-
Credito Emiliano	Cash loans	25,000	0.00%	25,000
Intesa SanPaolo	Cash loans	40,000	0.30%	-
Intesa SanPaolo	Financial derivatives	7,000	n.a.	3,416
Large Corporate One	Bank loan	8,571	0.75%	8,571
Unicredit	Cash loans	48,705	0.00%	10,000
Unicredit	Guarantees	42,000	0.30%	13,342
Total		**462,019**		**131,133**

21. Trade payables

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2016	Restated 31.12.2015	Transferal	31.12.2015
Payables to suppliers	657	2,064	885	2,949
Payables to suppliers for invoices not yet received	1,123	4,017	8,550	12,567
Trade payables	**1,779**	**6,081**	**9,435**	**15,516**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 9,435 thousand, therefore only highlighting the ordinary item variations during the year.

The item decrease from Euro 6,081 thousand of the previous fiscal year, to Euro 1,779 thousand of the current financial year, with a decrease of Euro 4,302 thousand. The decrease is mainly explained by the lower allocation of invoices to be received at the term of the year for Euro 2.895 thousand and by received invoices for Euro 1,407 thousand.
It is noted that trade payables are collectable within the following fiscal year.

22. Other current liabilities

The following table shows how the items of “Other current liabilities” broken down for each period considered:

(Thousands of Euro)	31.12.2016	Restated 31.12.2015	Transferal	31.12.2015
Advance payments from customers			1,512	1,512
Amounts due to parent companies for tax consolidation		1,051		1,051
Amounts due to social security institutions	303	252	442	694
Amounts due to employees	1,534	1,384	1,323	2,707
VAT payables		1,054	(0)	1,054
Payables to revenue office for withholding tax	374	263	309	572
Annual passive prepayments	91	(0)	1,012	1,012
Annual passive accruals	247	135	517	652
Other payables	402	523	21,505	22,028
Other current liabilities	**2,952**	**4,663**	**26,620**	**31,282**

In the table above, the items in the comparison column are stated net of the transfer of the branch of natural gas distribution to AP Reti Gas S.p.A for Euro 26,620 thousand, therefore only highlighting the ordinary item variations during the year.

At the end of the fiscal year, other current liabilities amount to Euro 2,952 thousand, marking decrease of Euro 1,711 thousand compared to 2015. This increase is mainly due to the variation of the entry "other payables" and VAT payables.

"Payables to welfare institutions" refers to payables of welfare contributions for the months of November and December that were paid during the first months of 2017. The "amounts due to employees" include holidays not taken, deferred remuneration and bonuses earned as of 31 December 2016 but not paid out on that date

23. Current financial liabilities

The following table shows the breakdown of the item "Current financial liabilities" at the end of each period considered:

(Thousands of Euro)	31.12.2016	Restated 31.12.2015	Transferal	31.12.2015
Financial payables within 12 months	43,156	12,629		12,629
Payables to leasing companies within 12 months			67	67
Current financial liabilities	**43,156**	**12,629**	**67**	**12,696**

Current financial liabilities amount to Euro 42,156 thousand, up by Euro 30,460 thousand compared to the previous year mainly due to entering of balances of subsidiaries in intercompany current accounts through which the company manages the Group Treasury.

The variation is explained by the decrease in loans and borrowings against Amgas Blu S.r.l. for Euro 13 thousand, AP Reti Gas S.p.A. for Euro 6,386 thousand, AP Reti Gas Rovigo S.r.l. for Euro 687 thousand, Ascotrade S.p.A. for Euro 16,704 thousand, Asm Set S.r.l. for Euro 3,412 thousand, Blue Meta S.p.A. for Euro 8,266 thousand, Etra Energia S.r.l. for Euro 855 thousand and Pasubio Servizi S.r.l. for Euro 6,834

As specified in the paragraph "Non-current financial liabilities", the decrease in payables to the Leasing company is due to the sale of subsidiary company Veritas Energia S.p.A. of several co-generation plants in financial lease, in addition to the transferal to Ap reti gas S.p.A.

Net financial position

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

(Thousands of Euro)	31.12.2016	31.12.2015
Cash and cash equivalents	4,511	9,390
Current financial assets	2,534	20,973
Current financial liabilities	(43,156)	(12,629)
Payables due to banks and financing institutions	(64,287)	(97,622)
Debiti verso società di leasing entro 12 mesi		(67)
Net short-term financial position	**(100,398)**	**(79,955)**
Non current financial assets		
Medium- and long-term bank loans	(34,541)	(43,829)
Non-current financial liabilities		(422)
Net medium and long-term financial position	**(34,541)**	**(44,251)**
Net financial position	**(134,940)**	**(124,205)**

Ascopiave Net Financial Position saw an increase of Euro 10,735 thousand compared to the previous year, for a total amount of Euro 134,940 thousand.

It is to be pointed out that no covenants or negative pledges are provided for in the short-term bank loans, while the loan granted by Unicredit Banca S.p.A. and by the European Bank for Investments undergo covenants – to be verified based on the results of the consolidated financial statements- described in the previous paragraph 1“Medium-long term loans”

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

Revenues

24. Revenues

The following table shows the revenues in the periods considered:

(Thousands of Euro)	FY 2016	FY 2015
Revenues from general services supplied to Group companies	9,057	8,592
Distribution of dividends from controlled companies	30,923	23,842
Other revenues	16,392	154
Revenues	**56,372**	**32,588**

At the end of the period, the item amounted to Euro 56,373thousand, with an increase of Euro 23,784 thousand compared to the previous year.

At the end of the financial year, revenue from general services to company subsidiaries increased by Euro 465 thousand, going from 8,592 thousand of 2015 to Euro 9,057 thousand of the reference year

Revenues from distribution of dividends of subsidiary companies increase by Euro 7,081 thousand, going from Euro 23,842 thousand of the previous year to Euro 30,923 thousand of the reference year.

The item “other revenues” marks an increase of Euro 16,238 thousand, going from Euro 154 thousand of 2015 to Euro 16,392 in 2016.

This variation is mainly due to revenues accounted following the sale of the “TEE Energy Efficiency certificates” to subsidiary company AP Reti Gas S.p.A. following the attainment of the objectives set by the Authority in matters pertaining energy saving. Said objectives were responsibility of Ascopiave S.p.A. but have now been conferred to Ap Reti Gas S.p.A. following the transferal of the natural gas distribution branch dated 1 July 2016.

Operating costs

25. *Cost of raw materials*

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

(Thousands of Euro)	FY 2016	FY 2015
Diesel fuel and LPG purchase	2	
Purchase of other raw material	21	5
Purchase costs for other raw materials	**22**	**5**

The costs for the purchase of other raw materials increase from Euro 5 thousand in 2015 to Euro 1,22 thousand in 2016, a Euro 17 thousand increase.

The item mainly includes costs for the purchase of materials used for the construction of infrastructures for natural gas distribution, as well as costs for the purchase of natural gas and electric power required for the functioning of the co-generation plants for the first six months of FY 2016.

26. Costs for services

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

(Thousands of Euro)	FY 2016	FY 2015
Mailing and telegraph costs	1,140	1,354
Maintenance and repairs	1,244	1,091
Consulting services	3,382	2,018
Commercial services and advertisement	122	106
Sundry suppliers	435	173
Directors' and Statutory Auditors' fees	678	573
Insurances	683	103
Personnel costs	429	243
Other managing expenses	661	635
Costs for use of third-party assets	442	457
Costs for services	**9,212**	**6,753**

The costs for services amount to Euro 9,216 thousand at the end of the period considered, recording an increase as compared to the previous financial year equal to Euro 2,463 thousand. This is mainly due to the increase of the costs of received consultancy services as well as the rise in insurance policy costs.

The increase in costs of consultancies, in the tune of Euro 1,364 thousand, is mainly due to increased costs during the year in administrative and legal consultancy fees (+ Euro 1,028 thousand), IT consultancy services (+ Euro 265 thousand), Research and Development (+ Euro 66 thousand) as well as technical consultancy services (+ Euro 5 thousand).

Personnel costs include costs for the management of vehicles assigned to employees, expenses for the canteen service and costs for training and education, and record an increase of Euro 186 thousand compared to the previous year.

The item "Costs for the use of third-party assets" includes costs for software rights and licenses as well as the rental costs for company offices. At the end of the reference period, the item has decreased by Euro 15 thousand.

27. Personnel cost

Personnel costs for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY 2016	FY 2015
Wages and salaries	5,660	4,413
Social security contributions	1,660	1,269
Severance indemnity	323	290
Other costs	12	8
Total personnel costs	**7,655**	**5,980**
Capitalized personnel costs	(8)	(17)
Personnel costs	**7,647**	**5,963**

Personnel costs are reported net of capitalised costs in relation to increases in intangible assets for works carried out partially on a time and material basis, which are directly attributed to the creation of facilities for the distribution of natural gas during the first half of 2016.

The item increases from Euro 5,980 thousand of the previous year, to Euro 7,655 thousand of 2016, with an increase of

Euro 1,675 thousand. Including welfare obligations, the surge is due to the accounting of the long-term personnel incentive scheme for Euro 745 thousand, as well as to the rise in salaries for the year under consideration, due to personal merits and agreement obligations.

Capitalized personnel cost marked a Euro 9 thousand decrease, going from Euro 17 thousand of the previous year to Euro 8 thousand of 2015 decreasing the overall personnel cost by the same amount.

The table below shows the number of employees of the Group, divided by category, at the end of 2014 and at the end of 2016:

Type	FY 2015	transferal of the branch of natural gas distribution	FY 2016	Variation
Executives	13	(3)	9	(1)
Office workers	167	(90)	79	2
Manual workers	79	(75)	4	0
No. of personnel employed	**259**	**(168)**	**92**	**1**

The variation in number of employees is due to the transferal of 168 resources to AP Reti Gas S.p.A. following the transferal of the gas distribution branch; it is noted that some employees of the company are part of a multi-annual incentive scheme.

28. Other management costs

Other operating incomes for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY 2016	FY 2015
Other provisions		300
Membership and AEEGSI fees	138	128
Capital losses	5	
Extraordinary losses	77	9
Other taxes	172	108
Other costs	216	207
Costs of contracts	43	10
Energy efficency certificates	14,015	
Other management costs	**14,666**	**763**

The item “Other operating costs” marks an increase of Euro 13,903 thousand compared to the previous year mainly due to the costs for the purchase of the energy efficiency certificates for subsidiary AP Reti Gas S.p.A.

29. Other management costs

Other operating incomes for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY 2016	FY 2015
Other income	56	37
Other income	**56**	**37**

At the end of the year under consideration, the item amounts to Euro 56 thousand, marking a surge of Euro 19 thousand compared to the previous year.

30. Amortizations and depreciations

Amortizations and depreciations for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY 2016	FY 2015
Intangible fixed assets	113	69
Tangible fixed assets	1,665	1,661
Amortization and depreciation	**1,779**	**1,730**

The depreciations recognized at the end of the year amounted to Euro 1,779 thousand, an increase over the previous year of Euro 29 thousand**.**

31. Net financial income and expenses

Financial income and expenses in the years considered are analysed in the following table:

(Thousands of Euro)	FY 2016	FY 2015
Interest income on bank and post office accounts	10	291
Other interest income	89	507
Distribution of dividends from controlled companies	1	0
Financial income	**100**	**798**
Interest expense on banks	90	516
Interest expense on loans	511	621
Other financial expenses	232	156
Financial charges	**833**	**1,293**
Net financial income and expenses	**733**	**495**

The item “Financial income and costs” is negative and amounts to Euro 733 thousand. This variation is due to the combined effect of lack of arbitrage operations of interest rates in 2016, which had been carried out in 2015, and the reduction of interest rates of banks to the lines of credit, as well as an improvement of the financial situation, which decreased the necessity to use said lines of credit.

32. Taxation 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)	FY 2016	FY 2015
IRES current taxes	3,354	2,808
IRAP current taxes	656	481
(Advance)/Deferred taxes	541	763
Taxes for the period	**4,550**	**2,526**

Taxes for FY 2016 increase from Euro 2,526 thousand of 2015 to Euro 4,550 thousand of the year under examination, marking a surge of Euro 2,024.

It is noted that, following the transfer of assets, the tax amount for the year has been reclassified for Euro 4,221 thousand as net result from transferred assets. The amount of taxes for the year under examination is therefore Euro 329 thousand.

(Thousands of Euro)	FY 2016	FY 2015
Earnings before tax	22,366	16,916
Taxes for the period	4,550	2,526
Percentage of income before taxes	**20.3%**	**14.9%**

The actual tax rate increases by 5.4%, from 14.9% of 2015 to 20.3% of 2016.

33. Net result from transferred assets

"Net result from transferred assets" is the reclassification of items in the P&L Account for assets and liabilities that will be dismissed by Ascopiave S.p.A., pursuant to the IFRS. As of 31 December 2016, they are the "Gas distribution" company branch, which was transferred to AP Reti Gas S.p.a. as explained in detail here.

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

On 1 July 2016 Ascopiave S.p.A. transferred the natural gas distribution branch of the company to AP Reti Gas S.p.A. This operation 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.

In order to enable a comparable financial representation of the situation as of 31 December 2016 with the financial representation of the previous year, it was necessary to report the latter net of all effects of said transfer, i.e. as if it had been applied as of 31 December 2015.

In the column "Transfer" we state the accounting amount that is being transferred to AP Reti Gas S.p.A. In the column "Restated" we report the amounts in the income statement as of 31 December 2015 net of the effect of the transfer. In the following table, we also include one item in assets and one in liabilities that include all variations in the income statement, allowing consistency with partial movements.

The following table highlights the composition of "Assets destined to transfer or divestment" and "Liabilities destined to transfer or divestment" as of 31 December 2015, pursuant to IFRS, due to the transfer of the company branch to AP Reti Gas S.p.A.:

(Thousands of Euro)		31.12.2016	31.12.2015	Transferal	31.12.2015 Restated
ASSETS					
Non-current assets					
Goodwill	(1)		20,433	20,433	
Other intangible assets	(2)	248	267,495	267,433	62
Tangible assets	(3)	29,297	33,891	3,303	30,588
Shareholdings	(4)	481,778	183,037	0	183,037
Other non-current assets	(5)	4,462	4,534	477	4,058
Advance tax receivables	(6)	1,858	8,298	6,044	2,254
Non-current assets		**517,643**	**517,689**	**297,690**	**219,999**
Current assets					
Inventories	(7)	0	1,731	1,701	30
Trade receivables	(8)	7,412	28,439	21,091	7,348
Other current assets	(9)	9,067	35,209	33,220	1,990
Current financial assets	(10)	2,534	20,973	0	20,973
Tax receivables	(11)	757	376	0	376
Cash and cash equivalents	(12)	4,511	9,390	1	9,389
Current assets		**24,281**	**96,119**	**56,013**	**40,105**
Assets held for sale				353,703	353,703
ASSETS		**541,924**	**613,808**	**0**	**613,808**
Net equity and liabilities					
Total Net equity					
Share capital		234,412	234,412	0	234,412
Own shares		(17,521)	(17,521)	0	(17,521)
Reserves		143,656	142,516	0	142,516
Result of the period		33,700	33,547	0	33,547
Net equity of the Group	(13)	**394,246**	**392,954**	**0**	**392,954**
Non-current liabilities					
Provisions for risks and charges	(14)	643	550	0	550
Severance indemnity	(15)	253	1,172	916	255
Medium- and long-term bank loans	(16)	34,541	43,829	0	43,829
Other non-current liabilities	(17)	44	5,534	5,496	37
Non - current financial liabilities	(18)	0	422	422	0
Deferred tax payables	(19)	22	12,232	12,206	26
Non-current liabilities		**35,504**	**63,737**	**19,040**	**44,697**
Current liabilities					
Payables due to banks and financing institutions	(20)	64,287	97,622	0	97,622
Trade payables	(21)	1,779	15,516	9,435	6,081
Other current liabilities	(22)	2,952	31,282	26,620	4,663
Current financial liabilities	(23)	43,156	12,696	67	12,629
Current liabilities		**112,174**	**157,117**	**36,122**	**120,995**
Liabilities held for sale				55,163	55,163
Liabilities		**147,678**	**220,854**	**0**	**220,854**
Net equity and liabilities		**541,924**	**613,808**	**0**	**613,808**
Increase in the value of the shareholding				**298,541**	

The total value of transferred assets and liabilities, in reference with the values as of 31 December 2015, amounts to Euro 298,541 thousand and they correspond to the increase in value of the share interest of AP Reti Gas S.p.A. on 1 July 2016.

The following table highlights the net result of the assets under transfer and of the dismissed assets for the years ended 31 December 2015 and 31 December 2016.

(Thousands of Euro)	Financial year 2015	Financial year 2016*
Revenues	**66,780**	**35,370**
Total operating costs	**31,083**	**17,430**
Purchase costs for raw material	1,514	903
Costs for services	12,952	5,776
Costs for personnel	5,307	2,582
Other management costs	11,731	8,288
Other income	421	119
Amortization and depreciation	13,736	6,935
Operating result	**21,961**	**11,005**
Earnings before tax	**21,961**	**11,005**
Taxes for the period	8,096	4,221
Net income from discontinued operations / held for sale	**14,105**	**6,784**

* Instalment for year 2016 refers to the first semester 2016, as the transfer was effective on 1 July 2016.

The following table highlights the values stated as of 30 June 2016 that have been transferred by Ascopiave S.p.A. to AP Reti Gas S.p.A. and of which difference in transfer has been offset by a monetary balance.

(Euro)		30.06.2016
ASSETS		
Non-current assets		
Goodwill	(1)	20,433,126
Other intangible assets	(2)	267,003,366
Tangible assets	(3)	1,430,520
Shareholdings	(4)	
Other non-current assets	(5)	466,964
Advance tax receivables	(6)	5,793,202
Non-current assets		**295,127,177**
Current assets		
Inventories	(7)	3,819,049
Trade receivables	(8)	6,394,655
Other current assets	(9)	41,028,220
Current financial assets	(10)	
Tax receivables	(11)	
Cash and cash equivalents	(12)	7,625
Current assets		**51,249,549**
Assets held for sale		**346,376,726**
Non-current liabilities		
Provisions for risks and charges	(14)	268,630
Severance indemnity	(15)	862,908
Medium- and long-term bank loans	(16)	
Other non-current liabilities	(17)	5,479,702
Non - current financial liabilities	(18)	
Deferred tax payables	(19)	10,872,168
Non-current liabilities		**17,483,408**
Current liabilities		
Payables due to banks and financing institutions	(20)	
Trade payables	(21)	16,674,082
Other current liabilities	(22)	26,900,724
Current financial liabilities	(23)	
Current liabilities		**43,574,806**
Liabilities held for sale		**61,058,214**
Liabilities		**147,678**
Net equity and liabilities		**541,924**

OTHER EXPLANATORY NOTES

Non-recurring components

In accordance with CONSOB communication no. 15519/2005, we report that there have been no non-recurring economic components reported in the annual financial statements as of 31 December 2016

Information on related parties

The Company is controlled by Asco Holding S.p.A., which holds 61.562% of the shares.

All operations with the companies of the Group are part of the ordinary management of the enterprise and are regulated at market conditions. In 2016, there were no other operations carried out with companies, entities or administrators of the Company, of the parent companies and of the controlled companies.

