



**Interim Report  
as of 31 March 2017**

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Annexes:

In-Company Control:

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

GENERAL INFORMATION

**Directors, Officers and Company information**

*Board of Directors and Board of Auditors*

Name	Office	Duration of office	From	To
Zugno Fulvio	Chairman of the Board of Directors and CEO*	2014-2017	24/04/2014	28/04/2017
Coin Dimitri	Independent Director	2014-2017	24/04/2014	28/04/2017
Pietrobon Greta	Independent Director	2014-2017	24/04/2014	28/04/2017
Paron Claudio	Independent Director	2014-2017	19/06/2014	28/04/2017
Quarello Enrico	Independent Director	2014-2017	24/04/2014	28/04/2017
Cecconato Nicola	Chairman of the Board of Directors and CEO*	2017-2019	28/04/2017	Approval of budget 2019
Coin Dimitri	Independent Director	2017-2019	28/04/2017	Approval of budget 2019
Martorelli Giorgio	Independent Director	2017-2019	28/04/2017	Approval of budget 2019
Lillo Antonella	Director	2017-2019	28/04/2017	Approval of budget 2019
Pietrobon Greta	Independent Director	2017-2019	28/04/2017	Approval of budget 2019
Quarello Enrico	Independent Director	2017-2019	28/04/2017	Approval of budget 2019

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

Name	Office	Duration of office	From	To
Bortolomio Marcellino	President of the Board of Auditors	2014-2017	24/04/2014	28/04/2017
Biancolin Luca	Statutory Auditor	2014-2017	24/04/2014	28/04/2017
Alberti Elvira	Statutory Auditor	2014-2017	24/04/2014	28/04/2017
Schiro Antonio	President of the Board of Auditors	2017-2019	28/04/2017	Approval of budget 2019
Biancolin Luca	Statutory Auditor	2017-2019	28/04/2017	Approval of budget 2019
Marcolin Roberta	Statutory Auditor	2017-2019	28/04/2017	Approval of budget 2019

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Coin Dimitri	29/04/2014	28/04/2017	Coin Dimitri	29/04/2014	28/04/2017
Quarello Enrico	29/04/2014	28/04/2017	Quarello Enrico	29/04/2014	28/04/2017
Paron Claudio	19/06/2014	28/04/2017	Paron Claudio	19/06/2014	28/04/2017
Quarello Enrico	09/05/2017	09/05/2017	Coin Dimitri	09/05/2017	09/05/2017
Martorelli Giorgio	09/05/2017	09/05/2017	Lillo Antonella	09/05/2017	09/05/2017
Pietrobon Greta	09/05/2017	09/05/2017	Quarello Enrico	09/05/2017	09/05/2017

*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](mailto:info@ascopiave.it)

*Investor relations*

Tel. +39 0438 980098

fax +39 0438 964779

e-mail: [investor.relations@ascopiave.it](mailto:investor.relations@ascopiave.it)

## Main economic and financial data of the Ascopiave Group

### Economic figures

(Thousands of Euro)	First Quarter 2017	% of revenues	First Quarter 2016	% of revenues
Revenues	199,503	100.0%	182,512	100.0%
Gross operative margin	36,625	18.4%	36,004	19.7%
Operating result	31,083	15.6%	30,304	16.6%
Net result for the period	26,030	13.0%	24,138	13.2%

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

### Capital data

(Thousands of Euro)	31.03.2017	31.12.2016	31.03.2016
Net working capital	47,961	63,905	36,472
Fixed assets and other non current assets	524,924	522,574	528,620
Non-current liabilities (excluding loans)	(47,957)	(48,151)	(49,996)
<b>Net invested capital</b>	<b>524,928</b>	<b>538,328</b>	<b>515,097</b>
Net financial position	(55,735)	(94,119)	(70,635)
Total Net equity	(469,193)	(444,209)	(444,461)
<b>Total financing sources</b>	<b>(524,928)</b>	<b>(538,328)</b>	<b>(515,097)</b>

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)	Restated	
	First Quarter 2017	First Quarter 2016
<b>Net income of the Group</b>	24,541	22,651
Cash flows generated (used) by operating activities	42,754	47,119
Cash flows generated/(used) by investments	(4,370)	(4,113)
Cash flows generated (used) by financial activities	1,891	(43,484)
<b>Variations in cash</b>	<b>40,275</b>	<b>(478)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,822</b>	<b>28,301</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>49,097</b>	<b>27,823</b>

First quarter of 2016 has been reclassified to make it comparable to first quarter of 2017 to ensure consistency in the financial report of statement as of 31 December 2016. This reclassification refers to paid interests for Euro 60 thousand that have been reclassified from financing activity flow to the operating activity flow.

## **REPORT ON MANAGEMENT**

### ***FOREWORD***

The Ascopiave Group closed the first quarter of 2017 with a net consolidated profit of Euro 26.0 million (Euro 24.1 million as of 31 March 2016), with an increase of Euro 1.9 million, +7.85% compared to the previous year.

The consolidated net assets as of 31 March 2017 amount to Euro 469.2 million, (Euro 444.2 million as of 31 March 2016) and the net capital invested to 524.9 million (538.3 million as of 31 March 2016).

During the first quarter of 2017, the Group accomplished investments for Euro 4.4 million (Euro 4.1 million as of 31 March 2016), mainly in installation of electronic meters as well as in development, maintenance and upgrading of the gas distribution networks and plants.