	31.12.2016									
Companies	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
Parent comany										
Asco Holding S.p.A.	36	4,678					1,514	0	61	
Total Parent comany	**36**	**4,678**	**0**	**0**	**0**	**0**	**1,514**	**0**	**61**	**0**
Controlled and Jointly controlled companies										
Ascotrade S.p.A.	1,832	189	49	16,704	611	0	68	0	28,264	191
AP Reti Gas S.p.A.	95	0	3	0	0		0	0	0	0
Blue Meta S.p.A.	422	64	10	8,266	0	14	28	0	869	8
Edigas Esercizio Distribuzione Gas S.p.A.	193	280	9	0	0	38	2	0	377	4
Etra Energia S.r.l.	80	0	1	854	0		3	0	218	1
Pasubio Servizi S.r.l.	248	0	6	6,834	0	0	33	0	497	7
AP Reti Gas Rovigo S.r.l.	129	0	21	687	0	95	3	0	262	1
Unigas Distribuzione Gas S.r.l.	27	0	5	0	0	38	0	0	55	0
Veritas Energia S.p.A.	672	2,303	66	0	218	66	5	0	697	322
Estenergy S.p.A.		0		0	0	568	793	0	0	0
Amgas Blu S.r.l.	208	19	1	13	0		9	0	388	5
ASM Set S.r.l.	120	21	3	3,412	6		9	0	265	3
Unigas Distribuzione S.r.l.	27	0	5	0	0	38	0	0	55	0
Total Controlled and Jointly controlled companies	**4,053**	**2,877**	**178**	**36,770**	**835**	**857**	**953**	**0**	**31,945**	**542**
Affiliated company										
Asco TLC S.p.A.	85	0		0	0	533	0	0	116	57
Seven Center S.r.l.	40	0		0	0	97	2	0	37	0
Total affiliated company	**85**	**0**	**0**	**0**	**0**	**533**	**0**	**0**	**116**	**57**
Total	**4,175**	**7,555**	**178**	**36,770**	**835**	**1,390**	**2,467**	**0**	**32,122**	**599**

The relationships that Ascopiave SpA engages with other group companies mainly deal with the following types:

- ✓ purchase of natural gas and electricity by subsidiary Ascotrade SpA;
- ✓ purchase of call centre services from the subsidiary Ascotrade SpA made at the market price by using as parameter the number of calls;
- ✓ debit of some insurance costs by the Asco Holding SpA;
- ✓ purchase of some administrative services, call centres, credit management;
- ✓ sales of counter services, personnel management, IT service, real estate service management, optical storage, staff services such as quality, privacy and safety of workers
- ✓ sales of accounting and management of regulatory compliance;
- ✓ sales of administration and finance services;
- ✓ debit to Group companies of accounting services and information technology, and of any external expenses incurred;
- ✓ Agreement for the regulation of treasury relations designed to offset cash surpluses and deficiencies among the group companies.
- ✓ Agreement to the participation to the group consolidated having Asco Holding SpA as parent company.

From 24 November 2010, the Board of Directors approved a procedure for operations with related parties (the “Procedure”). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-bis of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12 March 2010 and subsequent modifications.

The Procedure was implemented on 1 January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11 September 2006 (and following modifications).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf.

In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the aforementioned operations.

Capital Report Models pursuant to CONSOB decision dated 15519/2006

Hereby we present the Capital Report Models highlighting the effects of the relations with related parties, pursuant to CONSOB decision dated 27 July 2006 no. 15519

Financial-equity overview

		FY	Of which related parties						FY	Of which related parties					
(Thousands of Euro)		**2016**	A	B	C	D	Total	%	**2015**	A	B	C	D	Total	%
ASSETS															
Non-current assets															
Goodwill	(1)														
Other intangible assets	(2)	248							371						
Tangible assets	(3)	29,297							30,883						
Shareholdings	(4)	481,778		417,644	63,824		481,468	99.9%	183,037		118,903	63,824		182,727	99.8%
Other non-current assets	(5)	4,462							4,058						
Non current financial assets	(6)														
Advance tax receivables	(7)	1,858							2,254						
Non-current assets		**517,643**		**417,644**	**63,824**		**481,468**	**93.0%**	**220,604**		**118,903**	**63,824**		**182,727**	**82.8%**
Current assets															
Inventories	(8)								31						
Trade receivables	(9)	7,412	36	5,700	160		5,896	79.6%	7,348	65	159	354		577	7.9%
Other current assets	(10)	9,067	4,678		21		4,699	51.8%	1,990						
Current financial assets	(11)	2,534		261	2,273		2,534	100.0%	20,973		7,700	10,149		17,849	85.1%
Tax receivables	(12)	757							376						
Cash and cash equivalents	(13)	4,511							9,390						
Current assets		**24,281**	**4,714**	**5,961**	**2,454**		**13,129**	**54.1%**	**40,108**	**65**	**7,859**	**10,503**		**18,426**	**45.9%**
ASSETS		**541,924**	**4,714**	**423,605**	**66,278**		**494,597**	**91.3%**	**613,808**	**65**	**126,763**	**74,326**		**201,154**	**32.8%**
Net equity and liabilities															
Total Net equity															
Share capital		234,412							234,412						
Own shares		(17,521)							(17,521)						
Reserves		177,356							176,063						
Total Net equity	(14)	**394,246**							**392,954**						
Non-current liabilities															
Provisions for risks and charges	(15)	643							550						
Severance indemnity	(16)	253							255						
Medium- and long-term bank loans	(17)	34,541							43,829						
Other non-current liabilities	(18)	44							37						
Non-current financial liabilities	(19)								0						
Deferred tax payables	(20)	22							26						
Non-current liabilities		**35,504**							**44,697**						
Current liabilities															
Payables due to banks and financing institutions	(21)	64,287							97,622						
Trade payables	(22)	1,779		1,586	7		1,593	89.5%	6,081		13			13	0.2%
Other current liabilities	(24)	2,952							4,463						
Current financial liabilities	(25)	43,156		39,744	3,412		43,156	100.0%	12,629		9,791	249		9,542	75.6%
Current liabilities		**112,174**		**41,330**	**3,420**		**44,750**	**39.9%**	**120,995**		**9,804**	**249**		**9,555**	**7.9%**
Liabilities		**147,678**		**41,330**	**3,420**		**44,750**	**30.3%**	**220,854**		**9,804**	**249**		**9,555**	**4.3%**
Net equity and liabilities		**541,924**		**41,330**	**3,420**		**44,750**	**8.3%**	**613,808**		**9,804**	**249**		**9,555**	**1.6%**

Chart legend entry for related parties

A *Parent Companies*
B *Associated Companies*
C *Affiliated companies and joint control companies*
D *Other associated parties*

Total Profit and Loss statement

(Thousands of Euro)	Note	FY 2016	Of which related parties A	B	C	Total	%	FY 2015	Of which related parties A	B	C	Total	%
Revenues	(26)	**56,372**	**61**	**48,461**		**48,522**	**86.1%**	**32,828**	**68**	**52,660**		**52,728**	**160.6%**
Total operating costs		**31,495**		**1,729**	**1,361**	**3,091**	**9.8%**	**13,447**		**2,507**	**1,245**	**3,752**	**27.9%**
Purchase costs for raw material (gas)	(27)			507		507							
Purchase costs for other raw materials	(28)	22		328		328	1483.8%	5		476		476	9530.8%
Costs for services	(29)	9,216		893	568	1,461	15.9%	6,753		1,946	563	2,510	37.2%
Costs for personnel	(30)	7,647			793	793	10.4%	5,963			682	682	11.4%
Other management costs	(31)	14,666		2		2	0.0%	763		85		85	11.2%
Other income	(32)	56						37		1		1	3.2%
Amortization and depreciation	(33)	1,779						1,730					
Operating result		**23,098**	**61**	**46,732**	**(1,361)**	**45,431**	**196.7%**	**17,651**	**68**	**50,154**	**1,245**	**48,976**	**277.5%**
Financial income	(34)	100		85		85	85.0%	798		375		375	47.1%
Financial charges	(34)	833		169		169	20.2%	1,293		102		102	7.9%
Evaluation of subsidiary companies with the net equity method	(34)												
Earnings before tax		**22,366**	**61**	**46,648**	**(1,361)**	**45,348**	**202.8%**	**17,156**	**68**	**50,427**	**1,245**	**49,250**	**287.1%**
Taxes for the period	(35)	4,550	1,514			1,514	-33.3%	2,526	6,183			6,183	-244.8%
Result for the period		**26,916**	**(2,772)**	**46,648**	**(1,361)**	**42,515**	**158.0%**	**19,682**	**6,115**	**50,427**	**1,245**	**43,066**	**218.8%**
Net result for the period		**33,700**	**(2,772)**	**46,648**	**(1,361)**	**42,515**	**126.2%**	**33,787**	**6,115**	**50,427**	**1,245**	**43,066**	**127.5%**
Group's Net Result		33,700						33,547					
Third parties Net Result													
Statement of comprehensive income													
1.Components that can be reclassified to the income statement													
Fair value of derivatives, change in the period net of tax		(68)						(194)					
2.Components that can not be reclassified to the income statement													
Actuarial (losses)/gains from remeasurement of definde-benefit obligation net of tax			(14)			(14)		190					
Total comprehensive income		**33,700**	**(2,785)**	**46,648**	**(1,361)**	**42,502**	**126.1%**	**33,783**	**6,115**	**50,427**	**1,245**	**43,066**	**127.5%**
Group's Net Result		33,717	(2,785)	46,648	(1,361)	42,502	126.1%	33,801	(6,098)	50,445	(1,228)	43,084	127.5%
Third parties Net Result		(18)						(18)	(18)	(18)	(18)	(18)	102.1%

Chart legend entry for related parties

***A** Parent Companies*
***B** Associated Companies*
***C** Affiliated companies and joint control companies*
***D** Other associated parties*

Net financial indebtedness

	(Thousands of Euro)	31.12.2016	Of which related parties A	B	C	D	Total	%	31.12.2015	Of which related parties A	B	C	D	Total	%
A	Cash and cash equivalents on hand	5							10						
B	Bank and post office deposits	4,506							9,380						
C	Negotiable shares														
D	**Liquid assets (A) + (B) + (C)**	**4,511**							**9,390**						
E	Current financial assets	2,534		2,534			2,534	100.0%	20,973		17,849			17,849	85.1%
F	Payables due to banks	(55,000)							(87,995)						
G	Current portion of medium-long-term loans	(9,287)							(9,268)						
H	Current financial liabilities	(43,156)		(39,744)	(3,412)		(43,156)	100.0%	(12,696)		(9,542)	(249)		(9,791)	77.1%
I	**Current financial indebtedness (F) + (G) + (H)**	**(107,443)**			**(3,412)**		**(3,412)**	**3.2%**	**(110,318)**			**(249)**		**(249)**	**0.2%**
J	**Net current financial indebtedness (I) - (E) - (D)**	**(100,398)**			**(3,412)**		**(3,412)**	**3.4%**	**(79,955)**			**(249)**		**(249)**	**0.3%**
K	Medium- and long-term bank loans	(34,541)							(43,829)						
L	Non current financial assets														
M	Non-current financial liabilities								(422)						
N	**Non-current financial indebtedness (K) + (L) + (M)**	**(34,541)**							**(44,250)**						
O	**Net financial indebtedness (J) + (N)**	**(134,940)**			**(3,412)**		**(3,412)**	**2.5%**	**(124,205)**			**(249)**		**(249)**	**0.2%**

Chart legend entry for related parties

***A** Parent Companies*
***B** Associated Companies*
***C** Affiliated companies and joint control companies*
***D** Other associated parties*

Financial Report

(Thousands of Euro)	FY 2016	A	B	C	D	Totale	%	FY 2015	A	B	C	D	Totale	%
		Of which related parties							Of which related parties					
Net income of the year	**33,700**							**33,547**						
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash	**271**							**15,173**						
Amortization	1,779					**0**	0%	15,614					**0**	0%
Variations in severance indemnity	(9)					**0**	0%	(2)					**0**	0%
Net variation of other funds	576					**0**	0%	306					**0**	0%
Losses / (gains) on disposal of fixed assets	0					**0**	0%	429					**0**	0%
Interests paid	(848)					**0**	0%	(1,338)					**0**	0%
Taxes paid	(6,610)					**0**	0%	(6,699)					**0**	0%
Interest expense for the year	833					**0**	0%	1,293					**0**	0%
Taxes for the year	4,550					**0**	0%	5,570					**0**	0%
Variations in assets and liabilities	**9,177**							**715**					**0**	0%
Inventories	31					**0**	0%	249					**0**	0%
Accounts payable	(64)	28	(5,541)	194		**(5,319)**	8346%	(5,258)	(55)	(90)	(117)	(262)	**(262)**	5%
Other current assets	(4,681)	(4,678)	0	(21)		**(4,699)**	100%	(4,930)	813	0	0	813	**813**	-16%
Trade payables	(4,313)	0	1,573	7		**1,580**	-37%	(3,919)	0	(516)	(17)	(533)	**(533)**	14%
Other current liabilities	(2,153)	0	0	0		**0**	0%	12,868	(1,005)	0	0	(1,005)	**(1,005)**	-8%
Other non-current assets	(404)	0	0	0		**0**	0%	(55)	0	0	0	0	**0**	0%
Other non-current liabilities	7	0	0	0		**0**	0%	1,759	0	0	0	0	**0**	0%
Cash flows generated from Assets and Liabilities held for sale	20,755													
Total adjustments and variations	**9,448**	**(4,649)**	**(3,968)**	**180**	**0**	**(8,437)**	**-89%**	**15,888**	**(247)**	**(607)**	**(134)**	**(987)**	**(987)**	**-6%**
Cash flows generated (used) by operating activities	**43,148**	**(4,649)**	**(3,968)**	**180**	**0**	**(8,437)**	**-20%**	**49,435**	**(247)**	**(607)**	**(134)**	**(987)**	**(987)**	**-2%**
Cash flows generated (used) by investments														
Investments in intangible assets	0					**0**	0%	(18,424)					**0**	0%
Realisable value of intangible assets	10,032					**0**	0%	0					**0**	0%
Investments in tangible assets	(81)					**0**	0%	(700)					**0**	0%
Realisable value of tangible assets	2					**0**	0%	0					**0**	0%
Disposals / (Acquisition) of investments and advances	(200)					**0**	0%	0					**0**	0%
Other net equity operations	0					**0**	0%	74					**0**	0%
Cash flows generated/(used) by investments	**(21,024)**	**0**	**0**	**0**	**0**	**0**	**0%**	**(19,051)**	**0**	**0**	**0**	**0**		**0%**
Cash flows generated (used) by financial activities														
Net changes in short-term bank borrowings	(42,622)					**0**	0%	(96,737)					**0**	0%
Net variation in current financial assets and liabilities	48,967	0	37,392	7,876		**45,268**	92%	37,098	0	(7,700)	(10,398)		**(18,098)**	-49%
Purchase of own shares	0					**0**		138					**0**	0%
Dividends distributed to shareholders	(33,347)					**0**	0%	(33,332)					**0**	0%
Cash flows generated (used) by financial activities	**(27,002)**	**0**	**37,392**	**7,876**	**0**	**45,268**	**-168%**	**(92,833)**	**0**	**(7,700)**	**(10,398)**	**0**	**(18,098)**	**19%**
Variations in cash	**(4,879)**					**0**	**0%**	**(62,449)**					**0**	**0%**
Cash and cash equivalents at the beginning of the year	**9,390**					**0**	**0%**	**71,838**					**0**	**0%**
Cash and cash equivalents at the end of the year	**(4,511)**					**0**	**0%**	**(9,390)**					**0**	**0%**

Chart legend entry for related parties

A *Parent Companies*
B *Associated Companies*
C *Affiliated companies and joint control companies*
D *Other associated parties*

Values herein reported pertain the tables regarding related parties

Group A –Parent company:

- Asco Holding S.p.A.

Group B - Subsidiaries and companies controlled by parent company

- Amgas Blu S.r.l.
- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- Asco TLC S.p.A.
- Ascotrade S.p.A.
- Blue Meta S.p.A.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Etra Energia S.r.l.
- Pasubio Servizi S.r.l.
- Veritas Energia S.p.A.
- Seven Center S.r.l.
- Group C – Associated companies and joint control companies:
- Sinergie Italiane S.r.l. under liquidation
- Estenergy S.p.A.
- Unigas Distribuzione S.r.l.
- ASM Set S.r.l.

Group C – other associated parties:

- Board of Directors
- Statutory Auditors
- Strategic Company Managers

Report of categories of financial assets and liabilities

The Report of categories of financial assets and liabilities and their related fair value (IFRS 13) at 31December 2016 and 31 December 2014 is detailed as follows:

							31.12.2016	
(Thousands of Euro)	**A**	**B**	**C**	**D**	**E**	**F**	**Total**	**Fair value**
Other non-current assets				4,462			4,462	4,462
Trade receivables and Other current assets				15,801			15,801	15,801
Current financial assets				2,534			2,534	2,534
Cash and cash equivalents				4,511			4,511	4,511
Medium- and long-term bank loans						34,541	34,541	34,541
Other non-current liabilities						7	7	7
Payables due to banks and financing institutions						64,287	64,287	64,287
Trade payables and Other current liabilities						4,640	4,640	4,640
Current financial liabilities						43,156	43,156	43,156

							31.12.2015	
(Thousands of Euro)	**A**	**B**	**C**	**D**	**E**	**F**	**Total**	**Fair value**
Other non-current assets				4,534			4,534	4,534
Trade receivables and Other current assets				57,560			57,560	57,560
Current financial assets				20,973			20,973	20,973
Cash and cash equivalents				9,390			9,390	9,390
Medium- and long-term bank loans						43,829	43,829	43,829
Other non-current liabilities						306	306	306
Non-current financial liabilities						422	422	422
Payables due to banks and financing institutions						97,622	97,622	97,622
Trade payables and Other current liabilities						43,233	43,233	43,233
Current financial liabilities						12,696	12,696	12,696

Legend

A. Fair value asset and liability directly entered in the P&L account
B. Fair value asset and liability directly entered EQUITY (including derivatives)
C. Investments possessed to their expiry date
D. Assets issued loans and receivables (including liquidity)
E. Assets available for sale
F. Financial liabilities entered at amortized cost

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The earnings per share are calculated by dividing the net income for the period by the number of shares, net of own shares.

In order to calculate the base value of each share, it is specified that the numerator value has been calculated as the economic result of the year, minus the percentage due 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.

There are no shares or warrants that could influence the calculation of the diluted earnings per share. Therefore, the calculation of earnings per share shows the same values as the diluted earnings per share.

The result and the number of ordinary shares used to calculate base earning per share are reported below, pursuant to accounting principles stated in IAS 33.

(Thousands of Euro)	Amount at 31 dicembre 2016	Amount at 31 dicembre 2015
Net profit attributable to parent company shareholders	33,700	33,547
Weighted average number of ordinary shares including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own shares	12,100,873	12,148,044
Weighted average number of ordinary shares, excluding own shares, for the purposes of net income per share	**222,310,702**	**222,263,532**
Earnings per share (in Euro)	0.1516	0.1509

Fees of the Auditing Company

Pursuant to Article 149-duodecies of the Issuer's Regulations, this item includes the fees received in 2016 for auditing services and for services other than auditing provided by the Auditing Company. No services were provided by entity belonging to its network.

Type of services	Entity providing the service	Recipient	Fees
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	80
Attestation services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	8
Audit and other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	22
Other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	8
Total			**118**

Commitments and risks

Bank guarantees

As of 31 December 2015, the Group provided the following potential bank guarantees:

(Thousands of Euro)	31th Decembre 2016	31st December 2015
On credit lines	33,065	40,733
On financial leasing agreements	-	956
On electricity supply agreements	2,000	-
Guarantees on credit lines (letter of comfort)	231	1,653
On execution of works (letter of comfort)	903	943
Agreements on incentives art. 4 of Law no. 92/2012	43	119
On UTF offices and regions for taxes on gas (letter of comfort)	4,157	2,715
On UTF offices and regions for taxes on electricity (letter of comfort)	119	104
On distribution concession (letter of comfort)	2,134	2,789
On agreements for transport of gas (letter of comfort)	6,132	3,427
On agreements for transport of electricity (letter of comfort)	14,755	11,790
On purchase of gas agreements (letter of comfort)	22	0
On purchase of electricity agreements (letter of comfort)	-	2,000
Total	**63,560**	**67,229**

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 31 December 2016 to Euro 26,665 thousand (Euro 34,333 thousand in 2015).

Risk coverage policies

Information pertaining agreements not stated in the income statement

Pursuant to Art. 2427, first paragraph, item 22-ter of the Italian Civil Code, introduced with Legislative Decree 173 dated 23 November 2008, it is noted that the company does not subscribe to agreements not included in the income statement.

Management of Capital: objectives and criteria

The main financial liabilities of Ascopiave S.p.A. include bank loans, financial leasing, lease contracts with the possibility of purchase and short-term and at-sight bank deposits. The main objective of these financial liabilities is to finance the company's operating activities. Ascopiave S.p.A. holds several financial assets such as trade receivables and short-term deposits and reserves that derive directly from the company's operating activity. Trade receivables, as well as financial receivables, are mainly due to the controlled company Ascotrade S.p.A...

The main risks generated by the financial instruments of Ascopiave S.p.A. are the interest rate risk and the liquidity risk. The Board of Directors re-examines and identifies the policies for risk management, described hereinafter.

Interest rate risk

The exposure of Ascopiave S.p.A. to the risk of interest rate fluctuation is mainly connected to the variable interest rate loans and financings subscribed with credit institutions, being the Company responsible for managing the financial requirements of the controlled companies.

Ascopiave S.p.A. policy, depending on the seasonality of the natural gas business cycle, aims to manage the need for cash by means of temporary loans at variable rates that, given their constant change, do not make it possible to suitably cover the interest rate risk, besides presenting medium-long term funding, always with variable rate, with repayment between 2017 and 2026, with a total outstanding debt of Euro 43,828 thousand (2015 Euro 53,456 thousand) as of 31 December 2016.

Medium and long term loans are mainly related to the loan issued in 2011 by Unicredit S.p.A., with residual balance as of 31 December 2016 Euro 8,571 thousand, which has been subjected to securitization by the issuing bank, as well as the loan issued in August 2013 by the European Investment Bank, with residual balance of Euro 34,500 thousand. Both loans are subjected to convents that have been respected.

Please refer to Paragraph 16 “Medium and Long Term Loans” for additional details.

Sensitivity analysis of the interest rate risk

The following table shows the sensitivity of the Company's earnings before tax, based on possible variations in interest rates, keeping all the other variables constant.

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Net Financial Position 2016	(120,463)	(114,871)	(108,145)	(96,887)	(109,760)	(105,056)	(164,404)	(121,848)	(124,762)	(130,631)	(134,975)	(134,940)	
Positive average rate	0.99%	1.04%	0.59%	0.07%	0.07%	0.01%	0.03%	0.07%	0.10%	0.05%	0.08%	0.36%	
Negative average rate	0.56%	0.58%	0.54%	0.54%	0.50%	0.50%	0.49%	0.47%	0.43%	0.37%	0.34%	0.32%	
Positive average rate increased of 200 basis point	2.99%	3.04%	2.59%	2.07%	2.07%	2.01%	2.03%	2.07%	2.10%	2.05%	2.08%	2.36%	
Negative average rate increased of 200 basis point	2.56%	2.58%	2.54%	2.54%	2.50%	2.50%	2.49%	2.47%	2.43%	2.37%	2.34%	2.32%	
Positive average rate decreased of 50 basis point	0.49%	0.54%	0.09%	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	0.06%	0.08%	0.04%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Net Financial Position recalculated with increase of 200 basis point	(120,668)	(115,047)	(108,329)	(97,046)	(109,946)	(105,229)	(164,683)	(122,055)	(124,967)	(130,853)	(135,197)	(135,169)	
Net Financial Position recalculated with decrease of 50 basis point	(120,412)	(114,827)	(108,099)	(96,847)	(109,713)	(105,013)	(164,334)	(121,796)	(124,711)	(130,575)	(134,920)	(134,882)	
Effect to income before taxes with increase of 200 basis point	(205)	(176)	(184)	(159)	(186)	(173)	(279)	(207)	(205)	(222)	(222)	(229)	(2,447)
Effect to income before taxes with decrease of 50 basis point	51	44	46	40	47	43	70	52	51	55	55	57	612

The analysis of sensitivity is performed by simulating a variation of interest rates applied to the lines of credit of the Company, equal to 50 basis points lower (with a minimum of zero basis points) and 200 basis points higher, maintaining all other variables. This leads to the simulation of an income before taxation between the range of minus Euro 2,447 thousand (2015: Euro 2,307 thousand) and plus Euro 612 thousand (2015: Euro 577 thousand).

Receivable risk policy

Credit risk represents the company's exposure to potential losses arising from the counterparts' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Considered the type of business of Ascopiave S.p.A., said risk is of little concern to the company.

Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by the operating or investment assets, on the other hand, and the expiry and debt renewal characteristics.

Under note 16, financial payables are detailed according to their date of expiry, as of 31 December 2016.

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Administrators believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will allow meeting the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

Management of Capital

The main purpose of capital management in Ascopiave is to ensure a steady credit rating and adequate levels of capital indicators. Ascopiave S.p.A. may adjust dividends paid to shareholders, reimburse capital or issue new shares.

Ascopiave verifies its capital through the debt to capital ratio, which is the ratio between equity and the grand total of share capital and equity. Ascopiave includes it its equity ongoing financing, trade payables and other payables, net of cash and similar means.

(Thousands of Euro)	31.12.2016	31.12.2015
Medium and long-term loans	34,541	44,250
Loans from banks net of equivalents on hand	59,776	88,233
Financial gross debit	**94,317**	**132,483**
Share capital	234,412	234,412
Reserves	126,135	124,995
Profit / (loss) for the period	33,700	33,547
Total Net equity	**394,246**	**392,954**
Total capital and gross debit	**488,564**	**525,436**
Debit/Net assets ratio	*0.24*	*0.34*

Coverage policies for risks deriving from fluctuations of interest rates

The Company is exposed to risks deriving from fluctuations of interest rates mainly in relation with short-term payables to banks.

Relevant events following the end of FY 2016

On 15 February 2017, the Internal Revenue Service of Treviso started auditing activities for Ascopiave S.p.A. as part of its medium-sized taxpayer periodic inspections. The activities will analyse the 2014 year for direct taxation and VAT. As of today, said inspections are still ongoing. The effects of this verifications will be valued upon its completion, according to the official results.

Relevant events following the Statement approval

No relevant events occurred following the Statement approval

Litigations

CATEGORY I – ADMINISTRATIVE LITIGATIONS

As of 31 December 2016, as far as concessions are concerned, no administrative litigations are pending.

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

As of 31 December 2016, the following are 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 12 December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19 May 2016, the Court scheduled the pre-trial hearing for 7 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 7 July 2015.

CATEGORY III – LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 31 December 2016, the following are pending:

MUNICIPALITY OF CREAZZO:

An Arbitration is pending before the Civil Court of Vicenza between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator). The Appeal Court of Venice, with Sentence no. 2178/15, accepted the appeal of the Municipality, confirming the validity and applicability of the arbitration clause set forth in the convention and thus overruling the first-degree sentence dated 25 August 2014, with which the Judge had condemned the Municipality to the payment of Euro 1,678 thousand.

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

The Parties are currently negotiating a settlement. In August of this year the parties gathered together to find a possible settlement to the litigation.

Following a meeting at the start of August (with the assistance of Experts and Lawyers) a meeting was held with the company directors and the Major of the town. A memorandum agreement was drafted that is currently being perfected.

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 25 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 11 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 because of the Judgment dated 4 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 12 November 2013, Ascopiave S.p.A. served the litigation notice with the appointment of the party Arbitrator. The Municipality, by resolution dated 26 November 2013, appointed its Arbitrator. By decision of the President of the Court of Vicenza dated 31 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).
With a partial award dated 10 January 2015, the Panel confirmed the legitimacy of its constitution and therefore the full legitimacy to proceed.
With order dated 27 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 attorney.
At the hearing held on 21 December 2015, the Panel gave the Parties a time limit for filing a defence (1 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 10 March 2016. The Panel has therefore decided that the court appointed expert witness shall address the questions filed within 29 April 2016. Ascopiave S.p.A. has filed its questions within the deadline. At the hearing held on 27 June 2016, the Panel established the deadlines within which the Parties can state their claims and subsequently any responses, within 21 September 2016 and 11 October 2016 respectively.
Finally, in a subsequent hearing, the Panel requested to know if the Court-appointed Expert had applied the Ministerial Decree 226/2011 provisions as amended by the Ministerial Decree 106/2015.

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 because of the Judgement dated 4 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 12 November 2013, Ascopiave S.p.A. served the litigation notice with the appointment of the party Arbitrator. The Municipality, by resolution dated 26 November 2013, appointed its Arbitrator. By decision of the President of the Court of Vicenza dated 31 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 10 January 2015, the Panel confirmed the legitimacy of its constitution and therefore the full legitimacy to proceed. With order dated 27 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 attorney. At the hearing held on 21 December 2015, the Panel gave the Parties a time limit for filing a defence (1 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 10 March 2016. The Panel has therefore decided that the court appointed expert witness shall address the questions filed within 29 April 2016. Ascopiave S.p.A. has filed its questions within the deadline. At the hearing held on 27 June 2016, the Panel established the deadlines within which the Parties can state their claims and subsequently any responses, within 21 September 2016 and 11 October 2016 respectively.

Finally, in a subsequent hearing, the Panel requested to know if the Court-appointed Expert had applied the Ministerial Decree 226/2011 provisions as amended by the Ministerial Decree 106/2015.

CATEGORY IV – PENDING ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31 December 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 5 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 Sentence no 12.06.2014, which sustained AEEGSI appeal and therefore overturned Regional Lombardy Sentence no. 3272 December 2012, Proceedings will not be carried on.

With appeal to the Regional Administrative Court of Lombardy Milan (filed before the above-mentioned Judgement of the Italian Council of State), 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, 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 21 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.

Our 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 22 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 22 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 1 October 2015, Ascopiave filed an appeal against Ministerial Decree no. 106 dated 20 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 28 April 2016, the judgement was delivered.

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

On 16 January 2017, the Company filed an appeal against this sentence.

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 recognizing 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 19 October 2015, the Regional Administrative Court, confirming the previous (already reported) Judgment 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 asymmetric regulatory solution shall only apply for the duration of the first territorial concession.
On 18 January 2016 Ascopiave appealed to this Sentence.
On 8 February 2016, the State Council scheduled the pre-trial hearing for 31 March 2016. During the hearing, the lawyers of the company requested that the trial hearing be scheduled as soon as possible (the aim of the pre-trial hearing was to quicken the proceeding as much as possible). The Council of State scheduled the hearing for 24 November 2016. The Sentence is pending.

CONTESTATION OF PASUBIO GROUP S.P.A. 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 10 October 2016), demanding annulment, subject to protective orders, of 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 Administrative Court of Veneto (hearing dated 9 November 2016) overruled the protective order by 2i Rete Gas S.p.A. The claimant then filed a claim to the Council of State. The C.o.S. overruled the request for a single-judge solution and opted for a full Council sentence. The hearing is scheduled for 3 February 2017.

CATEGORY V –CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS
As of 31 December 2016, the following are pending:

ASCOPIAVE – UNIT B:
A civil judgment 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 S.p.A. (writ of summons dated 22 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 22 December 2014, decided the complete renewal of the expert witness board, appointing an assessor. The appointment was confirmed in the hearing held on 13 March 2015. Ascopiave S.p.A. has appointed its own expert.
Based on the findings contained in the technical report, on 29 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 10 June 2016, the Judge, deciding on the issue, scheduled plea trial hearing for 26 January 2017. The decision is still pending.

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. 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 11 July 2016.
The Court-appointed Expert Witness filed his report on 30th September 2016. The subsequent hearing was held on 17 October 2016.
During the 10 November hearing, the Judge unexpectedly requested a new Expert Report as the Report of the Court-appointed Expert Witness was considered insufficient. He appointed a new Expert Witness for the Report.

FORCED ENTRY – DEFAULT SERVICE
Pursuant to the regulation obligation (specifically in reference to Art. 40.2 letter A of the Integrated Text for the Sale of Gas), the company may, pursuant to Art. 700 of the Civil Procedural Code, obtain forced entry to private property in order to disconnect utilities (when the meter is in a private property) of Default Service clients that are in default.
Appeals are made against final customers (or utility users).
For this purpose (and to meet provisions of the regulations), the company has created a management procedure that starts with the activation of the SDD and ends with its closure (for any reason) of the SDD.
The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous date and/or efforts to contact the involved final customers, notification of delays, past due notifications and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code.
For this purpose, Ascopiave S.p.A. appointed to Attorney Sernaglia with a power of attorney (limited to urgent appeals and their execution), formalized on 12 January 2015 and renewed by AP Reti Gas S.p.A. on 27 July 2016.
The average cost of each appeal (assuming that the appeal is accepted in its first presentation) can be assessed between Euro 2,500 and 3,500, net of internal fees. These costs are partially reimbursed by the tariffs (up to a maximum of Euro 5,000).
Current, for Ascopiave / AP Reti Gas the following are pending:

- Two cases are currently open (they have been sent to the Legal Office and await filing);
- Two cases have been filed (their hearing have been scheduled and/or have already happened);
- 13 cases have been initiated (their appeal is being drafted and sent to the Legal Office);
- Three cases have been suspended (for various reasons);
- 114 cases have been completed (in various stages);

As of 31 December 2016, the total legal fees (including fiscal obligations) for Ascopiave / AP Reti Gas to the Legal Office amount to approximately Euro 120 thousand.

Relations with the Agenzia delle Entrate (Inland Revenue Agency)

During 2008, the company Ascopiave S.p.A. was subject to tax audit by the Inland Revenue Regional 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 5 February 2010, filed an appeal in the Provincial Tax Commission in addition pay the sum of Euro 243 thousand following application to its pending judgment.
On 30 September 2010, the Provincial Tax Commission of Treviso delivered judgment 131/03/10 filed on 14 December 2010 upheld the action and recognizing the proper conduct tax adopted by the company.
Subsequently, the Inland Revenue Office has appealed against the first instance judgment issued by the Provincial Commission of Treviso.
On 24 September 2012, the Regional Tax Commission issued the ruling no. 109/30/12, filed on 20 December 2012 which dismissed the appeal filed by the Revenue upholding the judgment of first instance.
On 26 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.
Regarding other outstanding litigations with the Inland Revenue Service, it is noted that some claims are pending with local tax agencies related to the silent / express refusal to reimburse the additional IRES tax (so-called Robin Tax)
Since 2008 Ascopiave S.p.A. was subjected to the additional IRES tax as set forth by Art. 81 of Law Decree 112/2008. Subsequently the Constitutional Court in 2015 declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid.
The tax authorities did not reply and by doing so they effectively denied the reimbursement. Currently several claims have been filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the sustainment of the claim would cause a massive financial burden for the entire country. As far as the expected time of resolution of this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times.

Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors of Ascopiave S.p.A., considering the results of the period and solidity of the capital, shall propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.18 per share, for a total of 42,194 million Euros
Ascopiave S.p.A. announces that, if approved, the dividend will be paid on 10 May 2017, with ex-dividend date of 8 May 2016 (record date 9 May 2017).
The Board of Directors will not propose to any amount to legal reserve, as it is already equal to one fifth of the share capital

Pieve di Soligo, 14 March 2017

Chairman of the Board of Directors
Fulvio Zugno

DECLARATION

regarding the Consolidated Financial Statements for the accounting period 2016, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14th May 1999, subsequent amendments and additions.

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

- the appropriateness of the Financial Statements with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2016 –31st December 2016

2) We also declare that:

2.1 the financial statements

(a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
(b) correspond to the information in the books and other accounting records;
(c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the companies included in the scope of consolidation.

2.2 the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the Issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 14th March 2017

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

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE

in accordance with Art.123 bis TUF
Issuer: Ascopiave S.p.A.
Website: www.gruppoascopiave.it
Financial Year of Reference: 2016
Date of approval of the Report: 14th March 2017

GLOSSARY

Code/Self-discipline code: The Self-Discipline Code of listed companies approved in July 2014 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Cod. civ./ c.c.: the civil code.
Board: The Issuer's Board of Directors.
Issuer: The Issuer of listed shares to which the Report refers.
Year: The Corporate year to which Report refers.
Market Abuse Regulation or MAR: Regulation (UE) no. 596/2014 of the European Parliament and of the European Union Council dated 16th April 2014 and relating regulations of implementation.
Consob Issuer Regulations: The Regulations issued by Consob under the resolution no. 11971 of 1999 (as subsequently amended) relating to issuers.
Consob Market Regulations. The Regulations issued by Consob under the resolution no. 16191 of 2007 (as subsequently amended) relating to issuers.
Consob Related Parties Regulations: The Regulations issued by Consob under the resolution no. 17221 dated 12th March 2010 (as subsequently amended) relating to operations with related parties.
Stock Exchange Regulations: The Regulations of the markets organized and managed by Borsa Italiana S.p.A. under the resolution of the Italian Stock Exchange Board of 20th July 2016 and approved by Consob under resolution no. 19704 dated 3rd August 2016.
Stock Exchange Regulations Instructions: Instructions to the Regulations with regards to markets organized and managed by Borsa Italiana S.p.A.
Report: Report on the corporate governance and structures that the companies must draw up pursuant to Art. 123-bis Consolidated Financial Law.
Consolidated Financial Law: The Legislative Decree dated 24th February 1998, no. 58.

ISSUER PROFILE

Ascopiave Group works in the field of natural gas, and mainly in its distribution and sale to final consumers.
For the area of its client basin and for the quantities of gas sold, Ascopiave is currently one of the main operators of the sector at national level.

The Group owns the distribution network managed, which extends for more than 8,600 kilometres, supplying the service to a customer base of more than one million inhabitants to over 200 municipalities.

The sales of natural gases are performed by many companies, some of which are at joint control. Totally considered, the controlled companies of the Group sell to the final customers more than 1 billion of cubic metres of gas.

Since 12th December 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organised according to the traditional management and control model, pursuant to Articles 2380-bis and following of the civil code, with the Shareholders' Meeting, the Board of Directors and the Board of Auditors as well as a separate Auditing Company (external firm).

The Report on Corporate Governance and company structure, which is also published in a separate folder, and the Company Charter, can all be viewed on the Company's website (www.gruppoascopiave.it).