### ***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 March 2016) and has a distribution network extending for over 8,385 km<sup>1</sup> (over 8,380 km as of 31 March 2016), 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 447 million cu.m<sup>1</sup> of gas sold in the first quarter of 2017 (414 million cu.m<sup>1</sup> as of 31 March 2016).

### ***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,

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<sup>1</sup> 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 the first quarter of 2017 amount to 447.7 million cubic meters, marking an increase of 8.2% compared to the previous year.<sup>2</sup>,

The volumes of electrical energy sold were 115.4 GWh, marking an increase of 17.8% compared to the previous year.

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 388.5 million cu.m., marking an increase of 4.2% as compared to the same period of the previous year. The distribution network as of 31 March 2017 has an extension of 8,387 km (8,330 km as of 31 March 2016).

### ***Economic results and financial situation***

Consolidated revenues in the first quarter of 2017 of the Ascopiave Group are to the tune of Euro 199.5 million, compared to Euro 182.5 million of the previous year. The surge in the turnover is mainly due to the increase in the revenues on natural gas sale (Euro -13.3 million), due to higher volumes sold and a decrease in sale prices.

The Operating Result of the Group amounts to Euro 31.1 million, marking an increase compared to Euro 30.3 million in the first quarter of 2016. The increase in the Operating Result is mainly connected to improved operating result, which more than offset decreased marginality from sales of gas and electricity.

The Net Result, equalling Euro 26.0 million, marks an increase compared to Euro 1.9 million of first quarter of 2016, due to an improvement in the operating result and decreased fiscal impact of revenue taxes.

The Net Financial Position of the Group as of 31 March 2017 is equal to Euro 55.7 million, with an increase of Euro 38.4 million as compared to Euro 94.1million as of 31 March 2016.

The reduction in financial indebtedness is determined by the cash flow of the year (Euro +31.6 million, resulting from the sum of net result, provisions and amortisations) and management of circulating capital, which generated financial resources for Euro 11.2 million. The investment activity absorbed financial resources for Euro 4.4 million.

The ratio between Net financial position and Net equity as of 31 March 2017 is equal to 0.12 (0.16 as of 31 March 2016).

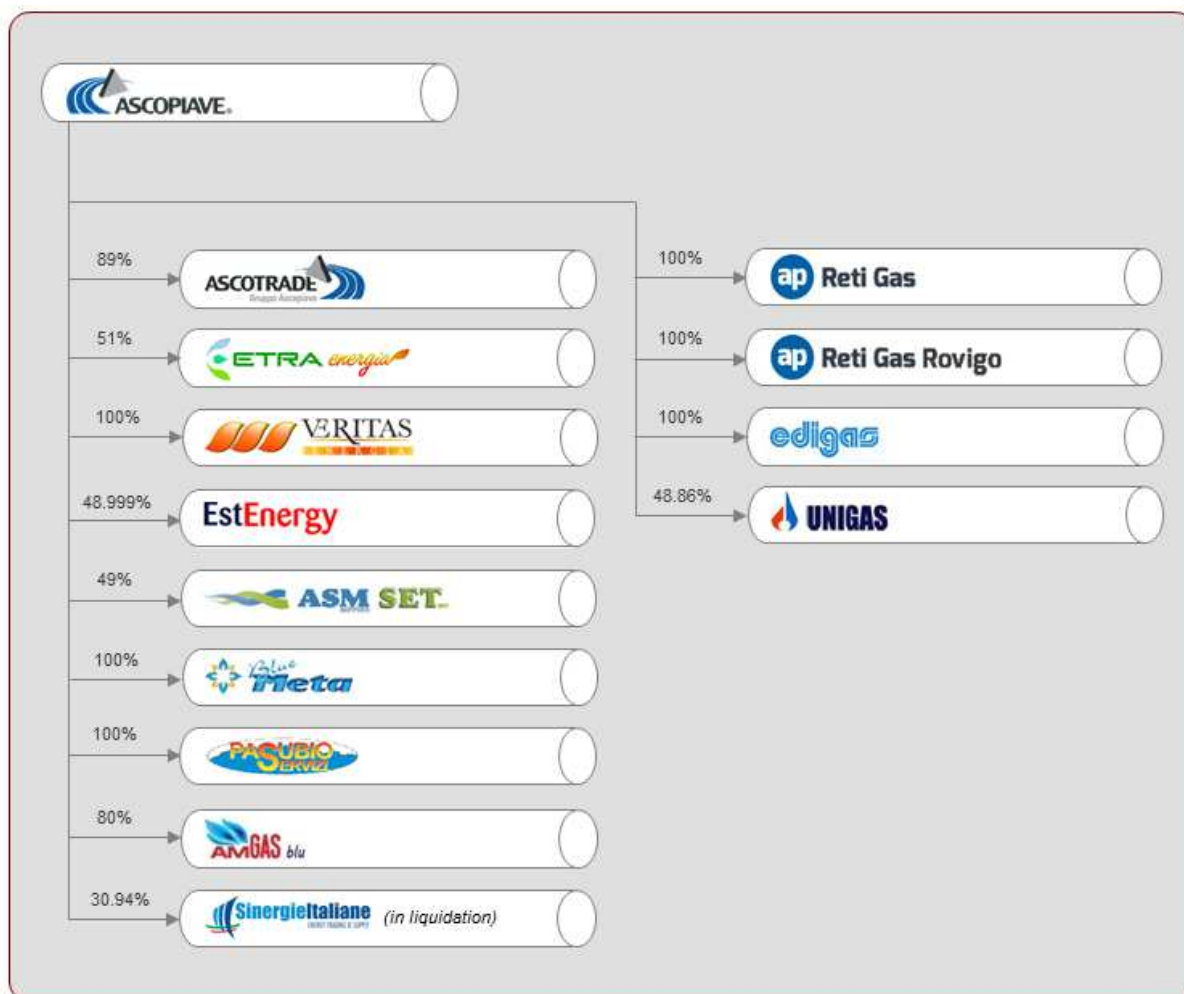
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<sup>2</sup> Provided data regarding length of distribution networks and volumes of sold gas and electricity have been calculated by adding the data of each company of the Group, weighting in advance the data of consolidated companies with the equity method for their share interest in the Group.