1. INFORMATION on OWNERSHIP STRUCTURES (Art. 123bis, first paragraph Consolidated Finance Law) as of 31 December 2015

a) Structure of Share Capital

Amount in Euros of the subscribed and paid in Share Capital (S.C:): 234.411.575,00

Types of shares making up the Share Capital:

	N° Shares	% against S. C.	Listed/Not Listed	Rights and Obligations
Ordinary Shares	234.411.575	100%	STAR	Each share represents one vote. The shareholders 'rights and obligations are provided by articles 2346 and following of the Civil Code and by the

Company Charter.

On 5th July 2006, the Meeting resolved to increase in the Share Capital by payment in the form of subscription under public offer for subscription, offering, as an incentive, the assignment of a bonus share.
This incentive specified that those adhering to the Public Subscription Offer and who retained ownership of their shares for at least 12 months would then have the right to be assigned 'additional shares' without further outlay. The Meeting specified that "The funds necessary to pay for the Additional Shares will derive from a special fixed reserve fund set up specifically for this purpose and as such unavailable for any other use than that specified hereafter, by means of the provision of a part of the total price paid by the subscribers to the Public Offer".
On 17th January 2008, Mediobanca S.p.A. declared that the number of free shares to be assigned to those with such rights equalled Euro 1.078 thousand. The increase of the Share Capital in relation to the bonus shares has been reported to the Treviso Company Registry, on 29th January 2008.

On the date of approval of this Report, no rights were assigned to subscribe new issue shares.

Although it is not an incentive plan with increases, including bonus share capital, it should be noted that the Shareholders' Meeting on 23rd April 2015 approved a long-term incentive share-based plan for the 2015-2017 three-year period, reserved to the executive directors and to some managers of Ascopiave SpA and of its subsidiaries. Regarding this incentive plan, please refer to the remuneration report drawn up pursuant to Article 123-ter of the Financial Law.

b) Restrictions concerning the of equities

There are no restrictions concerning the transfer of equities.

c) Significant share-holdings

As of 31st December 2016, own shares held in the Issuer's portfolio are equal to 12,100,873 [1]. As of that date, the significant shares in the Issuer's capital, according to that resulting from the communications made in accordance with Article 120 Consolidated Finance Law, are as follows:

Declarant	Direct Shareholder	% ordinary capital	% on voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61,562%	61,562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5,162%(i)	5,162%(i)

[1] Including no. 1.975 bonus shares, with a value of Euro 1,00

Comune di Rovigo	ASM Rovigo S.p.A.	4,419%	4,419%

d) Equities granting special rights

No equities have been issued that grant special control rights.

e) Employees share participation: Exercise of voting rights

There is no system of employee share holding.

f) Restrictions to the voting right

There are no restrictions concerning voting rights.

g) Agreements between Shareholders

There are not agreements between the Shareholders known to the Issuer pursuant to art. 122 of Consolidated Financial Law.

h) Change of control clauses and statute regarding takeover bid

The Issuer and its subsidiaries have not drawn up any significant agreements that become effective, are changed or cancelled in the event of a change of control of the contracting company.
With regards to takeover bid, the Issuer has not provided in the Statute for any derogation to the provisions of the Consolidated Financial Law. The Issuer's Statute does not furthermore provide for the application of the neutralization rules pursuant to Art. 104-bis, subpar 2 and 3 of the Consolidated Financial Law.

i) Power to increase Share Capital and for purchase of treasury stock

The Board of Directors has obtained no powers from Shareholders' Meeting pertinent to the increase of Share Capital.
On 28th April 2016, the Shareholders' Assembly deliberated the adoption of a new Plan for the purchase of own shares (hereinafter referred to as the "2016 Plan") to replace the authorization to purchase and manage own shares granted by the Shareholders Meeting on 23rd April 2015, which therefore is to be considered as revoked, as far as the not implemented part is concerned.
The 2016 Plan authorises the Board of Directors to purchase and transact, in one or more times, on a rotating base, a maximum of 46,882,315 ordinary shares, i.e. the different number that will represent a portion not higher than the maximum limit of 20% of the share capital, also considering the shares already owned by the Company and those that will be owned each time by the controlled companies

and, in any case, respecting the limits set by law. The shares could be acquired for a length of 18 months from the date of the resolution of the Assembly dated 28th April 2016.

In accordance with Article 2357, paragraph 1 of the Italian Civil Code, the purchase of own shares is subject to the limits of the distributable earnings and of the available reserves resulting in the financial statement as of 31st December 2015, equal to € 76,498,001.98.

The purchase operations shall start and end in accordance with the timings established by the Board of Directors or the President and CEO. The purchase operations shall take place, in one or more times and on a rotating basis, in accordance with the methods established by the Regulations of the Organised Markets and managed by Borsa Italiana S.p.A. The transactions may also be performed prior to having completed all purchases, and may take place on one or more occasions and adopting any method appropriate to the goals to be achieved.

The implementation of the plan for the purchase and transaction of own shares will basically allow to perform investment operations consistent with the strategic objectives of the Company, also in the form of exchange, loan, transfer, sale or other Act concerning own shares performed with the aim of acquiring shares or share holdings or for any other operation on the capital that may involve the assignment or transaction of own shares.

Moreover, the plan will allow to:

1. intervene, in accordance with the current regulations, directly or through authorised intermediaries, on the share tendencies in relation to contingent market conditions, thus facilitating exchanges when there is little liquidity on the market, and encouraging regular negotiations;
2. offer the shareholders an additional tool useful for monetising their investment;
3. acquire own shares to be used, if deemed appropriate, in incentive plans based on shares and reserved to directors and/or employees and/or collaborators of the Company or of companies controlled by the parent Company.

The number of own shares as of 31st December 2016 amounts to 12,100,873[2], equal to 5.162% of the share capital, for a counter value equal to Euro 17,521,331.95.

l) Management and Co-ordination Activity

Despite the Issuer participates in the consolidated taxation in the hands of the consolidating Asco Holding S.p.A. and there are some relationships of economic nature with the parent company Asco Holding S.p.A., the Issuer believes not being subject to any management and coordination activity pursuant to Articles 2497 et following of the Civil Code, as Asco Holding S.p.A. does not issue directives to its subsidiary and there is no connection between the two organizational-functional companies. Consequently, Ascopiave S.p.A. considers it has always operated in conditions of corporate and business autonomy regarding its parent company Asco Holding S.p.A.

***

We specify that:

- The information requested by art. 123 bis, first par., lett. i) ("the agreements between the company and the directors… that provide for compensations in case of resignations or dismissal without a

[2] Including no. 1.975 bonus shares, with a value of Euro 1,00

just cause or if their business relationship ends after a public offer of purchase") are illustrated in the section of the Report dedicated to the Compensation of the Directors (Section 9);

– The information requested by Article 123-bis, first paragraph, letter l) ("the regulations applicable to the appointment and substitution of Directors…and changes to the Charter, if different from those legislative and of the regulations applicable in supplementary way") are illustrated in the section of the Report dedicated to the Board of Directors (Sec. 4.1).

3. COMPLIANCE

The Issuer has complied with the Code of Self-Conduct, adopting the principles and the application criteria it envisages, any failure to comply will be motivated in this Report.

The Code of Self-Conduct is publicly available on the website of the Italian Stock Exchange (www.borsaitaliana.it).

The Issuer is not subject to non-Italian provisions of law that influence the Issuer's own corporate governance structure.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND SUBSTITUTION

The dispositions of the Issuer's Charter that regulate the composition and nomination of the Board (Articles 14 and 15) are qualified to guarantee the respect of the dispositions introduced by Law 262/2005 (Article 147-ter of the Consolidated Financial Law) and by Legislative Decree no. 303 dated 29th December 2006, and Law dated 11th July 2011 no. 120.
According to Article 15 of the Company Charter, the members of the Board of Directors are appointed through the so-called list vote based on the lists presented by the shareholders that, alone or with other shareholders, own shares for at least 2.5% of the share capital, as set both by the Corporate bylaws and by the Consob resolution no. 19856 dated 25th January 2017. The shares in the capital shall be indicated in the summons notice of the Assembly, which shall take a decision on the appointment of the board of Directors.
Article 15 of the Company Charter also states that the lists presented by the shareholders be deposited at the Company Headquarters within the deadline envisaged, every time, by the current and relevant regulations.
Together with each list, within the afore-stated deadlines, the declarations, with which the single candidates accept the candidature and certify under their responsibility, the non-existence of ineligibility and incompatibility causes, and the possession of the requested data envisaged by the Normative applicable each time must be published. The first candidate of each list must own the requirements of independence envisaged by Article 148, subpar 3 of Legislative Decree dated 24th

February 1998, no. 58 (and subsequent amendments) and by the codes of behaviour drawn up by management companies of the market which the Company accepted.
The lists having at least 3 candidates cannot be exclusively composed of candidates of the same gender (male or female). The candidates of the least represented gender cannot be less than one third (rounded up) of all the candidates in the list, pursuant to art. 15 of the Company Statute
After the vote of the assembly, if two or more lists have been presented, the first four candidates of the list that will obtain the higher number of votes and the first candidate of the list that will result second for number of votes will be elected.
For the first mandate after the general election of the Board of Directors performer by the shareholders on 28th April 2011, notwithstanding the provisions of Art. 15, the share for the less represented category shall be equal to one-fifth (rounding to excess). The share of one-fifth shall be fulfilled both for the submission of lists with at least three candidates and for the final composition of the Board of Directors, resulting from the election by the Assembly, pursuant to art. 30 of the Statute
The appointment mechanism through the so-called list vote guarantees transparency, as well as rapid and adequate information on the personal and professional characteristics of the candidates.
As of the date of the report, the Board still hadn't set up an internal committee for the proposals of appointment, because it did not judge it necessary. This choice is dictated by the fact that the current and applicable regulatory dispositions and the provisions of the company Charter – such as the appointment mechanism through the list vote- attribute adequate transparency to the procedure of selection and indication of the candidates.
If during the financial year, for whatsoever reason, one or more directors taken from the list that obtained the highest number of votes ("Majority Directors") is out, and despite this the majority still holds, the Board will substitute the missing Majority Directors through co-optation, in accordance with Article 2386 C.C., it being understood that if one or more missing majority Directors are Independent directors, other independent directors must be co-opted, respecting applicable regulations governing gender balance. The directors thus remain in charge until the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system previously indicated.
If during the year, for whatsoever reason, one or more directors taken from the first list that obtained the second highest number of votes ("Minority Director") is out and, despite this the majority still holds, the Board will substitute the missing Minority Directors with the first non-elected candidates part of the same list, only if they are still eligible and willing to accept the post, or, if defecting, to the first list following for number of votes between those that achieved a number of votes equal to at least the minimum threshold envisaged in paragraph 15.10 of the Charter, without prejudice, in both cases, to the applicable regulations governing gender balance. The terms of the substitutes elapse along with the directors in charge at the moment of their joining the Board, as an exception to the provisions set forth in Article 2386.1, Civil Code; in the event one or more missing Minority Directors are independent directors, they have to be substituted with other independent directors; if it is not possible to proceed with the afore-stated terms, for insufficient choice on the lists or for the non-availability of the candidates, the Board shall proceed with co-optation, in accordance with Article 2386 of C.C., of a director chosen by the Board, pursuant to law, in order to respect the legal and regulatory prescriptions related to the presence of the minimum number of independent directors, respecting applicable regulations governing gender balance and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Meeting that will confirm their

appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system.

Succession plans

In view of the structure of governance, of the decision-making system and of the powers, as well as the organizational structure adopted by the Issuer and the Group Ascopiave, aimed at ensuring an adequate separation between the direction, management and control functions and to promote the effective implementation of power balance between the top management, the Board of Directors has decided not to adopt a plan for the succession of executive directors, according to the guidelines 5.C.2 of the Code of Self-Conduct.

Furthermore, please refer to the replacement procedure of the Directors already envisaged by the existing Statute. In particular, the three-year term of the duration in office of all Directors, pursuant to Art. 15 of the Company Statute require periodic appointments as provided by the relevant Statute In addition, the replacement of the Directors who left office before the expiry is governed by the provisions of the above-mentioned Art. 15 of the Statute.

4.2. STRUCTURE

In accordance with Article 14 of the Company Charter, the Board of Directors comprises five (5) members, who need not necessarily be Shareholders, appointed by the Meeting.

The members of the Board of Directors remain in charge for three financial years, and their term expires at the date of the Meeting called to approve the Financial Statement relating to the last year of their office; no different expires are established for the members of the Board. The members of the Board of Directors may be re-elected.

The Ascopiave Board of Directors, appointed during the Meeting of 24th April 2014, currently comprises 5 (five) members who will remain in charge until the date of the Meeting summoned to approve the Financial Statement relating to the year ended 31st December 2016.

In this Meeting 2 lists with no correlation have been submitted, among which there are no connections. The Directors, except Bruno Piva, have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Director Bruno Piva has been taken from the minority list no. 2 presented by the shareholder Asm Rovigo S.p.A

The summary of the presented lists and the voting results is reported below:

PRESENTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO VOTING EQUITY OWNERSHIP INTEREST
Lista n. 1 Asco Holding	1. Dimitri Coin 2. Fulvio Zugno	1. Dimitri Coin 2. Fulvio Zugno	88,255%

S.p.A.	3. Enrico Quarello 4. Greta Pietrobon	3. Enrico Quarello 4. Greta Pietrobon	
Lista n. 2 ASM Rovigo S.p.A.	1. Bruno Piva 2. Claudio Paron	1. Bruno Piva	7,846%

As of 21st May 2014, the Director Bruno Piva, elected from list 2 submitted by the Shareholder ASM Rovigo S.p.A, submitted his resignation from this office and, on 19th June 2014, in compliance with Article 15.15 of the Company Charter in force, the Board of Directors appointed through co-optation Mr. Claudio Paron, first not appointed of the same list.
For the detailed composition of the Board of Auditors, please refer to Table 2 attached to the Report.
In accordance with the Application Guideline 1.C.1 lett i). of the Code, the main professional skills of the executive director in charge and the seniority from the first appointment are presented:

- Mr. Fulvio Zugno, President and CEO, beginning of term 28th April 2011, at his second mandate: Mr. Zugno is a professional in the economic field, registered to the Association of Business Consultants and of Professional Accountants and to the Legal Auditors Registry. He practices in his studio, he still holds appointments in economic subjects in public bodies and business companies.
- Mr. Dimitri Coin, independent Director, already in office since 28th April 2011, at his second mandate: he is an entrepreneur in the agro-nursery sector and in the real estate-commercial sector.
- Mr. Enrico Quarello, independent Director (pursuant to the assessment of 7th March 2017), and already in office since 14th February 2012: he carries out management activities in companies of organized distribution, he has been director of national companies.
- Mrs. Greta Pietrobon, independent Administrator, in office since 24th April 2014: She is a freelancer in the areas of private law and criminal law
- Mr. Claudio Paron, independent Director, already in office since 19th June 2014: experience in the direction of international companies.

The Directors' professional curricula are filed at the company's headquarters and available on the Issuer's institutional website www.gruppoascopiave.it under the Investor Relations section.

Maximum accumulation of offices held in other companies

The Board has not deemed it necessary to define any general guideline regarding the maximum number of administrative and control functions held in other companies that can be deemed compatible with an efficient implementation of the role of director of the Issuer, keeping into account the member's participation in the Committees constituted inside the Board, without prejudice to the requirement of each Director to evaluate the compatibility of the position of director and auditor held in other companies listed in regulatory markets, financial companies, banks, insurance brokers, or companies of significant size, with the diligent fulfilment of the tasks accepted as Director of the Issuer.

During the meeting held on 14^{th} March 2016, the Board evaluated the offices currently held by its Directors in other companies, and deemed that the number and type of office held does not interfere and is, as such, compatible with an efficient fulfilment of the office of Director in the Issuer.
Table 2 attached to this report contains a list of the main companies where each director holds management or control tasks, in particular in companies listed on regulated markets, including foreign ones, in financial companies, banks, insurance or large companies, with evidence if the company where the task is performed belongs to the group controlling or including the Issuer.

Induction Programme

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

4.3. 4.3. ROLE OF THE BOARD OF DIRECTORS

During the year 2016, 13 (sixteen) Board of Directors meetings were held in the following dates: 18^{th} January 2016; 26^{th} February 2016; 7^{th} March 2016; 14^{th} March 2016; 21^{st} April 2016; 12^{th} May 2016; 16^{th} June 2016; 5^{th} July 2016; 1^{st} August 2016; 3^{rd} August 2016; 19^{th} October 2016; 10^{th} November 2016 and 22^{nd} December 2016. The meetings' average length was about 2 hours.

As of today, since the beginning of 2017, 5 (five) Board Meetings have already been held on the dates: 19^{th} January 2017, 7^{th} February 2017, 21^{st} February 2017, 7^{th} March 2017 and 14^{th} March 2017.
The 2017 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 9^{th} May 2017 – approval of the Quarterly Report as of 31st March 2017;
- 1^{st} August 2017 – approval of the Half Year Report as of 30th June 2017;
- 7^{th} November 2017 – approval of the Quarterly Report as of 30^{th} September 2017;

During the financial year 2016, in line with the Application Guideline 1. C.5. of the Financial Law, the Chairman of the Board of Directors and CEO has, with the support of the Corporate Affairs Department, compatibly with the organisation needs and the content of the discussed topics, and in order to guarantee thorough and timely pre-meeting information, transmitted the support documents for the meeting of the Board at least two working days before the scheduled dated the Directors and Auditors, failing any further need or urgent situation.
In addition, with the support of the Corporate Affairs Department, the Chairman of the Board of Directors has made sure that the topics on the agenda may be devoted the necessary time to allow a constructive debate, by encouraging, during the meetings, contributions from the Directors.

In line with the Application Guideline 1.C.6, during 2016, the General Manager of the Company has participated in all the meetings of the Board of Directors. Furthermore, about the topics discussed, the Issuer's Managers in charge for the departments concerned, according to the subject, or external consultants, were invited to attend the Board of Directors meetings, upon request of the President or other administrators, in order to provide additional information on the topics on the agenda.

***

The Board of Directors plays a primary role in the Ascopiave system of Corporate Governance, in that it determines the company's strategic goals and those of the subsidiaries belonging to the Group it heads, ensuring that they are achieved,) without prejudice to the compliance with the management independence of the companies belonging to Ascopiave Group, subject to the functional and accounting separation regime (*unbundling*).

In applying Guideline 1.C.1 of the Self-discipline Code, on 24th July 2006 the Board of Directors resolved that are included among its exclusive functions, in line with the Application Criterion 1. C.1., lett. A:

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the periodic monitoring of the related implementation;
- and the definition of the corporate governance system of the Issuer and of the Group structure.

Pursuant to the "Guidelines on the performance of the management and coordination powers by Ascopiave S.p.A.", approved by the Board of Directors of Ascopiave S.p.A. on 16th June 2016, the parent company Ascopiave S.p.A draws up the business plans and the group budgets and sets the guidelines required when each company of the group draws up the budgets and the business plans.
For drawing up the group business plans and budgets, in compliance with the procedures, tools and planning and programming schedules executed and disseminated by the parent company, the Board of Directors of each subsidiary will be responsible for submitting to the parent company information and forecasts which follow the above guidelines, as well as to work according to approved annual business plans and budgets, by providing periodic audits through periodic final reports. The parent company shall check the compliance of the business plans and of the annual budgets with the guidelines provided and any eventual deviation from the periodic financial reports.
The planning and budgeting guidelines set by the parent company for the group companies subject to unbundling obligations, consider the powers and prerogatives envisaged by the unbundling rules for the Independent Committee and for the vertically integrated company (so-called. *unbundling*).
In addition, the Board of Directors plays an important role in the correct management of corporate information and in the relationships with the shareholders.
To this aim, art. 19 of the Company Statute states that the Board of Directors has the broadest powers to manage the Company, without any exception, and the power to take all actions it deems advisable for the implementation and achievement of the corporate objectives, with the only exception of those strictly riserve by the law to the shareholders.
Furthermore, always pursuant to art. 19 of the Articles of Association, the resolutions to be taken in compliance with art. 2436. c.c fall under the responsibility of the Board of Directors and cannot be delegated. They deal with:

- mergers and demergers in accordance with articles. 2505, 2505-bis, 2506-ter, c.c.;
- creation or elimination of secondary branches;
- transfer of the registered office within Italy;
- indication of the directors who have legal representation;
- capital reduction because of a shareholder's withdrawal;
- modification of the Articles of Association according to mandatory regulations,

It is understood that these resolutions may also be taken by the shareholders during an extraordinary session.

***

In line with the Application Guideline 1. C.1. let. c), the Board has evaluated, on 14th March 2016, regarding the year 2015 and on 7th March 2017, regarding the year 2016, the suitability of the organisational, administrative and general accounting structure of the Issuer, with specific reference to the Internal Control system and management of conflicts of interest, in accordance with the procedures adopted by the Issuer for that purpose. About this activity, as need may dictate, the Board has made use of the support offered by the Internal Control Committee, by the Internal Control Supervisor, the auditing company and the Director Responsible for preparing company accounts, as well as the procedures and checks implemented in accordance with Law no. 262/2005.

In 2012, the Ascopiave Board of Directors S.p.A. adopted the document "Guidelines relating to the management and coordination", document updated with the approval by the Board of Administrators of Ascopiave S.p.A. on 16th June 2016, which regulates the implementing mechanisms of management and coordination, the information and control flows between the Issuer and its subsidiaries. The document, approved by the general meetings of subsidiaries in 2012, is an integral part of the Group's governance system.

It is reminded that in 2013, the adoption of the organizational, management and control models in compliance with the requirements of the Legislative Decree 231 has also been completed in all the subsidiaries of the Issuer. Each of these companies has adopted its own "model 231", it has set up a body in charge of supervising the implementation and effectiveness of Model 231, and adhered to the Code of Ethics of the Ascopiave Group.

In 2016, also the Board of Directors of the newly formed company AP Reti Gas SpA, the latter company's gas distribution branch of the transferring company Ascopiave SpA, effective from 1st July 2016, adopted its own "231 model", and signed the Ethics Code of the Ascopiave Group dated 14th May 2013.

***

In accordance with the guideline 1.C.1 lett. f) of the Self-Discipline Code, it is up to the Board of Directors of Ascopiave, given the system of delegated powers in force, the resolution on the transactions of significant strategic, economic, or financial importance for the Issuer.

If these operations are carried out by the participated companies, in the document "Guidelines on management and coordination" it is expected that, in compliance with industry regulations relating to administrative and accounting separation, the administrative bodies of the subsidiaries submit the same to the prior exam of the Board of Directors of Ascopiave.
The following operations are considered, but not limited to, having a strategic, economic, or financial, relevance:

- agreements with competitors and partners of the Group which, for the object, commitments, constraints, limits which may directly or indirectly arise, may for long-term affect strategic decisions on the freedom of business strategic choices (e.g. partnership, joint venture, etc.);
- acts and operations involving the entrance in (or the exit from) geographic and/or products markets;
- investment in tangible and intangible assets;
- purchase and arrangement of companies or business units;
- purchase and arrangement of subsidiaries of controlling interests and connections and share in profits in other companies, as well as the conclusion of agreements on the exercise of rights related to those shares;
- undertaking of loans of significant amount, as well as provision of loans and issuing of guarantees for the interest of Group companies;
- purchase of assets and services binding the company for a multi-year period;
- decision of merger in the cases envisaged by Articles 2505 and 2505-bis of the civil code;
- creation and closing of secondary branches;
- amendments to the company charter to comply with the law.

***

In line with the Application Guideline 1.C.1, let. g) on 14^{th} March 2016, the Board of Directors has completed the self-assessment on the functioning of the Board itself and of its internal Committees. The assessment process was carried out based on qualitative criteria, by comparing the composition and functioning of the Board of Directors and of the internal committees to the best practices of reference. For the assessment, the Board has not made use of external consultants, but of professionals internal to the Company.

Subsequently, in accordance with the Corporate Governance Code which provides for the elf-assessment at least once a year, the Issuer's Board of Directors has updated the self-assessment on its functioning.

The Board of Directors, because of the assessments performer on its structure and functioning, and given the Company development, considers appropriate to propose an increase in the number of Directors from the current 5 (five) to 6 (six), by performing the necessary statutory changes in order to introduce within the Council more individual skills as well as to enrich the dialogue inside the management.

In order to avoid that, because of the enlargement of the administrative body, the presence of an equal number of directors could lead to deadlocks which may slow down the normal work of the administrative body and the timeliness of its decisions, it is deemed appropriate to propose the statutory introduction of the so called "Casting vote" of the Chairman, i.e. the casting of the Board of Directors Chairman's vote in case of equal votes.

This forecast, in the administrative body's opinion, shall be considered sufficient to ensure the impossibility of any decisional deadlock within the Board of Directors.

This proposal was made by the Board of Directors at its meeting on 14th March 2017.

***

The Shareholders' Meeting did not authorise any exceptions to the prohibition of competition as specified by Article 2390 of the Civil Code.

4.4. DELEGATED PARTIES

Managing Directors

By resolution dated 29th April 2014, the Company's Board of Directors, appointed during the meeting held on 24th April 2014, resolved to grant the Chairman of the Board of Directors, Fulvio Zugno, as CEO; Mr. Fulvio Zugno, in line with the structure of powers in force since 2012, was assigned with the following main powers:

- Coordinating the activity of the Board of Directors and implementing the related resolutions;
- Taking care of the relationships with the shareholders;
- Managing the institutional relationships and promoting the Company image;
- Elaborating medium-long term strategies;
- Contracts for the purchase and sale of goods, raw materials, movable properties, services with economic content not higher than Euros 1,500,000 for each operation;
- Purchasing, selling or exchanging installations, machines, equipment, trademarks, patents with value not higher than Euros 500,000 for each operation;

The division of powers is completed by the General Manager, appointed by the Board of Directors on 15th March 2012, in the person of Mr. Roberto Gumirato. The General Manager directly reports to the Chairman and Chief Executive Officer, in compliance with the new arrangement of powers set by the current Board of Directors e and confirmed by the current Board of Directors.

In accordance with the allocation of powers, it is believed that the Chairman and Chief Executive Officer, Dr. Fulvio Zugno, cannot be regarded as primarily responsible for the company management (*chief executive officer*).

Chairman of the Board of Directors

See above par. “Chief Executive Officer”

Information to the Board

In accordance with what specified by Article 19.5 of the Company Charter, the delegated parties report on at least a quarterly basis to the Board of Directors and Board of Auditors as to their work, general management trends, foreseeable evolution and the most economically, financially and equity important operations performed by the Company and its subsidiaries; specifically, the Chairman provides information as to the operations in which he has an interest on his own behalf or that of third parties.
With regards to the statutory provisions, it should be noted that the delegated parties report and involve the board on the activity performed at each meeting of the Board of Directors. On a quarterly basis, upon approval of the annual and half-yearly financial statements and of the intermediate management reports are instead communicated the management results and related performance indicators.

4.5. OTHER EXECUTIVE DIRECTORS

There are no other executive directors further than the Chairman and Chief Executive Officer, Mr. Fulvio Zugno.

4.6. INDEPENDENT DIRECTORS

In the year 2016, in the Board of Directors of the Issuer there were three independent directors, in line with the Application Guideline 3.C.3 of the Self- Discipline Code. The non-executive Directors and Independent Directors are, in terms of number and authority, such as to guarantee that their judgement can have significant influence on the Issuer's board resolutions. The non-executive Directors and Independent Directors shall bring their specific competencies to board discussions, contributing to the decision-making process in accordance with the Company interests.

The number of independent directors (3 on a board of 5) is adequate both based on the provisions of Article IA.2.10.6 Instruction Stock Exchange, and in relation to the size of the Board and to the Issuer's activity; furthermore, this is sufficient to the constitution of the committees within the board that the Company has deemed appropriate to adopt.

In the meeting held on 16th June 2016, the Board of Directors evaluated the existence of the requirements of independence of the Directors Mr. Dimitri Coin, Mr. Claudio Paron, Mrs. Greta Pietrobon, as specified by Principle 3. P.2., where it is recommended to assess the independency of Directors on a yearly basis, and in line with the Application Guideline 3. C.4. In addition, the Board of Directors has assessed the presence of the independence requirements pursuant to art. 148 of the Consolidated Financial Law.
Also, at its meeting on 7th March 2017, the Board of Directors considered, regarding the date of this same consideration, the presence of the independence requirements of the Directors Dimitri Coin, Claudio Paron, Greta Pietrobon and Enrico Quarello. It should be noted that the advisor Enrico Quarello, was considered an independent director at the meeting held on 7th March 2017 since, considering the attribution of the gas distribution project given by Ascopiave S.p.A. to AP Network

Gas SpA, the function of Independent Provider of Ascopiave SpA has been revoked from 1st July 2016, after having been held until 30th June 2016 together with the Chief Technology Officer of Ascopiave SpA, in accordance with the regulations concerning functional and accounting repartition (so-called *unbundling*).

In performing such evaluations, the Board of Directors adopted the Application Guidelines 3. C.1. and 3. C.2. as specified by the Self-Discipline Code. The Independent Directors are, as such, in possession of the independence requirements listed in Article 148, 3rd paragraph, letters b) and c) of the Consolidated Finance Law, since everyone of them:

(i) Does not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;

(ii) Does not participate, directly or indirectly, in any company agreement where one or more subjects may exercise control or significant influence on the Issuer;

(iii) Was or was not in the previous 3 fiscal years, an important party (by such, meaning Chairman, legal representative, Chairman of the Board of Directors, and executive Director or Manager with strategic responsibility) of the Issuer or of a holding with strategic relevance or of a company under common management with the Issuer or of a company or body which, even with others, through a representational company agreement, controls the Issuer or is able to exercise significant influence;

(iv) Does not have, or did not have, during the previous year, directly or indirectly (e.g. through subsidiaries or companies of significance in the sense specified by the previous point (iii), or as partner of a professional studio or consultancy company) significant commercial, financial or professional relations, or subordinate working relations: (a) with the Issuer, with its subsidiary, or with one of relevant its partners, in the sense specified by the previous point (iii), (b) with a subject that, even jointly with others, through a representational company agreement , controls the Issuer or – given that it is a body or company -with the partners, in the sense specified by the previous point (iii);

(v) Without prejudice to what specified under the previous point (iv), holds any independent or subordinate working relations, or other relations of an economic or professional nature such as to compromise independence: (a) with the Issuer, with one of its holdings or parent companies, or with the companies subject to common management; (b) with the Issuer Directors; (c) with subjects that are married or related up to the fourth level with the Company's Directors as under the previous point (a);

(vi) Does not receive or did not receive in the previous three fiscal years from the Issuer or from a holding or subsidiary a significant additional fee in addition to the "fixed" fee as non-executive Company Director including participation in incentives linked to company performance even based on shares;

(vii) Has not been a Director of the Issuer for more than nine years during the last twelve years;

(viii) holds the office of Executive Director in another company in which an Executive Director of the Issuer holds an office of Director;

(ix) is not a member or director of a company or of one belonging to the network of companies tasked with the auditing of the Issuer's accounting;

(x) is not a close family member of a person who finds himself in any of the situations as specified under the previous points and, in any case, is a husband, wife, relative or similar within the fourth grade of the Issuer Directors of the subsidiaries, of the companies controlling it and those subject to common management.

(xi) They were not in the conditions set by art. 2382 of the civil code.

***

The Board of Auditors verified, in line with the Application Guideline 3.C.5, during the meeting held on 16th June 2016, the correct application of the guideline and procedures adopted by the Board to evaluate the independence of its members, and the results of this control will be explained in the Auditors' report at the meeting in accordance with Article 2429 Civil Code.
Similarly, at its meeting on 7th March 2017 the Board of Auditors verified, pursuant to the Application Criteria 3.C.5, the correct application of the criteria and procedures adopted by the Board to assess the independence of its members; such assessment was carried out by the Board of Directors during its meeting of 7th March 2017.

The independent administrators never met during the year 2016 in the absence of the other administrators as no other circumstance demanding the necessity of these reunions occurred. There are various reasons that contributed to the non-convocation of special reunions of the independent administrators. For example, the fact that the administrators have always received with large advance all the necessary information for their effective, deep and not formal participation to the reunions of the Board of Directors was determining. This permitted the timely formulation of eventual remarks on the opportunity and correctness of each single proposed decision. Furthermore, the adoption of the Code on Related Parties Transactions, its punctual application, the previous declaration, during the opening of the Board's works, of any conflicts of interests according to article 2391 of Civil Code and the subsequent abstention of the administrators in conflict, are symptomatic elements of a correct modus operandi that guarantees the absence of conflicts of interest and explains the reason why the necessity of facing these problems without the presence of the so-called not-independent administrators never appeared during the financial year.

4.7. LEAD INDEPENDENT DIRECTOR

The Board of Directors did not consider necessary to identify an internal independent Director as a Lead Independent Director, not occurring the circumstances envisaged in the Application Guideline 2. C.3. of the Code. This figure, in fact, is expressly envisaged by the Application Guideline 2. C.3. of the Self-Discipline Code in the event the Chairman of the Board is primarily responsible for managing the Issuer - *chief executive officer* – i.e. the Chairman or the controlling shareholder of the Issuer, or if the Issuer belongs to the FTSE-Mib, for which the appointment of the *Lead Independent Director* may be required by the majority of independent directors.

5. PROCESSING OF COMPANY INFORMATION

5.1. CODE FOR THE TREATMENT OF CONFIDENTIAL INFORMATION AND REGISTER OF INFORMED PERSON

The Issuer's Board of Directors updated the previous code of conduct for market announcements deciding, during its meeting on 19th October 2016, the adoption of the new "Procedure for the management and treatment of confidential information, for the dissemination of information to the public and for the management of people who have access to privileged information "pursuant to the entry into force of the new EU Regulation 596/2014 (" Market Abuse Regulation "or " MAR "), applicable as of 3rd July 2016, and in compliance with the provisions of the Consolidated Law on Finance and the Issuers' Regulation, to the extent compatible with "MAR", the Regulations for the execution of European source and the Application Criterion 1.C.1 lett. j) of the Code.

The "Procedure for the management and processing of confidential information, for the dissemination of information the public and for the management of the register of persons who can access to privileged information" contains provisions relating to:

- management and processing of confidential information;
- procedures to be respected for the disclosure of privileged information directly dealing with Ascopiave S.p.A. and/or its subsidiaries, with reference, in this latter case, to relevant information for the purpose of Ascopiave's price sensitivity;
- management of the Register of persons who can access to confidential information.

The Legal Affairs Department is responsible for keeping and updating the Register, whose management is carried out according to the criteria and procedures set forth in the above procedure.
Under Article. 2.6.1 of the Stock Exchange Regulations, the Board of 23rd June 2015 appointed as the Information Officer Mrs. Irene Rossetto and Mr. Giacomo Bignucolo, as her substitute, assigning them the task of complying with law and regulatory requirements come under the responsibility of the Information Officer, with particular reference to those dealing with mandatory corporate information and market disclosure of information on transactions subject to the "Code Internal dealing "(see. section 5.2).

This procedure is available on Ascopiave Group's website (http://www.gruppoascopiave.it/corporate-governance/sistema-e-regole/procedura-gestione-privileged information).

5.2. INTERNAL DEALING

The Issuer's Board of Directors decided in its meeting of 19th October 2016 to update the "Internal Dealing Code", under the new EU Regulation. 596/2014 ("Market Abuse Regulation" or "MAR") and, in particular, the related Article 19 of the Delegate Commission Regulation (EU) 2016/522, of the Execution Regulation (EU) 2016/523 and of the regulations and national rules on this matter.
The "Internal Dealing Code" regulates the procedures and communication times to Ascopiave S.p.A., to Consob and to the market of the information relating to the transactions directly or indirectly carried out by the so-called relevant persons and persons closely related to relevant persons on the ordinary shares of Ascopiave S.p.A. or on debt securities, derivatives or other financial instruments linked to them.
This code is available on the Issuer's website (http://www.gruppoascopiave.it/corporate-governance/sistema-e-regole/codice-internal-dealing).

6. INTERNAL BOARD COMMITTEES

Within the Issuer's Board of Directors, the Compensation Committee and the Risks and Control Committee have been established.

7. APPOINTMENTS COMMITTEE

Given the size of the Company and the limited number of members of the control and administration bodies, the Board of Directors has not deemed it necessary to set up an appointments committee, pursuant to the Guideline 5.P.1, leaving the task of identifying the most suitable persons for the execution of varying tasks within the Company's corporate governance bodies.

8. COMPENSATION COMMITTEE

In accordance with Principle 6.P.3 of the Code, the Company's Board of Directors has set up an internal Compensation Committee.

Composition and functionality of the compensation committee

The Compensation Committee of the Issuer is composed by three independent Directors. During 2015, the Committee has been composed by the independent Director Dimitri Coin, as Chairman, and by the non-executive Director Enrico Quarello, by the independent Director Claudio Paron. (see Table 2).
In accordance with the Principle 6.P.3 of the Code of Self-Conduct, the Director Dimitri Coin has acquired an adequate experience regarding remuneration policies, both as an entrepreneur, and as a member of the Board of Directors and of the Remuneration Committee of Ascopiave from 2011 to today.

During the year 2016, 2 Compensation Committee meetings were held on 7th March 2016. The meetings duration was of about 1 hour.
The Committee furthermore met after the end of the fiscal year, on 7th March 2017.No other meetings of the Committee were scheduled for the year 2017.

The Chairman and one member of the Board of Auditors, invited by the Committee itself, participated in the meeting and, for in-depth examinations of the agenda, some employees of the Company were also in attendance.

In accordance with Application Guideline 6.C.6, the Regulations of the Compensation Committee provides that no director takes part in the meetings of the Committee where proposals to the Board of Directors regarding his Compensation are formulated.

Functions of the Compensation Committee

For the details of the functions and functioning of the Compensation Committee, see Section I, chapter 2.4 of the Report on Compensation, prepared in compliance with Article 123-ter of the Consolidated Finance Law. It should be noted that the Rules of the Compensation Committee, which was adopted in its original form on 12th September 2006, was amended on 19th December 2011.

On 7th March 2016, the Committee met to discuss the following issue, among others:
- Compensation policy adopted by the Company and elaboration of the Report on Compensation pursuant to art. 123-ter Consolidated Financial Law
- Outcomes of the "*2015 management by objectives*" plan
- Non-compete agreements

After the end of the fiscal year, on 7th March 2017, the Committee met to discuss, among the subjects, the adequacy, consistency and application of the Compensation Policy and the drafting of the 2016 Report on Compensation, to monitor the actual achievement of the performance targets set in "*2015 Management by objectives 2016*" plan.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., let. D).

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment, in line with the Application Guideline 4.c.1, lett. e).