## The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31 March 2017.



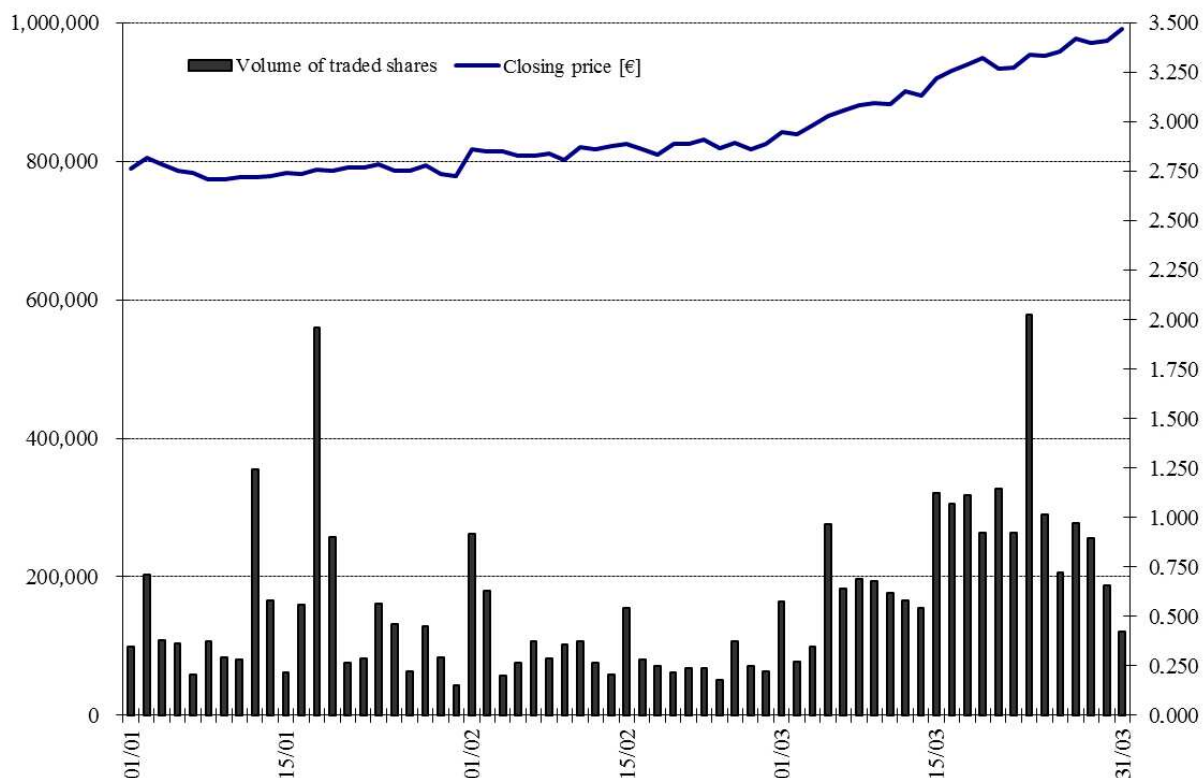
### Ascopiave S.p.A. share trend on the Stock Exchange

As of 31 March 2017, the Ascopiave share has registered a quotation of Euro 3.470 per share, marking an increase of 25.5 percentage points as compared to the listing at the beginning of 2017 (Euro 2.766 per share, referred to the quotation of 2 January 2017).

Capitalization of the Stock Exchange as 31 March 2017 was equal to Euro 805.47 million <sup>3</sup>(Euro 638.10 million on 30 December 2016).

<sup>3</sup>

The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30 December 2015 amounted to Euro 12.4 billion. Borsa Italiana website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).



During the first quarter of 2017, the quotation of the shares shows a positive performance (+25.5%), higher than the trend of the main national indexes: FTSE Italia Star: +5.5%; FTSE Italia Star: +19.6%; FTSE Italia All-Share: +6.0%.

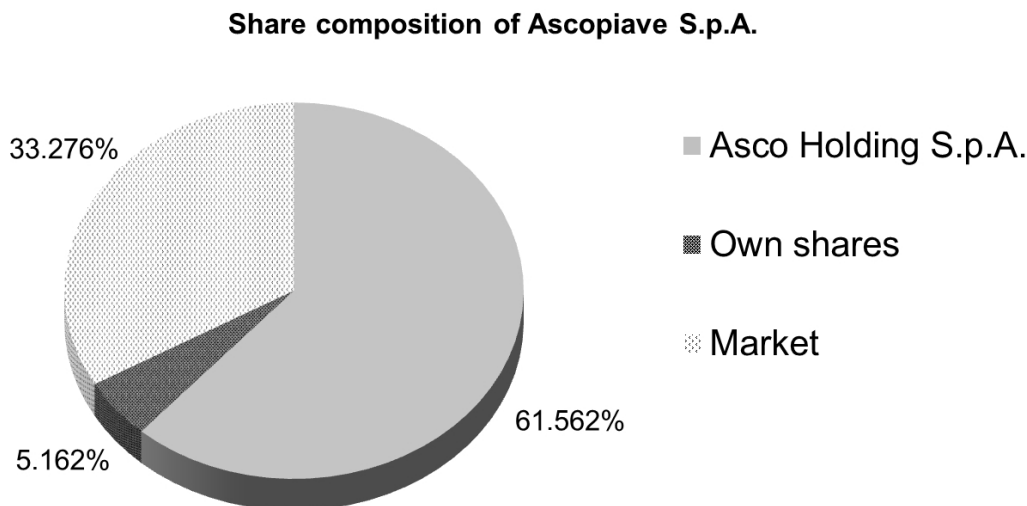
In the following table, we report the main shares and stock-exchange data as of 31 March 2017:

Shares and stock-exchange data	31.03.2017	31.03.2016
Earnings per share (Euro)	0.11	0.10
Net equity per share (Euro)	1.97	1.87
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.470	2.292
Max. annual price (Euro)	3.470	2.298
Min. annual price (Euro)	2.710	2.010
Stock-exchange capitalisation (Millions of Euro)	805.47	532.66
Number of shares in circulation	222,310,702	222,310,702
No. of shares in the share capital	234,411,575	234,411,575
No. of own shares in portfolio	12,100,873	12,100,873

## Control of the Company

As of 31 March 2017, 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. (number of shares held by Shareholders over total share number of Share Capital), 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 first quarter of 2017 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 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](http://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.

It is noted 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 receive	Trade payables	Other payable	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	11	5,162		15,007	0		7,271	0	11	236
<b>Total parent company</b>	<b>11</b>	<b>5,162</b>	<b>0</b>	<b>15,007</b>	<b>0</b>	<b>0</b>	<b>7,271</b>	<b>0</b>	<b>11</b>	<b>236</b>
<i>Affiliated companies</i>										
Asco TLC S.p.A.	78	0	0		0	140	0	0	33	90
Seven Center S.r.l.	11	0	35	0	0	66	0	0	11	0
<b>Total affiliated companies</b>	<b>89</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>206</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>90</b>
<i>Subsidiary companies</i>										
Estenergy S.p.A.	52	0	75	0	0		0	0	0	0
ASM SET S.r.l.	1,317	21	55	1,574	0	58	2	2,336	130	24
Unigas Distribuzione S.r.l.	51	0	3,310	0	0	4,188	0	44	21	0
Sinergie Italiane S.r.l. in liquidation	17	8,193	0	0	16,885	16	0	0	17	0
<b>Total subsidiary companies</b>	<b>1,437</b>	<b>8,214</b>	<b>3,440</b>	<b>1,574</b>	<b>16,885</b>	<b>4,262</b>	<b>2</b>	<b>2,379</b>	<b>168</b>	<b>24</b>
<b>Total</b>	<b>1,537</b>	<b>13,377</b>	<b>3,475</b>	<b>16,582</b>	<b>16,885</b>	<b>4,468</b>	<b>7,273</b>	<b>2,379</b>	<b>223</b>	<b>351</b>

### Significant events during first quarter of 2017

#### First degree sentence regarding litigation on DM 22.05.2014 (Guidelines for benchmarks and application procedures for the assessment of the reimbursement value of natural gas distribution networks)

The company, together with other co-plaintiffs, on 16 January 2017 filed an appeal to the Council of State. Currently said appeal is pending scheduling.

#### Aeb-Gelsia Group and Ascopiave sign a letter of intent for the development of a future industrial merger operation.

On 31 January 2017, as part of the possible industrial aggregation development envisaged in the letter of intent signed by Aeb-Gelsia Group and Ascopiave on 12 July 2016, the Parties opted to extend the deadline for the exclusive negotiation period up to 30 April 2017.

### Energy 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 first quarter of 2017 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 the first quarter of 2017 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 the first quarter of 2017, the company has a 22,737 TEE obligation, to which the residual balance of 2014 must be added, due for 31 May 2017.

With Decree dated 11 January 2017 published in the Official Gazette no. 78 dated 3 April 2017, the Ministry of Economic Development determined the new guidelines and the new national goals for energy saving, which must be pursued by all gas and electricity distribution companies for the years 2017 2020. At publishing date of this intermediate report, the objectives of each company working in this sector have yet to be determined.

**Subscription, with the Municipalities involved, of an arrangement for the adoption of a shared procedure aimed at the agreed quantification of the “Residual Industrial Value” of 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 benchmarks 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 deal, which implied hiring a renowned independent competent professional for him to determine the fundamental benchmarks 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 29 August 2011.

The expert has written a report on the “Fundamental benchmarks 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 2 Dec. 2011 by the Ascopiave Board of Directors and then by all 92 Local Bodies through City Council Resolutions.

In 2013, Ascopiave submitted the state of consistency and the appreciation of the plants determined applying the benchmarks 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 March 2016) 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.

Specifically

- 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 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 – Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31 December 2014, by applying the valuation benchmarks 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.

The Authority formalised certain observations (which have been forwarded to the tender stations) on which AP Reti Gas responded (or shall respond) with its own “counter-deductions”.

## **Litigations**

### **LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW**

As of 31 March 2017, the following are pending:

#### **MUNICIPALITY OF COSTABISSARA:**

An arbitration is pending before the Court of Appeal of Venice filed by Costabissara. 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 3,473,088.81, in addition to the interests at the date of filing the Award

### **LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS**

As of 31 March 2017, the following are pending:

**MUNICIPALITY OF CREAZZO:**

An Arbitration is pending 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 Company would prefer to reach a negotiation agreement.

Regarding this, on 1 March 2017, the technicians charged with the shared estimate of the value of the plants proposed an all-inclusive value of Euro 1,677,602.20 (in instalments for the following 12 years). Ascopiave awaits the decision of the Municipality.

**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).

On 2 April 2017, following filing of the Statements of Defence and their counter-argument, the last oral hearing has been held.

The Company awaits the final awarding, which should be due in early July this year.

**ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS**

As of 31 March 2017, the following litigations are pending:

**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.

Ascopiave filed an appeal against Ministerial Decree no. 106 dated 20th May 2015 as well, with “additional grounds” with respect to the main appeal for the Ministerial Decree 226/2011.

It is worth reminding that in the same trial there are grounds for nullity for constitutional and EU law breaches regarding Laws 9 and 116 of 2014, in the part where they modify Art. 15 paragraph 5 of Legislative Decree 164/2000 (private contributions and time limitations on duration of agreements).

**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). 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.

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 18 January 2016 Ascopiave appealed to this Sentence.

It is noted that the symmetrical regulation shall apply exclusively for the duration of the first concession.

#### 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. On 3 February 2017, the Council of State hearing took place. During the hearing, the Council sustained the supervision order 644/2016 of Administrative Court of Veneto, thus rejecting the appeal by 2i Rete Gas S.p.A. for the suspension of application of the tender document pending decision on the main appeal to the Administrative Court of Veneto (currently this proceeding has not been scheduled yet).

As a result, on 3 April 2017 Ascopiave stipulated a sale agreement to purchase the share interest of Pasubio Group, becoming its sole shareholder.

#### CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 31 March 2017, 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) 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.

The Expert Witness quantified the damage incurred by Ascopiave to Euro 120 thousand.

Following this technical report, on 29 March 2016, a negotiation attempt took place. Here the company requested, in addition to the amount estimated by the Expert Witness, the reimbursement of the legal fees for the proceeding. The attempt failed because no agreement was reached on the division of the due amount among the debtors.

On 10th 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 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 17 October 2016.

During the 10<sup>th</sup> 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.

In mid-March 2017, following a first visit of the Witness Board, Faj Components was declared bankrupt, which resulted in the interruption of the proceeding.

The Company awaits the decision of the Bankruptcy Liquidator.

#### 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 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.

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 March 2017, 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 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 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 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)

Companies involved in the litigation are: Amgas Blu, Ascopiave, Ascotrade, Ap Reti Gas Rovigo unipersonale (sole proprietorship), Asm set, Blue Meta, Ediga esercizio distribuzione gas unipersonale (sole proprietorship), Pasubio Servizi, Unigas Distribuzione, Veritas Energia unipersonale (sole proprietorship).

Since 2008, these companies were 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 appeals of Pasubio Servizi and Unigas Distribuzione have been discussed in court. Some hearings have already been scheduled while others are still pending. Regarding Unigas Distribuzione, on 4 April 2017 the Tax Court of Bergamo rejected the appeal presented by part of the company.

During 2017 the company was audited by the Tax Authority of Treviso for the year 2014 for the Ires, Irap and VAT taxes. Auditing activities concluded on 6 April 2017 with an auditing report that highlighted discrepancies regarding Ires and Irap for 2014 in generic deductible costs for Euro 263 thousand. Currently the company is weighting the possibility of a voluntary amnesty before the full sentence is issued.

### **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 19 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 18 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 21 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 23 May 2000 (the so-called Workforce Protection Decree);
- 3) with the Decree issued by the Ministry for Economic Development on 12 November 2011, the regulations concerning the benchmarks 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 Benchmarks).

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 benchmarks and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21 June 2013, no. 69, converted, with amendments, by Law dated 9 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 21 June 2013, no. 69, converted, with amendments, by Law dated 9 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 12 November 2011, no. 226 (so-called “Decree for Benchmarks”), 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 6 June 2014 the Decree of the Minister of Economic Development dated 22 May 2014 was published in the Official Gazette, which approved the “Guidelines for benchmarks 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 benchmarks and application procedures for the assessment of the reimbursement value of natural gas distribution networks” define the benchmarks to be applied to the valuation of reimbursement of facilities 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 12 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 21 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 27 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 23 December 2013, no. 145, converted with amendments by Law dated 21 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 11 August 2014 (converted with amendments to law decree 24 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 20<sup>th</sup> and 29 May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1 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 12 November 2011 no. 226, that is to say before 12 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 14 July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20<sup>th</sup> May 2015 was published in the Official Gazette, amending the decree dated 12 November 2011 no. 226 regarding the tender benchmarks 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 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 benchmarks 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 2017, the Shareholders' Meeting approved the yearly statement and decided the distribution of dividends for an amount equal to Euro 0.18 per share with dividend date on 8 May 2017, record date on 9 May 2017 and payment on 10 May 2017.

### **Own shares**

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31 March 2017, the value of own shares held by the company is equal to Euro 17,521 thousand (Euro 17,521 thousand as of 31 March 2016), as can be seen in the Net Equity variations.

### **Outlook for the period under scrutiny**

As far as the gas distribution activities are concerned, in 2017 the Group will continue its normal operations, 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 activity perimeter of the Group is not expected to change compared to current situation, net of the aggregation of Pasubio Group S.p.A. (called AP Reti Gas Vicenza S.p.A as of 28 April 2017).