No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

9.COMPENSATION OF DIRECTORS

General compensation policy

The Board of Directors adopted, in the meeting dated 19th December 2011, the "Compensation Policy of the Ascopiave Group" (hereinafter "Compensation Policy"), then amended on 15th March 2012 and 14th March 2013, in compliance with the recommendations of Article 6 of the Self-Discipline Code of listed Companies of Borsa Italiana S.p.A. (the "Self-Discipline Code"), to which the Company conforms, and also in compliance with Article 3.2 letter (b) of the Procedure for Related Parties Transactions approved by Ascopiave on 24th November 2010.
The Compensation Policy was submitted to the Board on 28th April 2016 and on the occasion of the 2015 financial statement approval, and submitted with positive results to the advisory vote of shareholders in compliance with Article 123-ter of the Legislative Decree no. 58 of 24th February 1998.
For the contents of the Compensation Policy see Section I of the Report on Compensation, prepared in compliance with Article 123-ter. of the Consolidated Finance Law.

Share-based compensation plans

At the Annual Meeting held on 23rd April 2015, which approved the 2014 financial statements, a new share-based incentive plan was approved, the so-called "Long-term share-based incentive plan 2015-2017" (or "2015-2017 plan"), elaborated upon the proposal of the Remuneration Committee and previously approved by the Board of Directors on 16th March 2015.The 2015-2017 plan, in compliance with the recommendations of Article 6 of the Self-Discipline Code, envisages, in order to grant the bonus, a vesting period of 3 years, and the achievement of pre-fixed performance and return targets of the Company's shares, also in relation to a basket of stocks of comparable companies. The bonus grant for 2018, of which 50% in cash and 50% in Ascopiave shares, provides for a 2-year retention period of those shares is envisaged; in case the Beneficiary, at the end of the two-year period, has a management relationship with Ascopiave or with the Companies of the Group, the retention period is extended until the term of his office.
The Board of Directors of Ascopiave SpA has taken steps to implement the aforementioned Plan, identifying the its beneficiaries among the potential target envisaged by the Regulation

The informative document is available on the Issuer's institutional website, under the section 'Investor Relations' (http://www.gruppoascopiave.it/wp-content/uploads/2015/03/Ascopiave_Documento-informativo-PILT-2015.pdf).

Compensation of executive directors
For the breakdown of the compensation of directors who exercise management proxies, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Compensation of executive director and of managers with strategic responsibilities
For the breakdown of the compensation of the executive director and of managers with strategic responsibilities, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

Incentive mechanisms for the In-Company Control Supervisor and the Manager in charge of preparing the company accounting documents
The incentive mechanisms of the Executive Manager in charge for drawing up the corporate accounting documents is consistent with the assigned tasks, in line with the Application Criteria 6.C.3.The Manager in charge of preparing the company accounting documents and the internal audit manager, during 2015, received the "Incentive long-term share-based program 2015-2017", which was approved by the Board of Directors of Ascopiave S.p.A., upon proposal of the Compensation Committee, on 16th March 2015 and after approved by the Shareholder's Meeting on 23rd April 2015.
The Manager in charge, as manager with strategic responsibilities, was also the recipient of the incentive plan "*management by objectives 2016*", the outcomes of which can be found in Section II of the Report on Compensation, prepared pursuant to art. 123-ter of the Consolidated Financial Law.

Compensation of non-executive directors
For the breakdown of the compensation of non-executive directors, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

In line with Application Guideline 6. C.4. of the Code, the compensation of non-executive Directors is not connected to the Issuer's economic results.
Non-executive Directors are not recipients of share-based incentive plans.

Management severance pay in case of resignation, dismissal or business termination following a takeover bid

For details on the benefits, see Section II of the Report on Compensation, drafted in compliance with Article 123-ter of the Consolidated Financial Law.

10. RISKS AND CONTROL COMMITTEE

In line with the provisions of Principle 7. P.3., Letter. a), n. (ii) and 7. P.4. the Board has constituted an internal control and risk Committee.
The Board of Directors of the Issuer, on 11th September 2006, simultaneously approved the Control and risks Committee Regulations, in compliance with the new Code of Self-Discipline, with following modifications dated 23rd February 2011 and 24th January 2013.

Composition and functioning of the control and risks committee

The Issuer's Internal Control Committee is composed of non-executive Directors, most of which are independent. The Committee is composed of three members. In 2016, the Committee comprised the non-executive Director Dimitri Coin, as Chairman, and the independent Director Claudio Paron[3], by the non-executive Director Enrico Quarello.

In accordance with Principle 7.P.4 of the Self-Conduct Code, the Director Dimitri Coin has expertise in risk management, acquired in business and in his experience as member of the Risk and Control committee in Ascopiave SpA from 2011.

During the fiscal year 5 (five) meetings of the Risks and Control Committee were held on 26th February 2016, 7th March 2016, 12th May 2016, 3rd August 2016 and 10th November 2016. The average length of the meetings was about 2 hours and 30 minutes. For details on the participation of members, see Table 2 attached to this report. For the year 2016, the meetings of the Committee are fixed on the occasion of the 4 (four) meetings of the Board of Directors, scheduled for the approval of the annual, half-year and quarterly results of the Company. After the

[3] Appointed on 19th June, cooptation date of the Director Claudio Paron, replacing the Director Bruno Piva, who resigned on 21st May 2014.

end of the fiscal year, 2 (two) meetings of the Committee were held on 19th January 2017 and 7th March 2017.
The Committee meetings were attended, upon invitation, by the members of the Board, in line with the Application Guideline 7.C.3 of the Code, the Manager responsible for preparing corporate accounting documents and the head of the Internal Audit department.

Functions attributed to the risks and control committee

In line with the Application Guideline 7.C.1, the Control and Risks Committee, in its role of supporting the Board of Directors, expresses its opinion about:

(i) definition of guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility criteria of those risks with a healthy and consistent business management;
(ii) the assessment, with at least yearly frequency, of the adequacy of the internal control and risks management system in comparison with the corporate characteristics and with the profile of the risks taken, as well as with its effectiveness;
(iii) the work plan scheduled with at least annually by the Head of the Internal Audit Department;
(iv) the description, in the report on corporate governance, of the main features of the system of internal control and risk management;
(v) the results presented by the statutory auditor in the eventual letter of recommendations and in the report on key matters arisen during the statutory audit.

The Control and Risks Committee, furthermore, in supporting the Board of Directors:

(i) Assesses, together with the manager in charge of preparing the corporate accounting documents, heard the statutory auditor and the Board of Auditors, the correct application of accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;
(ii) expresses opinions on specific issues regarding the identification of key business risks;
(iii) reviews the periodic reports related to the evaluation of the system of internal control and risk management, and those prepared by the Internal Auditing Department;
(iv) monitors the independence, adequacy, effectiveness and efficiency of the Internal Auditing department;
(v) may ask the Internal Auditing Department to perform audits on specific operational areas, by simultaneously communicating it to the Chairman of the Board;
(vi) reports to the Board of Directors at least once every six months, in occasion of the approval of the annual financial report and statements, on its activity and the adequacy of the system of internal control and risk management;
(vii) delivers a preventive motivated opinion on the Company interest to the completion of transactions with related parties, as well as on the convenience and accuracy of the related conditions, pursuant to the Procedure for transactions with related parties approved by the Board of Directors of the company on 24th November 2010;
(viii) delivers a preventive motivated opinion on the proposals made by the Director in charge of the internal control system and risk management to the Board of Directors regarding the functions

of appointment and dismissal of the Head of Internal Auditing, the allocation to the same of adequate resources for the fulfilment of his responsibilities, as well as the determination of his Compensation in line with the company policy;

(ix) performs the other duties which, from time to time, will be assigned to him by the Board of Directors

During the fiscal year, the Control and Risk Committee has delivered its opinion in favour of the Board of Directors on the adequacy of the internal control and risk management system. The Committee has examined the periodic reports prepared by the internal audit department on the progress of the work in the field of internal auditing, with particular regard to the activities of risk analysis and to the implementation of the necessary measures to provide reasonable assurance regarding the true and fair representation of the economic, patrimonial and financial information according to the provisions of Law 262/2005.
During the meetings, the Committee also discussed the most suitable initiatives with regards the auditing activities for 2016, with a view to progressively improving the Internal Control and Risk Management system.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4. C.1., let. D).

In performing its functions, the Committee has had the right to access all information and company functions necessary for the execution of its tasks, and avail of external consultants, within the terms set out by the Board, in line with the Application Guideline 4. C.1., lett. e).
No financial resources have been granted to the Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Ascopiave has adopted a system of internal control and risk management in accordance with the Code of Self-Discipline for listed companies and in line with the best practices of reference.
The Board of Directors, under the definition of the strategic, industrial and financial plans, defined the nature and level of risk consistent with the strategic objectives of the Issuer, in line with the Application Guideline 1. C.1. lett. b).

The Board of Directors defined the guidelines for the Internal Control and Risks Management system, so that the main risks concerning the Issuer and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining the compatibility of these criteria with a healthy and consistent business management including in its assessments all risks that may become significant for the medium-long term sustainability of the Issuer's development, in line with the Application Guideline 7.C.1., lett. a).

The Board of Directors has set the internal control and risk management guidelines, so that the main risks for the Issuer and its subsidiaries shall be correctly identified and adequately measured, managed and monitored, by determining the compatibility of these risks with a company management in line with the identified strategic objectives, pursuant to the Application criteria 7. C.1., lett. a).

In 2014, the Group started a project for the implementation and development of the Enterprise Risk Management model, through the adoption of methods and operations aimed at improving risk assessment and at implementing checks to monitor the control system related to the risks identified.

In 2016, the following risk management activities have continued under the coordination of the Chief Financial Officer:

• application of the Procedure "Compliance with EMIR Regulation" adopted by Ascopiave Board of Directors, as well as by other subsidiaries, which regulates the ways to comply with the requirements of the EMIR European Regulation about the use of derivatives (i.e. timely confirmation of the operations, periodic reconciliation of the portfolio with the counterpart, reporting of all derivatives entered into with specific trade repository approved by ESMA), even by complying with a proper accounting framework in line with the Hedge Accounting;

• application by Ascopiave, as well as by other subsidiaries, of the "Management and control of energy risks" policy, which states the roles and responsibilities related to the risk management when signing supply and provision contracts both for the purchase and sale in the gas and electricity business and of the "Management and control of financial risks" policy.

The internal control and risk management system is embodied by the set of rules, procedures and organizational structures aimed at permitting the identification, the measurement, the management and the monitoring of the main risks. Pursuant to Principle 7.P.1 of the Code, this system is integrated into the broader organizational and corporate governance organizations adopted by the Issuer and shall take into due consideration the reference models and the national and international best practices.
The system is aimed at ensuring the protection of the corporate assets, the efficiency and the effectiveness of the business processes, the reliability of the information provided to the corporate bodies and to the market, the compliance with laws and regulations as well as with the Articles of Association and with the internal procedures.

Roles and Functions

The internal control and financial risk management system of Ascopiave involves different stakeholders who perform specific roles and responsibilities:

- Board of Directors;
- Director in charge of internal control and risk management;
- Control and Risk Committee;
- Supervisory Board pursuant to the Legislative Decree. n. 231/2001;
- Manager responsible for preparing corporate accounting documents;
- Head of the Internal Audit Department;
- Statutory Auditors;
- Independent Audit firm

The Board of Directors is in charge for defining the nature and the level of risk consistent with the strategic objectives of the Company, considering all risks that may be significant in view of the medium-long term sustainability of the Issuer's activity. The Board of Directors, after consultation with the Control and Risk Committee, is in charge for setting the guidelines of the internal control and risk management system, and to assess its adequacy at least once per year. To this end, the Board relies on the work carried out by the Control and Risk Committee and by the Administrator in charge for the internal control and risk management. The Control and Risk Committee supports, with suitable preliminary investigation, the assessments and the decisions of the Board of Directors regarding the internal control and risk management system, as well as those relating to the approval of periodic financial reports.
The head of the Internal Audit department is in charge for verifying that the internal control and the risk management system are active and adequate.

Furthermore, the heads of each *business unit* and corporate management of the Company are responsible, within the guidelines of the internal control and risk management system set by the Board of Directors and of the directives for implementing such guidelines, to define, manage and monitor the effective functioning of the internal control and risk management system with reference within its scope of competence.
All employees, according to their respective roles, contribute to ensure an effective functioning of the internal system and risk management system of Ascopiave.

In accordance with the requirements of Art. 2.2.3, paragraph 3, subparagraph (j) and 2.2.3 bis of the Stock Exchange Regulations, Ascopiave set on 27th March 2008 an organizational, management and control frame work, pursuant to Art. 6 of the Legislative Decree dated 8th June 2001, n. 231, also identifying a Body in charge for overseeing the adequacy and the effective implementation of the Model; for its details, please refer to paragraph 11.3 of this document.

Existing management of risk and internal control system in relation to the financial information procedure

The internal control and risk management system is aimed at providing the reasonable certainty that the diffused accounting information supplies to the users a true and correct representation of the management facts, allowing the release of the certifications and declarations requested by law on the correspondence of the document results, of the books and accounting writings of the acts and communications of the company diffused to the market and related to the accounting information also within the year, and also the appropriateness and effective application of the administrative and accounting procedures during the period interested by the accounting documents (year balance, half year balance and intermediate management report) and on the drawing-up of the same according to the international accounting standards.
In relation to this, we must remember that, as specified in the previous Reports, Ascopiave, as an Italian company with shares negotiated in an Italian regulated market, must appoint a Manager in

charge of preparing the company accounting documents (Manager in charge), to whom the law attributes specific duties, responsibilities and certification and declarations obligations.
As a consequence, on 19th July 2007 the Board appointed a Manager in charge, to whom it entrusted the task to prepare proper administrative and accounting procedures for the creation of the accounting informative diffused to the market, and also to supervise the effective respect of these procedures, attributing him proper powers and instruments for implementing related functions.
The Board entrusted this charge to Mr. Cristiano Belliato, Chief Financial Officer of the Issuer, to whom the Board attributed due powers and instruments for the realisation of the tasks according to the provisions of Article 154-bis of Legislative Decree 24th February 1998, no. 58.
The Manager in charge started the "262 Project", with the aim of ascertaining the consistency of the Internal Control System to supply a reasonable certainty about the true and proper representation of the economic, equity and financial information.
The risk management and internal control system is based on the following characterising elements:

- a set of company procedures relevant for the preparation and circulation of financial information, comprising, among others, operating instructions, reporting and accounting calendar;
- an identification process of the main risks connected to the financial information and of the main controls for the acknowledged risks (financial risk assessment) that brought to the recognition, for each relevant accounting area, of the financial processes/flows considered critical and the activities of control supervising these financial processes/flows and also the elaboration of appropriate control matrixes that describe for each process considered critical and/or sensitive for the 262, the control standard activities (key controls) and the concerning process owners. The company processes and related matrixes are the subject of a periodical evaluation and if necessary to an update.
- process owners to whom the update of the matrixes of the controls is entrusted; the Chief Financial Officer is responsible for the verification and the periodical update of the administrative-accounting procedures of the Group;
- a process of periodical evaluation of the appropriateness and of the effective application of the identified key controls. The evaluation is performed every 6 months with the preparation of the balance and of the half-year report and is performed by the internal audit department, based on the indication of the Manager in charge. The tests on semi-annual controls are performed based on the priorities identified during the risk assessment;
- a process of certification toward the outward based on the reports and declarations given by the manager in charge according to Article 154-bis of Legislative Decree 58/1998, in the framework of the general process of preparation for the annual balance or the half year financial report or the intermediate management report, also on the basis of the controls performed and object of the accounting control model, which content is shared with the President and Chief Executive Officer, who presents the report or the declaration of the Board, together with the accounting document, for the relating approval by this last one. For the purposes of internal reporting, the Manager in charge periodically refers to the Control and Risks Committee, to the Board of Auditors and to the Supervisory Committee about the development procedures of the evaluation process of the control system and also about the results of the evaluations performed to support the released certifications or declarations.

***

***

The Board of Directors has assessed, upon advice of the Control and Risk Committee, the adequacy of the internal control and risk management system with respect to the Company characteristics and the risk profile, as well as its effectiveness, in accordance with the provisions of Application Guideline 7.C.1 letter b).
The evaluation was conducted on the occasion of the presentation of financial results for the period, as well as during the regular meetings of the Board, through the constant flow of information guaranteed by the players of the internal control and risk management system.
.

11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

The Board of Directors appointed Mr. Fulvio Zugno (Chairman of the Board of Directors and Chief Executive Officer) as executive director in charge of supervising the functioning of the internal control and risk management system, in charge for the implementation and preservation of an effective internal control and risks management system, in line with the Guideline 7.P.3, let a), n. (i).
This choice has been made based on the importance that Mr. Zugno holds within the Ascopiave company structure.

***

In accordance with the Application Guideline 7. C.4. of the Code, the executive director in charge of supervising the functioning of the internal control system:

- has identified the main company risks considering the characteristics of the Issuer's activities and those of its subsidiaries, and has submitted them to a periodical Board's examination;
- has implemented, within the scope of the powers appointed to him, the guidelines defined by the Board, designing, realising and managing the in-company control system, constantly checking the overall suitability and efficiency;
- has adapted this system to the dynamics of the operative conditions and legislative and regulatory situation;
- has asked the internal audit department, which depends under the organizational point of view from the same Chairman and Chief Executive Officer, to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;
- has set up a constant flow of information with the control and risks Committee and with the Board of Directors on issues and concerns raised, so that the Committee (or the Board) has been able to take appropriate action.

11.2. PARTY RESPONSIBLE FOR INTERNAL AUDIT

The responsible for internal audit is, since June 2015, Mr. Sandro Piazza, advisor with proper professional qualifications and independence, who has gained extensive experience in the field of internal audit and compliance activities. Previously, up to May 2015, the Department was headed by Mr. Christian Ceresatto.

The appointment of Mr. Sandro Piazza took place following the favourable opinion of the Director in charge for the Internal Control and risks Committee, based on the technical knowledge and skills of the professional experience to perform the task.

Pursuant to the Guideline 7. C.3., lett. b) The Head of the Internal Audit Department is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

.

For the execution of the tasks assigned, the Internal Audit function comprises, in addition to the Manager, two additional resources with specific expertise in economics and finance. In particular, the internal audit function has been integrated in 2016 with a person having extensive experience in administration and accounting, mainly devoted to the monitoring of the Company and the Group's administrative and accounting processes.

The internal audit function is not responsible for any operational area and reports to the Chairman of the Board of Directors of Ascopiave.

The Board of Directors is responsible, on proposal of the Director in charge for the internal control and risk management system, upon approval of the Control and Risk Committee and after having heard the Board of Auditors, to appoint and dismiss the head of the Internal Audit Department, ensuring that he is provided with the adequate resources to perform his work. In addition, the Board of Directors is responsible for approving, on an annual basis, the work plan prepared by the Head of the Internal Audit Department, after consultation with the Control and Risk Committee, having heard the Board of Auditors and the Administrator in charge for the internal control and risk management system.