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.

Regarding the obligations of energetic efficiency, we signal the continuation of a high volatility in prices of energetic efficiency certificates. These fluctuations make forecasts of possible economic repercussions during the year particularly difficult.

Regarding gas sale, forecasting normal weather conditions we can expect a reduction in trade margins compared to 2016, due to a decrease in AEEGSI tariff regulations caused by competitive pressure in retail market (modulation of gradual component).

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 2017 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 5.0% (7.1% as of 31 March 2016) 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 March 2017 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 March 2017, the Ascopiave Group holds a portfolio of 208 (208 as of 31 December 2016) 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 19 January 2011 and 18 October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender benchmarks and bid assessment standards, issued on 12 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 benchmarks and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21 June 2013, no. 69, converted, with amendments, by Law dated 9 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 12 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 benchmarks 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 Q1 2017, the regulatory framework is unchanged as compared to the scenario described in section “Assessment benchmarks” of the yearly financial statements as of 31 December 2017. 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 9 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 procedures 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 arrangements, 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.

### **Additional information**

#### **Seasonal nature of the activity**

Gas consumption varies considerably on a seasonal basis, with a higher demand during winter, in relation to higher consumption for heating. Such seasonal nature influences the rise in gas sales and supply costs, while other management costs are fixed and evenly supported by the Group during the year. The seasonal nature of the activity also affects the performance of the Group's net financial position, as the active and passive billing cycles are not aligned with each other and 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.

### *Performance Indicators*

According to Consob communication DEM 6064293 dated 28 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. , 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 first quarter 2017

### General operational performance and indicators

<b>NATURAL GAS DISTRIBUTION</b>	<b>1<sup>st</sup> Quarter 2017</b>	<b>1<sup>st</sup> Quarter 2016</b>	<b>Var.</b>	<b>Var. %</b>
<b>Companies consolidated with full consolidation method</b>				
Number of concessions	176	176	0	0.0%
Length of distribution network (km)	7,848	7,792	57	0.7%
Volumes of gas distributed (cm/mln)	353.7	339.4	14.3	4.2%
<b>Companies consolidated with net equity consolidation method</b>				
Number of concessions	32	32	1	0.0%
Length of distribution network (km)	1,103	1,102	1	0.1%
Volumes of gas distributed (cm/mln)	71.3	68.5	2.8	4.1%
<b>Ascopiave Group*</b>				
Number of concessions	192	192	0	0.0%
Length of distribution network (km)	8,387	8,330	57	0.7%
Volumes of gas distributed (cm/mln)	338.5	372.8	16	4.2%

\* The data have been obtained by summing the data relating to consolidated companies, considering their consolidation quota.

<b>NATURAL GAS SALES TO FINAL MARKET</b>	<b>1<sup>st</sup> Quarter 2017</b>	<b>1<sup>st</sup> Quarter 2016</b>	<b>Var.</b>	<b>Var. %</b>
<b>Companies consolidated with full consolidation method</b>				
Volumes of gas sold (cm/mln)	380.2	349.1	31.2	8.9%
<b>Companies consolidated with net equity consolidation method</b>				
Volumes of gas sold (cm/mln)	137.6	131.8	5.9	4.4%
<b>Ascopiave Group*</b>				
Volumes of gas sold (cm/mln)	447.7	413.6	34.1	8.2%

\* The data have been obtained by summing the data relating to consolidated companies, considering their consolidation quota.

<b>SALE OF ELECTRIC POWER</b>	<b>1<sup>st</sup> Quarter 2017</b>	<b>1<sup>st</sup> Quarter 2016</b>	<b>Var.</b>	<b>Var. %</b>
<b>Companies consolidated with full consolidation method</b>				
Volumes of electric power sold (GWh)	101.1	84.1	17.0	20.2%
<b>Companies consolidated with net equity consolidation method</b>				
Volumes of electric power sold (GWh)	29.1	28.2	0.8	3.0%
<b>Ascopiave Group*</b>				
Volumes of electric power sold (GWh)	115.4	98.0	17.4	17.8%

\* The data have been obtained by summing the data relating to consolidated companies, considering their consolidation quota.

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

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

As far as the activity of gas distribution is concerned, in the first quarter of 2017 the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 353.7 million cubic meters, marking an increase of 4.2% compared to the same period of the previous year.

The company Unigas Distribuzione S.r.l., consolidated through the equity method, has distributed 71.3 million cubic meters, marking an increase of 4.1% as compared to the same period of the previous year.

In the first quarter of 2017, the volume of gas sold by the 100% consolidated companies amounted to 380.2 million cubic meters, marking an increase of 8.9% compared to the previous year. In the first quarter of 2017, the companies

consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 137.6 million cubic meters (+4.4% compared to the previous year).

In the first quarter of 2017, the volume of electricity sold by the fully consolidated companies is equal to 101.1 GWh, marking an increase of 20.2% compared to the previous year. During the period, companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 29.1 GWh of electrical energy (+3.0% compared to the previous year).