***

The Party responsible for Internal Control, pursuant to the Application Guideline 7. C.5. of the Code:

- verifies, either continuously or in relation to specific needs and in compliance with international standards, the operation and the suitability of the internal control and risk management system; the activity is regulated by an audit plan, approved annually by the Board of Directors, based on a structured analysis and prioritization of key risks;
- has direct access to all information useful to perform his tasks;
- prepares periodic reports containing adequate information about his work, the way in which the risk management is carried out, as well as on the compliance with the plans for their reduction, further to an assessment on the suitability of the internal control and risk management system and he transmits them to the Chairmen of the Board of Auditors and of the control and risk Committee, to the Chairman of the Board of Directors and to the Director responsible for the system of internal control and risk management;

- prepares timely reports on major events and transmits them to the Chairmen of the Board of Auditors, of the Control and Risk Committee and of the Board of Directors as well as to the Director in charge of the internal control system and risk management;
- verifies, as part of the audit plan, the reliability of information systems including systems of accounting.

For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the Head of Internal Audit may request the support of external professionals expert in this field or of tools that support the activity.

***

During the financial year, the Head of Internal Audit performed a verification of the internal control system and risk management of the Issuer on the of the control instruments implemented in the previous years, and further developed in 2016, in line with the recommendations of the best practices available.

Specifically, such verification concerned the Issuer's corporate governance system, the implementation of the regulations and provisions of law as specified by Legislative Decree 231/2001 and Law 262/2005, supply management procedures, company risk management and the implementation of administrative control procedures.

The Head of the Internal Audit Department has actively participated, only as advisor, in the process of revising the structure of corporate governance of the Group Ascopiave, both at Ascopiave and at the subsidiaries, also for the effective implementation of the management and coordination activity.

The Head of Internal Audit department, during the financial year, has guaranteed systematic and periodical information about the outcomes of activity performed, addressed to the Chairmen of the control and risks Committee and of the Board of Auditors, as well as to the administrator in charge of supervising the internal control and risk management system, in order to enable them to fulfil the tasks assigned in the field of supervision and evaluation of the system of internal control and risk management.

11.3. ORGANISATION MODEL ex Legislative Decree 231/2001

On 27th March 2008, the Issuer adopted the organisation, management and control model for the prevention of crime with the aims specified by Legislative Decree 231/2001 and subsequent amendments.
Along with the adoption of the model, the Company appointed a Supervisory Committee that will have to supervise on the operation and compliance with the model itself.
Considering the requested requirements of the reference regulations and the indications deriving from the guidelines of relevant category associations as well as the sector best practices, the Board of Directors met on 29th April 2014 appointed as components of the Supervisory Committee: Law. Elisa Pollesel (Chairman) Mr. Cristiano Ceresatto- until 31st May 2015 responsible for internal auditing of the

Issuer and subsequently external member, professional in the field of internal auditing - and Mr. Ruggero Paolo Ortica – an expert in the economic-financial field.
On 6th November 2016 Mr. Cristiano Ceresatto resigned with immediate effect. On 10th November 2016, the Board of Directors of Ascopiave appointed Mrs. Irene Rossetto, of the Internal Auditing Department, as (internal) member of the Supervisory Board.
During the period covered by this report, while carrying out the tasks assigned by law and by the Ascopiave Board of Directors to the Supervisory Body, 9 meetings where held; in 2017 1 meeting was hold, all documented by appropriate records kept by the Chairman.
The abstract of the above model consists of a general part showing the normative system of reference, the process of definition of the model and the constituent elements of the model itself; it also includes various special parts dealing with the special cases of crime that the model is intended to prevent, among which:

- crimes against the public administration
- corporate crimes
- *market abuse*
- safety at work
- environmental crimes
- computer crimes
- receiving of stolen goods and money laundering
- corruption between private parties

The Supervisory Board has set up, during the previous years, a structured collection of information flows by the business parties so called Apical, designed to obtain information about significant events that occurred during the operations, that may be attributable to the risk areas identified in Model 231.

The Ascopiave SpA Board of Directors, during its meeting on 22nd December 2016, upon proposal of the Supervisory Board, approved an update of the general part of the Model in relation to the discipline of these information flows, and the updating of some special parts of the Model, because of the changes introduced by the legislator in legislative decree no. 231/2001.

For the dissemination of the model, the general part of the same is available on the Issuer's website (http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Ascopiave-Modello-231-Parte-Generale-CdA-2016-12-22.pdf .

In addition, the Ascopiave Group Code of Ethics, approved by resolution of the Board of Directors of Ascopiave S.p.A. of 14th May 2013, is available on the Issuer's website (http://www.gruppoascopiave.it/wp-content/uploads/sites/12/2015/01/Codice-etico-GruppoAscopiave-201305141.pdf)

11.4. AUDITING COMPANIES

Auditing is entrusted to the company PriceWaterhouseCoopers S.p.A.
The appointment was made by the Shareholders' Meeting on 23rd April 2015. The appointment will expire upon approval of the financial statement as of 31st December 2023.

11.5. MANAGER RESPONSIBLE FOR PREPARING COMPANY ACCOUNTING DOCUMENTS

Mr. Cristiano Belliato, the Issuer's Chief Financial Officer since 19th July 2012, formerly Administrative Director of the Company, is the Manager responsible for preparing the company's accounting documents.
In accordance with Article 25 of the Issuer's Charter, the manager responsible for preparing company accounting documents must be in possession, not only of the honourable requirements described by current legislation for all those performing functions of administration and management, but also the professional requirements as follows (i) having graduated in economics, finance or a subject related to company management and organisation, (ii) having matured a total experience of at least three years in administration or control activities, or having performed managerial tasks with capital companies, or administrative or managerial tasks, or held offices of auditor or consultant as chartered accountant with businesses in the fields of credit, finance or insurance, or in any case in fields that are closely related or inherent to the activity performed by the Company, involving the management of economic and financial resources.
Furthermore, any person not in possession of the requirements of honour as under article 147quinquies of Legislative Decree no. 58 dated 24th February 1998.
Following the obligatory but not binding opinion of the Board of Auditors, the Board of Directors shall appoint the Manager responsible, setting out his compensation.
The Board of Directors will grant the appointed Manager suitable powers and means by which performing his tasks, in accordance with the provisions of article 154 bis of Legislative Decree no. 58 dated 24th February 1998.

11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

The Issuer has implemented mechanisms of interaction between the parties involved in the system of internal control and risk management aimed to ensure the coordination and the effective performance of specific tasks. Among these, it is to be noticed the performance of regular meetings between the bodies and the departments responsible for internal control and risk management, the participation of the Board of Statutory Auditors and of the Internal Audit Manager to the meetings of the Control and Risks Committee.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

On 24th November 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"). The Code governs the operations with related parties performed by the Company, either directly or through subsidiaries, in accordance with the provisions set forth in the Regulations adopted pursuant to Art. 2391-bis of the civil code by the National Committee for the Companies and the Stock Market, (CONSOB) with resolution no. 17221 dated 12th March 2010 and further amendments ("Regulations").

The Code came into force as of 1st January 2011 and it has replaced the previous regulation governing Related Parties Transactions approved by the Board of Directors of the Company on 11th September 2006 (subsequently modified).
For the contents of the Code, see the document available on the Issuer's website at the following address: http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf.

***

In order to implement the procedure, a mapping of the so-called Related Parties is periodically performed, to which the contents and the controls envisaged by the document are applied. The Directors are also required to declare, if existent, any interests in conflict with the performing of the transactions in question.

13. APPOINTMENT OF AUDITORS

The appointment and replacement of auditors is governed by the laws and regulations of Article 22 of the Issuer's Charter.
The Board of Auditors is composed of three statutory auditors and two alternate auditors, whose office lasts three years and which can be re-elected. At least one of the statutory auditors should be: (i) a woman, if the majority of the statutory auditors are men; (ii) a man, if the majority of the statutory auditors are women.
In accordance with Article 22 of the Issuer's Charter, the whole Board of Auditors is appointed based on lists presented by Shareholders. Shareholders who alone, or together with other Shareholders, at the time of presentation hold a share of at least 2.5% of the share capital, or, where otherwise, the maximum share of the share capital required for the presentation of lists as specified by applicable provisions of law and regulations, may present lists. The interest share will be specified in the summons notice to the Meeting called to deliberate the appointment of the Board of Auditors.
The lists must specify at least one candidate for the office of Statutory Auditor, and one for the office of Alternate Auditor. No candidate may appear in more than one list, at risk of being deemed incompatible. In the lists composed of three or more candidates, the gender of at least one third (rounded up) of the candidates for the role of statutory auditor and the candidates for the office of alternate auditor must be different from the gender of the other candidates.
The lists, signed by the Shareholders presenting them, or by the Shareholder who has been delegated to present them and provided with the documentation specified by this Charter and by current provisions of law and regulations, must be filed at the company headquarters within the terms of the applicable provisions of law and regulations. If, upon expiry of the terms set out by the applicable provisions of law and regulations, only one list of candidates has been presented, or indeed none, the meeting shall deliberate by relative majority of shareholders. In case of a tie between candidates, there will be a second ballot between these, with a further voting by the meeting.
Where two or more lists are presented, election of the Board of Auditors shall take place as follows:

(i) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes: (a) two statutory auditors and (b) one alternate auditor;

(ii) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes: (a) one statutory auditor, who will also hold the office of Chairman of the Board of Auditors, and (b) one alternate auditor and, where available, further alternate auditors ready to replace the minority member, up to a maximum of three. Where this is not possible, the first candidate of the list having obtained the next greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes, will be appointed alternate auditor;

(iii) should votes for two or more lists be equal, the candidates of the list presented by shareholders holding the greatest share, will be appointed, or, subordinate to this, that presented by the greatest number of shareholders, without prejudice to applicable regulations governing gender balance.

Should one or more standing auditors taken from the list that had obtained the greatest number of votes (the 'Majority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, without prejudice to applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, respecting applicable regulations governing gender balance. Should one or more standing auditors taken from the list that had obtained the second greatest number of votes (the 'Minority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, always in compliance with applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Civil Code, as an exception to the list voting system previously specified, and in order to respect, where possible, the principle of minority representation.

The Meeting held to deliberate on the integration of the Board of Auditors shall proceed in any case with the appointment or replacement of the members of said Board, without prejudice to the need to ensure that the structure of the Board of Auditors complies with the provisions of law and current regulations, and with the Issuer's Charter.

Without prejudice to that set out by the previous paragraph, should the Meeting integrate the Board of Auditors, it shall resolve with ordinary majorities and methods, as an exception to the list voting system, which will only apply in the event of replacement of the entire Board of Auditors.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF AUDITORS

The Board of Auditors appointed by the Ordinary Meeting held on 24th April 2014 and in office until approval of the financial statement as of 31st December 2016, is structured as follows:

Name	Position

Marcellino Bortolomiol	Chairman of the Board of Auditors
Elvira Alberti	Statutory auditor
Luca Biancolin	Statutory auditor
Dario Stella	Alternate auditor
Achille Venturato	Alternate auditor

The Standing Auditors Elvira Alberti and Luca Biancolin and the Alternate Auditor Achille Venturato have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Chairman of the Board of Statutory Auditors Marcellino Bortolomiol and the Alternate Auditor Dazio Stella have been chosen from the no. 2 minority list presented by the shareholder Asm Rovigo S.p.A. The two lists presented have no connection whatsoever with one another.

For the detailed composition of the Board of Auditors for the year 2016, please refer to Table 3 attached to the Report.

Below, the 2 lists that were presented:

ISSUER PARTY	LIST OF CANDIDATES	LIST OF APPOINTED SUBJECTS	% VOTES OBTAINED IN RELATIONSHIP WITH THE VOTING CAPITAL
List n. 1 Asco Holding S.p.A.	**Statutory auditors** 1. Elvira Alberti 2. Luca Biancolin **Alternate auditor** 1. Achille Venturato	**Statutory auditors** 1. Elvira Alberti 2. Luca Biancolin **Alternate auditor** 1. Achille Venturato	88,251%
List n. 2 ASM Rovigo S.p.A.	**Statutory auditor** 1. Marcellino Bortolomiol **Alternate auditor** 1. Dario Stella	**Statutory auditor** 1. Marcellino Bortolomiol **Alternate auditor** 1. Dario Stella	11,748%

Please refer to Table 4 for the list of the bank institutions and of listed companies different from the Issuer in which the same Auditors have responsibilities of administration or control.

Here below is the personal and professional history of each Auditor:

- Chairman, Marcellino Bortolomiol: Registered in the Association of Business Consultants and Professional Accountants of Treviso. He practices in his office of Treviso. He worked as bankruptcy trustee, of liquidator, of expert and consultant in various companies and enterprises. He was Chairman and member of the Board of Auditors as well as Director of several companies and corporate groups.
- Statutory Auditor, Elvira Alberti Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry, she practices in her office of Treviso.

She is member of the Board of Directors of Ascopiave since 2011, she is currently auditor of public entities and auditor for various companies of public and private law.

- Statutory Auditor, Luca Biancolin: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry, he practices in her office in Conegliano (TV). He is currently director and auditor in various public and private law companies.
- Alternate Auditor, Dario Stella: Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry. He practices in his office in Pieve di Soligo (TV). He is currently director and auditor in various private law companies.
- Alternate Auditor, Achille Venturato: Registered in the Association of Business Consultants and Professional Accountants and in the Legal Auditors Registry, he practices in her office of Treviso. He is currently director and auditor in various private law companies.

The professional curricula of the auditors pursuant to articles 144-octies e 144-decies of the Consob Issuers Regulation are available on the Issuer's website in the section "investor relations".

During the year, after the appointment of the new Board of Directors, 8 (eight) Board of Directors meetings were held in the following dates: 15th February 2016, 30th March 2016, 29th April 2016, 12th May 2016, 16th June 2016, 3rd August 2016, 24th October 2016 and 29th November 2016. The average length of the meetings was equal to 2 hours.
For details on the participation of the Auditors to the meetings, see Table 3 attached to this report.

During 2017, the Board of Auditors will meet for at least at a 90-day interval, pursuant to Article 2404 of the Civil Code. After the end of the fiscal year, until the date of this report, the Board of Auditors met on 21st February 2017, 7th March 2017 and 14th March 2017. The meetings scheduled for 2016 are about 10 (ten).

There have been no changes to the composition of the Board subsequent to balance sheet date.

****

The delegated bodies have reported in a suitable and timely manner to the Board of Auditors concerning all activities performed, the general management trends and predictable evolution, as well as on the most important operations in terms of size and characteristics performed by the Issuer and its subsidiaries, specified by the Law and the Charter, and therefore at least once a quarter.

The Board of Auditors, at its meeting on 16th June 2016, with reference, verified the existence of the requirements of independence of its members, in accordance with the provisions in the Guideline 8. C.1. The verification did not reveal any element that lead to the disappearance of this need for independence.

***

During the year, in line with the Application Guideline 2.C.2 of the Self-Discipline Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

***

The Issuer specifies that any Auditor who, on his own behalf or that of third parties, holds an interest in a given Issuer operation, must inform the other auditors and the Chairman of the Board as to the nature, terms, origin and extent of such interest, in a full and timely manner.

The Board of Auditors in the conduct of its business, is regularly coordinates with the Head of Internal Audit and with the control and risks Committee, in line with the Application Guidelines 8.C.4 and 8. C.5. of the Code.

15. RELATIONSHIP WITH SHAREHOLDERS

The Issuer has judged that it be in his interests as well as a duty to the market to set up a continuous dialogue from the time of listing, founded on reciprocal understanding of roles, with the general information of the shareholders. This dialogue will, in any case, take place in compliance with the procedure for the external communication of company documents and information. The article 2.2.3 lett. i) of the Stock Exchange Regulations also states, with specific reference to companies intending to obtain listing of own shares with the 'STAR' qualification, the compulsory appointment of a professionally qualified person from within their organisational structure (Investor Relator) in charge of specifically managing relationships with investors.
Regarding the above, and in accordance with the recommendations of Principle 9 of the Self-discipline Code, the Company's Board of Directors appointed during the meeting held on 24th July 2006 Mr. Giacomo Bignucolo as Investor Relator and responsible for relationship with investors.
Finally, Ascopiave has set up a specific 'investor relations' section within its website (www.gruppoascopiave.it), in which information concerning the company and important for its shareholders is available.

16. MEETINGS

In accordance with Article 11.1 of the Issuer's Charter, the subjects legitimated by the authorised intermediary may participate in the Meetings, in accordance with the current and relevant regulations.
Any legitimated subject may be represented by another person, not necessarily a shareholder, upon presentation of a written proxy, in accordance with the current and relevant regulations. The proxy can also be assigned electronically, through the procedures envisaged by regulations currently in force.

Moreover, in accordance with the provisions set forth in the summons notice, the electronic notification of the proxy can be sent by accessing the dedicated section of the Company's website, i.e. by sending the document to the certified email address of the Company (Article 11, paragraph 2 of the Company Charter).
The regulations concerning Board activities, applicable to listed companies, have been considerably overhauled, following the coming into effect of Legislative Decree no. 27 dated 27th January 2010, the adoption of Directive 2007/36/EC of the European Parliament and of the Council of 11th July 2007, on the exercise of certain shareholders' rights in listed companies (the so-called "Shareholders' Rights Directive" or "SHRD").
Now, therefore, the Shareholders' Extraordinary Meeting dated 28th April 2011 has resolved to integrate Article 11 of the Company Charter by adding the paragraph 11.3 which envisages that the Company can appoint for each meeting an individual that may receive a proxy from those who have the right to vote with instructions on how to vote on each or some of the proposals on the agenda.
In order to facilitate Shareholder participation in the Meetings, the Charter also specifies that the Meeting may take place with interventions in different, separate and distant places that are audio/video connected, as long as formal meeting procedures and the principle of good faith and equal treatment of shareholders, are respected (Article 12, paragraph 1 of the Charter).

***

Regarding Guideline 9.C.3 of the Self-discipline Code, the Company's Ordinary Meeting held on 5th July 2006 resolved to adopt Meeting Regulations (subsequently amended by the Meeting held on 28th April 2008 and by the Meeting held on 28th April 2011), which came into effect as from the date of the Start of Negotiations(http://www.gruppoascopiave.it/investor-relations/assemblee.pdf). These Regulations are specifically aimed at governing the Shareholders' Meetings, guaranteeing a correct and orderly holding of such, and, in particular, the right of each shareholder to intervene on the matters under discussion. It constitutes a valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

The Regulations include that the Chairman shall lead the discussion, giving the floor to those who may legitimately intervene (i.e. those who have the right to participate in the meeting based on the law and Charter), who may have requested it.
Those with a right to intervene who wish to speak, must request to do so of the Chairman, after his having read the item on the meeting agenda to which the request refers, and after discussion has been opened, before the Chairman declares discussion of the item over.
Said request must be made by the raising of the hand, should the Chairman not have arranged for a written request procedure. Where procedure involves the raising of the hand, the Chairman will allow the person who has raised his hand first to speak. Should it be impossible to establish who raised his hand first, the Chairman will allow participants to speak in accordance with the order established by himself, in his own judgement. Where a written request procedure is implemented, the Chairman shall allow participants to speak based on the order of entry.
The Chairman and/or on his invitation, the Directors and Auditors, regarding their respective functions or as the Chairman deems fit in relation to the meeting agenda, shall answer those

legitimately able to participate, after each intervention, or rather after having completed al interventions on each item on the agenda, in accordance with what specified by the Chairman.
Those who have the right to intervene, the Directors and Auditors, have the right to speak on each of the items on the agenda, and to formulate proposals to their regard.
Those with a right to intervene can ask questions related to the matters in the agenda even before the meeting, through the procedures specified in the summon notice.
The questions submitted prior to the Meeting by those with a right to intervene, are answered during the Meeting itself, provided that the requested information has been accessible according to the applicable regulations and as long as the Chairman is able to give a single answer to the questions concerning the same topic.