## General operational performance - Group's economic results

(Thousands of Euro)	First Quarter 2017	% of revenues	First Quarter 2016	% of revenues
Revenues	199,503	100.0%	182,512	100.0%
Total operating costs	162,878	81.6%	146,508	80.3%
<b>Gross operative margin</b>	<b>36,625</b>	<b>18.4%</b>	<b>36,004</b>	<b>19.7%</b>
Amortization and depreciation	5,063	2.5%	5,084	2.8%
Provision for risks on credits	478	0.2%	616	0.3%
<b>Operating result</b>	<b>31,083</b>	<b>15.6%</b>	<b>30,304</b>	<b>16.6%</b>
Financial income	52	0.0%	126	0.1%
Financial charges	115	0.1%	237	0.1%
Evaluation of subsidiary companies with the net equity method	3,713	1.9%	3,587	2.0%
<b>Earnings before tax</b>	<b>34,733</b>	<b>17.4%</b>	<b>33,780</b>	<b>18.5%</b>
Taxes for the period	8,703	4.4%	9,642	5.3%
<b>Net result for the period</b>	<b>26,030</b>	<b>13.0%</b>	<b>24,138</b>	<b>13.2%</b>
Group's Net Result	24,541	12.3%	22,651	12.4%
Third parties Net Result	1,489	0.7%	1,487	0.8%

To comply with Consob communication no. DEM/6064293 dated 28 July 2006, we specify that alternative Performance indicators have been defined in the paragraph “*Performance indicators*” herein.

During the first quarter of 2017, the Group incomes amount to Euro 199.503 thousand, with an increase of 9.3% compared to the previous year. The following table reports the details of income.

(Thousands of Euro)	First Quarter 2017	First Quarter 2016
Revenues from gas transportation	12,756	12,425
Revenues from gas sale	161,646	148,358
Revenues from electricity sale	15,083	15,446
Revenues from connections	35	29
Revenues from heat supply	32	37
Revenues from distribution services	914	1,483
Revenues from services supplied to Group companies	352	310
Revenues from AEEGSI contributions	6,340	3,052
Other revenues	2,345	1,373
<b>Revenues</b>	<b>199,503</b>	<b>182,512</b>

**Revenues from gas sale** increase from Euro 148,358 thousand to Euro 161,646 thousand, thus recording an increase of Euro 13,287 thousand (-9.0%). This increase is mainly due to a surge in sold gas volumes.

**Revenues from electricity sales** decreased from Euro 15,446 thousand to Euro 15,083 thousand, marking a decrease of Euro 363 thousand (-2.4%), mainly due to decreased marginality per unit.

**The operating result** in the first quarter of 2017 amounts to Euro 31,083 thousand, thus recording an increase of Euro 778 thousand (+2.6%) compared to the previous year.

The improvement is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 134 thousand;
- decrease in the first margin on the activity of gas sales, equal to Euro 1,534 thousand;
- decrease in the first margin on the activity of electricity sale, equal to Euro 116 thousand;

- positive variation other items of cost and revenues, equal to Euro 2,294 thousand.

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 14,843 thousand to Euro 14,977 thousand) is due to investments in the application of tariff regulation for the 2014 – 2019 period (so-called fourth regulatory period) pursuant to AEEGSI Decision 367/2014/R/gas.

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 32,393 thousand to Euro 30,859 thousand is due to lower unit margins despite the higher amounts of electricity sold.

The positive variation in the item **other costs and revenues**, amounting to Euro 2,294 thousand, is mainly due to:

- higher other revenues for Euro 3,736 thousand;
- higher material and service costs and other charges equalling Euro 1,314 thousand;
- higher personnel cost for Euro 287 thousand;
- lower amortization of fixed assets for Euro 21 thousand;
- lower bad debts provisions for Euro 137 thousand.

**The net consolidated profit** in the first quarter of 2017 amounts to Euro 26,030 thousand, thus recording an increase of Euro 1,892 thousand (+7.8%) compared to the previous year.

The variation is due to the following factors:

- an increase in the operating result, as previously stated, for Euro 778 thousand;
- higher result of companies consolidated through the equity method for Euro 127 thousand;
- decrease in financial revenues for Euro 74 thousand;
- decrease in financial charges for Euro 122 thousand;
- decrease in taxes for Euro 939 thousand, due to decreased IRES rates for the year 2017, which decreased taxation from 27.5% to 24%, irrespectively of the increased taxable revenue for the period under scrutiny.

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 31.9% to 28.1%.

## **General operational performance – Financial situation**

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

(Thousands of Euro)	31.03.2017	31.12.2016	31.03.2016
A Cash and cash equivalents on hand	14,784	19	14
B Bank and post office deposits	34,313	8,803	27,809
<b>D Liquid assets (A) + (B) + (C)</b>	<b>49,097</b>	<b>8,822</b>	<b>27,823</b>
E Current financial assets	1	0	659
F Payables due to banks	(60,672)	(55,110)	(46,322)
G Current portion of medium-long-term loans	(9,912)	(9,287)	(9,628)
H Current financial liabilities	(1,786)	(3,645)	(721)
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(72,369)</b>	<b>(68,042)</b>	<b>(56,671)</b>
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(23,272)</b>	<b>(59,220)</b>	<b>(28,189)</b>
K Medium- and long-term bank loans	(32,130)	(34,541)	(42,042)
M Non-current financial liabilities	(333)	(357)	(404)
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(32,463)</b>	<b>(34,899)</b>	<b>(42,447)</b>
<b>O Net financial indebtedness (J) + (N)</b>	<b>(55,735)</b>	<b>(94,119)</b>	<b>(70,635)</b>

Pursuant to CONSOB resolution no. 15519 dated 27 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.

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:

Net financial indebtedness decreases from Euro 94,119 thousand of 31 December 2016 to Euro 55,735 thousand as of 31 March 2017, marking an improvement of Euro 38,384 thousand.