***

In light of the amendments to regulations concerning related party transactions pursuant to the Regulations adopted by Consob with resolution no. 17221 on 12th March 2010 (and further amendments) and taken into consideration the new regulations introduced by Legislative Decree. no.27/2010 implementing the Directive 2007/36/EC (the so-called "Shareholders' Rights Directive", the Shareholders' Meeting held on 28th April 2011 has resolved to integrate the Company Charter by adding a new article recorded as "Related party transactions". This regulation gives the Board of Directors the possibility to approve the transactions of greater relevance within the scope of the Board of Directors as well as to implement the transactions of greater relevance within the scope of the Shareholders' Meeting, despite a contrary opinion of the Independent Directors, provided that the shareholders meeting authorizes and approves the transaction's execution and the Shareholder's Meeting itself takes its resolutions both based on the legal majorities and on the favourable vote of the majority of unrelated voting shareholders and provided that the unrelated shareholders present at the Shareholders 'Meeting represent at least 10% of the share capital with voting rights
.

***

The Board has reported back to the Meeting on the activity performed and planned, and has acted to ensure that Shareholders are suitably informed as to all elements necessary in order to taking a knowledgeable decision, where such is the task of the Meeting. 5 (five) Directors have attended the meeting held on 28th April 2016.

The method of exercise of the Compensation Committee functions were presented to the shareholders, during the meeting, on 28th April 2016, by the publication of the Report on Compensation and the discussion about the contents of the same.

In 2016, no communications have been sent, pursuant to Art. 120 of the Financial Law.
The Issuer believed there have been no significant changes to the capitalisation of the Issuer market or to the structure of its subsidiaries that would require changes to be made by the Shareholders' Meeting to the Charter, in relation to the percentages specified for the year of the prerogatives protecting minorities. To this regard, we would specify that in applying Article 144 quarter of the Consob Issuer Regulations 11971/1999 for the presentation of lists for the appointment of members of the Board of

Directors and the Board of Auditors, Articles 15.2 and 22.2 of the Issuer's Charter require a percentage threshold of 2.5% of the share capital with voting rights, or other percentage that may be specified or stated by provisions of law or regulations.

17. FURTHER OPERATIONS OF CORPORATE GOVERNANCE

In 2012, the Board of Directors of the Issuer approved, and updated on 16th June 2016, the "Guidelines on the exercise of management and coordination powers of the parent company" which governs the management and coordination executive procedures, the flows of information and control between the Issuer and its subsidiaries, in compliance with the prerogatives provided by the unbundling legislation for the Independent Provider and for the vertically integrated company (so-called *unbundling*). The Guidelines have been adopted by the boards of the subsidiary companies and after adopted by each administration body of these, is an integral part of the Group governance system.

18. CHANGES SINCE THE END OF THE YEAR IN QUESTION

No changes in the corporate governance system adopted by the Issuer since the end of the fiscal year.

TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

	N° Shares	% vs. Share Capital	Listed/Non-Listed	Rights and Obligations
Ordinary Shares	234.411.575	100%	STAR	Each share is equivalent to one vote. Shareholders' rights and obligations ate those stated in Articles 2346 et seq civil code and company charter

MAIN SHAREHOLDINGS AS AT 31 DECEMBER 2016 (PURSUANT TO ART. 120 TUF)

Declarant	Direct Shareholder	Ownership % of ordinary capital	Ownership % of voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	61,562%	61,562%
Ascopiave S.p.A.	Ascopiave S.p.A.	5,203%(i)	5,203%(i)
Comune di Rovigo	ASM Rovigo S.p.A.	4,419%	4,419%
Amber Capital UK LLP	**Amber Capital UK LLP**	3,093%	3,093%

Figures refer to shares actually owned by Ascopiave S.p.A. as at 31st December 2014, including n. 1.975 bonus shares, carrying value € 1.0

TABLE 2: STRUCTURE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risk Committee		Remuneration Committee	
Position	**Components**	**Date of Birth**	**Date first apptment ***	**Start of Term**	**End of Term**	**List ****	**Exec.**	**Non-exec.**	**Indip. da Codice**	**Indip. TUF**	**N. other offices *****	(*)	(*)	(**)	(*)	(**)
Chairman CEO •	Fulvio Zugno	1952	28/04/2011	24/04/2014	Fin Stats 2016	M	X	-	-	-	0	16/16				
Director	Dimitri Coin	1970	28/04/2011	24/04/2014	Fin Stats 2016	M	-	X	X	X	0	16/16	P	5/5	P	2/2
Director	Quarello Enrico	1974	14/02/2012	24/04/2014	Fin Stats 2016	M	-	X	-	-	0	16/16	M	2/3	M	1/1
Director	Pietrobon Greta	1983	24/04/2014	24/04/2014	Fin Stats 2016	M	-	X	X	X	0	10/10				
Director	Paron Claudio	1951	19/06/2014	19/06/2014	Fin Stats 2016	m	-	X	X	X	0	7/8	M	2/2	M	-
-------------------------------TERMS EXPIRED DURING FINANCIAL YEAR-------------------------------																
Director	Bernardelli Giovanni	1966	28/04/2011	28/04/2011	Fin Stats 2013	M	-	X	X	X	0	6/6	M	2/2	M	1/1
Director	Colomban Massimino	1949	28/04/2011	28/04/2011	Fin Stats 2013	m	-	X	X	X	5	2/6	M	0/2	M	0/1
Director	Piva Bruno	1946	24/04/2014	24/04/2014	22/05/2014	m	-	X	X	X	0	2/2	M	1/1	M	1/1
N. of meetings held during financial year: 16						Control and Risk Committee: 5					Remuneration Committee: 2					
State quorum requested for the election of one or more minority directors (Art. 147-ter TUF): 2.5%																

OBSERVATIONS

The symbols listed below should be entered in the "Office" column:

• This symbol indicates the director in charge of the internal control and risk management system.

◊ This symbol specifies the person responsible for the Issuer's management (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

* The date of first appointment of each director is the date on which the director was appointed for the first time (ever) in the issuer's Board of Directors.

** This column shows the list from which each director has been appointed ("M": majority list; "m": minority list; "BoD": the list submitted by the Board).

*** This column specifies the number of offices held as a director or auditor by the person in question in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies. The Report on corporate governance exhaustively lists the offices.

(*). This column indicates the attendance of directors at the meetings of the BoD and the Committees, respectively (number of meetings attended compared to the total number of meetings at which attendance was possible).

(**). This column specifies the role of the director within the Committee: "P": Chairman; "M": member.

TABLE 2: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

Massimino Colomban	**Office**	**Company**
	Member Board of Directors	Save Engineering S.p.A.
	Governing Director	Quaternario Investimenti S.p.A.
	Member Board of Directors	Sedicidodici S.r.l.
	Member Board of Directors	Xepta Holding S.r.l.
	Member Board of Directors	LAFERT S.p.A.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS

Board of Statutory Auditors									
Office	Members	Date of Birth	Date first apptment *	Start of Term	End of Term	List (M/m)**	Auditor Independence	Attendance in meetings ***	Other offices held ****
President	**Marcellino Bortolomiol**	1945	24/04/2014	24/04/2014	Fin Stats 2016	m	X	5/5	5
Standing Auditor	**Elvira Alberti**	1954	28/04/2011	24/04/2014	Fin Stats 2016	M	X	8/10	0
Standing Auditor	**Luca Biancolin**	1952	24/04/2014	24/04/2014	Fin Stats 2016	M	X	5/5	0
Alternate Auditor	**Dario Stella**	1968	24/04/2014	24/04/2014	Fin Stats 2016	m	X	-	-
Alternate Auditor	**Achille Venturato**	1966	24/04/2014	24/04/2014	Fin Stats 2016	M	X	-	-
Auditors retired during accounting period									
President	**Giovanni Zancopé Ogniben**	1955	28/04/2011	28/04/2011	Fin Stats 2013	m	X	5/5	0
Standing Auditor	**Paolo Papparotto**	1969	28/04/2011	28/04/2011	Fin Stats 2013	M	X	3/5	4
Number of meetings held during financial year: 10									
State quorum requested for the election of one or more minority directors (Art. 148 TUF): 2,5%									

OBSERVATIONS

* The date of first appointment of each auditor is the date on which the auditor was appointed for the first time (ever) in the Issuer's Board of Auditors.
** This column shows the list from which each auditor has been appointed ("M": majority list; "m": minority list).
*** This column indicates the attendance of auditors at the meetings of the Board of Auditors (number of meetings attended/number of meetings held during the actual term of office of the person in question).
**** This column shows the number of offices held as a director or auditor by the person under consideration pursuant to art. 148 bis of the Unified Finance Law (TUF) and its implementing provisions contained in Consob Issuer Regulations. The complete list of offices is published by Consob on its website in accordance with art. 144- quinquiesdecies of Consob Issuer Regulations.

TABLE 3: OFFICES OF THE DIRECTORS IN OTHER COMPANIES

Paolo Papparotto *Standing Auditor (term expired 24/04/2014)*	**Office**	**Company**
	Standing Auditor	Rossfin S.p.A.
	Standing Auditor	BH 4 S.p.A.
	Standing Auditor	BH 5 S.p.A.
	Director	Patrimoni Affidati S.p.A.

Marcellino Bortolomiol *President Board Statutory Auditorse (starting 24/04/2014)*	**Office**	**Company**
	President Board Stat Auditors	Beni Stabili SIIQ S.p.A.
	President Board Stat Auditors	Beni Stabili Development S.p.A.
	President Board Stat Auditors	Sipa S.p.A.
	President Board Stat Auditors	Zoppas Industries S.p.A.
	Member Board of Directors	Banca Apulia S.p.A.

ASCOPIAVE S.P.A.
Pieve di Soligo (TV), Via Verizzo n. 1030
Share Capital € 234.411.575,00 fully paid-up
R.E.A, Treviso – Tax Number 03916270261

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE MEETING OF ASCOPIAVE S.P.A. SHAREHOLDERS PURSUANT TO ART. 153, LEG D. 58/98, LEG D.39/2010 AND ART. 2429.3 CIVIL CODE

Dear Shareholders,

As a premise, the Board of Statutory Auditors performs the supervision activities pursuant to Article 2403 Civil Code. The legal audit of the accounts pursuant to Article 14. Legislative Decree 39, year 2010 has been assigned to the external auditing company PricewaterhouseCoopers S.p.A. (PWC).

In the accounting period ended 31st December, 2016, we performed the supervisory activities envisaged by law, pursuant to the principles of the Code of Behaviour for the Board of Statutory Auditors recommended by the National Board of Certified Public Accountants and Chartered Accountants.

With regard to the activities performed also in compliance with the Consob Communication no.1025564 dated 6th April, 2001, subsequent amendments, additions and specific indications contained in the Code of Self-Discipline, we report the following:

1) We have kept watch on compliance with the law and the company charter at intervals envisaged in Article 23.3 of the bylaws. We obtained, from the Directors, the information relevant to all activities and the main transactions of economic, financial and equity importance performed by the Company, its subsidiaries and affiliates during the accounting period. In connection, we can reasonably affirm that such operations are in compliance with the law and with the company charter, and have not been deemed as overtly imprudent or hazardous or in contrast with the

resolutions passed by the management or such as to compromise the integrity of the company's assets. Moreover, in the memo submitted by the Directors to the Board of Statutory Auditors as stated by law, there are no operations deemed in contrast with the Company's interests.

2) We have judged as complete the information submitted by the Board in its Report on Operations about atypical and/or unusual transactions, including those with subsidiaries, and or related parties. In their report on operations and explanatory notes to the financial statements, the Directors list and describe the ordinary activities with associated companies and intra-group. We believe such operations are congruent and in the company's best interests.

3) The External Auditors PWC S.p.A. have issued their reports in accordance with Articles 14 and 16, Legislative Decree N. 39 dated 27th January 2010, regarding the statutory and the consolidated financial statements of the Group as of 31st December 2016, prepared under the International Financial Reporting Standards – IFRS adopted by the European Union. Said papers reflect the following:

- "the financial statements represent, properly and truthfully, the equity and financial situation of the company Ascopiave SpA as of 31st December, 2016, its economic results, and cash flow for the period, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions of Article 9, Legislative Decree N. 38 dated 28th February 2005"
- "the report on operations, the information in the corporate governance report and the assets listed within are consistent with the financial statements of Ascopiave SpA as of 31st December 2016".

During the meetings with the external auditors, the parameters adopted for preparing the financial statements and defining the main items of the balance sheet and income statement were a matter of in-depth analysis.

4) No claims pursuant to Art. 2408 of the Civil Code were submitted during the year.

5) No other complaints pursuant to Art. 2409 of the Civil Code were received during the year.

6) Regarding the accounting period 2016, the fees of the external auditors, PWC S.p.A. for the legal audit activities, amounted to € 363.000 (three hundred sixty-three thousand), of which € 147.000 relating to the accounting and legal audit of separate annual statements of the Parent Company; € 210.000 (two hundred ten thousand) relating to the subsidiaries; € 5000 (five thousand) for Other Services provided to Ascopiave S.p.A.

7) In view of the declaration of independence issued by PWC S.p.A. in accordance with Art. 17.9a), Legislative Decree 39/2010 and regarding the functions conferred upon it by Ascopiave S.p.A. and subsidiaries as detailed above, the Board of Statutory Auditors deems there are no grounds to doubt the independence of the external auditing company.

8) The Board of Statutory Auditors held 8 meetings regarding its own role. It attended all of the 13 meetings held by the Board of Directors and the Ordinary Meeting of the Shareholders on 28th April 2016.

   The Board of Statutory Auditors also attended 5 sessions held by the Internal Control and Risk Committee and 1 meeting of the Remuneration Committee.

9) We collected information and supervised, under our scope of work, on the compliance with the principles of fair administration, through the acquisition of data from Managers of the Group and meetings with external auditors, to the end of mutually exchanging relevant facts and figures.

10) We collected information and supervised, under our scope of work, on the consistency of the Company's organizational structure, through the acquisition of data from Managers of the Group, to the end of mutually exchanging relevant facts and figures.

11) We assessed and kept watch on the consistency of the internal control system and met, in our meetings, the Internal Auditing Manager of the Company, making an in-depth analysis of the corrective measures proposed and receiving continuous updates, on at least a quarterly basis, of the related status; in particular, examining observations referred to 'compliance' issues. In this regard, we have taken note of the activities performed by the Internal Auditing Manager during the year.
Our activities have revealed nothing untoward to deserve a mention of inadequacy or criticality about the internal control system.

12) We supervised and evaluated the adequacy of the administrative-accounting system as a reliable tool for representing operations correctly, through:

(i) examination of the report issued by the Officer responsible for the preparation of Corporate Financial Statements about Administration and Accounting as well as Internal Controls and Corporate Reports.

(ii) receipt of information on a full and regular basis from the Managers of the Group

(iii) relations with the Control Bodies of subsidiaries in compliance with Art. 151.1 and 151.2, Legislative Decree 58/98;

(iv) attending the works of the Internal Control and Risk Committee and the Remuneration Committee;

(v) receipt of regular updates regarding the work performed by the Supervisory Committee appointed by the Company pursuant to the provisions stated in the Legislative Decree 231/2001.

We herein confirm that our inspections have revealed nothing untoward to deserve a mention of criticality about the Administration and Accounting system.

13) We collected information and supervised, under our scope of work, the adequacy of the instructions given by the Company to its subsidiaries in compliance with Art. 114.2, Legislative Decree 58/98, via the acquisition of information from the Managers of the Group, meetings with external auditors, exchange of information from the Statutory Auditors of the Subsidiaries, to the end of mutually exchanging relevant facts and figures.

14) Consequent to meetings with the External Auditors, in accordance with Article 150.2 Legislative Decree 58/1998, no facts or situations that should be highlighted in the present report, have emerged.

15) We have focused our attention on the compliance with the Code of Self-Discipline and the implementation of the Code of Ethics of Ascopiave S.p.A., pursuant to Article 149.1, C-bis, Consolidation Text where the Board of Directors provides an update on the corporate governance and the management of the Company and the Group, in coherence with the principles stated in the Code of Self-Discipline issued by Borsa Italiana S.p.A., and also with the ownership structure envisaged by Article 123 bis T.U.F.
The Board of Statutory Auditors has acknowledged the check performed by the Board of Directors, with respect to the independence of the Board Members, verifying the correct application of the benchmarks adopted; we examined the conditions of independence taking into account the possession of the requisites on the subject required by the Code of Self-Discipline.

16) We examined and obtained information about activities of an organizational and procedural nature, following Legislative Decree 231/01 and 61/02, governing the administrative liability of Public Bodies regarding violations under the scope of said law. The Supervisory Committee appointed by the Board of Directors illustrated to the Board of Statutory Auditors, the activities performed during 2016 and has found nothing worthy of mention.

17) With regard to the provisions of “International Accounting Standards – IAS 24” governing the definition of related parties, we herein report that the subject has been

thoroughly indicated in the section “Interaction with related parties” under the chapter “Other comments to the annual report 2016”.

18) The Officer responsible for the preparation of Corporate Financial Statements has issued the declaration pursuant to the guidelines of Article 154-bis, Legislative Decree n. 58/1998, referring to the statutory and consolidated financial statements of Ascopiave S.p.A., closing on 31st December 2016.

19) The Board of Statutory Auditors herein reports that Ap Reti Gas, Ascopiave Group company, involved in natural gas distribution and metering operations, has been operational since 1st July 2016.

Ascopiave S.p.A. has occupied the role of the holding for the Group for the share market, focusing its activities on the supply of services to the other companies of the Ascopiave Group.

The transfer of the gas distribution branch into Api Reti Gas S.p.A. has enabled the application of the provisions under AEEGSI 296/15/R/com (Article 17) governing the functional separation between distribution and sales of natural gas and power,

20) We are not aware of any other relevant facts or elements worthy of bringing to the attention of the Shareholders.

In virtue of the above, on the basis of the activities of checks and controls done during the course of the year, we envision no hurdles to the approval of the Financial Statements as at 31st December 2016, along with the proposal of the Board of Directors related to the distribution of dividends to the Shareholders.

Marcellino Bortolomiol, Chairman of the Board of Statutory Auditors

Elvira Alberti, Standing Auditor

Luca Biancolin, Standing Auditor

Pieve di Soligo – 31st March 2017

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Ascopiave SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ascopiave SpA and its subsidiaries ("Ascopiave Group"), which comprise the consolidated statement of financial position as of 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Ascopiave SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Ascopiave Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, which are the responsibility of the directors of Ascopiave SpA, with the consolidated financial statements of the Ascopiave Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Ascopiave Group as of 31 December 2016.

Treviso, 31 March 2017

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Ascopiave SpA

Report on the financial statements

We have audited the accompanying financial statements of Ascopiave SpA, which comprise the statement of financial position as of 31 December 2016, the statement of comprehensive income], statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of Ascopiave SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ascopiave SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Emphasis of matter

As described in the explanatory notes we highlight that, on 1 July 2016, Ascopiave SpA transferred the gas distribution business to its subsidiary AP Reti Gas SpA, thus implementing the provisions of the resolution AEEGSI 296/15 / R / com in the field of functional separation of natural gas and electricity distribution from corporate activities of the Group.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, which are the responsibility of the directors of Ascopiave SpA, with the financial statements of Ascopiave SpA as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Ascopiave SpA as of 31 December 2016.

Treviso, 31 March 2017

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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