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

(Thousands of Euro)	31.03.2017	31.03.2016
Group's net income	26,030	24,138
Amortizations	5,063	5,084
Bad debt provisions	478	616
<b>(a) Auto-financing</b>	<b>31,572</b>	<b>29,838</b>
<b>(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:</b>	<b>11,182</b>	<b>17,677</b>
<b>(c) Variation in financial position generated by operating activities = (a) + (b)</b>	<b>42,754</b>	<b>47,514</b>
<b>(d) Variation in financial position generated by investments</b>	<b>(4,370)</b>	<b>(4,113)</b>
<b>(e) Other variation in financial position</b>	<b>0</b>	<b>0</b>
<b>Net variation in financial position = (c) + (d) + (e)</b>	<b>38,384</b>	<b>43,401</b>

The cash flow generated by the operating management (letters a + b), equal to Euro 42,754 thousand, was mainly due to self-financing for Euro 31,572 thousand and other financial negative variations amounting to Euro 11,182 thousand, mainly related to the management of the net circulating capital for Euro 14,895 thousand and to the assessment of companies consolidated through the equity method for Euro -3,713 thousand.

Management of net circulating capital has generated financial resources amounting to Euro 14,895 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 25,412 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 26,218 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 11,718 thousand, and the variation in the net operating capital, which has absorbed financial resources for Euro 55,690 thousand.

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

(Thousands of Euro)	31.03.2017	31.03.2016
Inventories	2,031	65
Trade receivables and payables	(56,780)	(56,097)
Operating receivables and payables	(942)	7,340
Severance pay fund and other found	54	43
Current taxes	8,703	7,955
Tax receivables and payables	61,828	61,957
<b>Change in net working capital</b>	<b>14,895</b>	<b>21,262</b>

Investment activities have generated a cash requirement of Euro 4,370 thousand.

### General operational performance - Investments

During first quarter of 2017, the Group made investment for an amount of Euro 4,370 thousand.

The costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 3,982 thousand, relate to the creation of connections for Euro 1,042 thousand, the implementation and maintenance of the network and natural gas distribution systems for Euro 881 thousand and the installation/replacement of meters and the installation of correctors for Euro 2,059 thousand.

INVESTMENTS (thousands of Euro)	1Q 2017	1Q 2016
Connecting a gas users	1,042	1,129
Expansions, reclamations and network upgrades	492	1,044
Flowmeters	2,059	1,049
Maintenance	389	169
<b>Raw material (gas) investments</b>	<b>3,982</b>	<b>3,391</b>
Land and buildings	282	348
Industrial and commercial equipment	10	3
Furniture	1	1
Vehicles	30	219
Hardware e Software	34	14
Other assets	31	138
<b>Other investments</b>	<b>389</b>	<b>723</b>
<b>Investments</b>	<b>4,370</b>	<b>4,113</b>

## **Ascopiave Group**

Prospects of the consolidated financial statements  
as of 31 March 2017

**Consolidated assets and liabilities statement**

(Thousands of Euro)		31.03.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	316,412	316,905
Tangible assets	(3)	32,163	32,364
Shareholdings	(4)	72,150	68,738
Other non-current assets	(5)	13,569	13,566
Non-current assets from derivative financial instruments	(6)	17	485
Advance tax receivables	(7)	9,853	9,758
<b>Non-current assets</b>		<b>524,924</b>	<b>522,574</b>
<b>Current assets</b>			
Inventories	(8)	2,280	4,311
Trade receivables	(9)	204,938	148,079
Other current assets	(10)	52,531	47,207
Current financial assets	(11)	1	0
Tax receivables	(12)	1,007	1,007
Cash and cash equivalents	(13)	49,097	8,822
Current assets from derivative financial instruments	(14)	790	1,304
<b>Current assets</b>		<b>310,642</b>	<b>210,730</b>
<b>ASSETS</b>		<b>835,566</b>	<b>733,304</b>
<b>Net equity and liabilities</b>			
<b>Total Net equity</b>			
Share capital		234,412	234,412
Own shares		(17,521)	(17,521)
Reserves and result for the period		244,776	221,164
<b>Net equity of the Group</b>		<b>461,666</b>	<b>438,055</b>
<b>Net equity of Others</b>		<b>7,527</b>	<b>6,154</b>
<b>Total Net equity</b>	(15)	<b>469,193</b>	<b>444,209</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(16)	6,687	6,992
Severance indemnity	(17)	4,136	4,077
Medium- and long-term bank loans	(18)	32,130	34,541
Other non-current liabilities	(19)	20,583	20,267
Non-current financial liabilities	(20)	333	357
Deferred tax payables	(21)	16,551	16,814
<b>Non-current liabilities</b>		<b>80,420</b>	<b>83,050</b>
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(22)	70,584	64,397
Trade payables	(23)	103,609	103,052
Tax payables	(24)	2,984	1,231
Other current liabilities	(25)	106,934	33,691
Current financial liabilities	(26)	1,786	3,645
Current liabilities from derivative financial instruments	(27)	57	29
<b>Current liabilities</b>		<b>285,953</b>	<b>206,045</b>
<b>Liabilities</b>		<b>366,373</b>	<b>289,095</b>
<b>Net equity and liabilities</b>		<b>835,566</b>	<b>733,304</b>

Pursuant to CONSOB resolution no. 15519 dated 27 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)		First Quarter 2017	First Quarter 2016
<b>Revenues</b>	(28)	<b>199,503</b>	<b>182,512</b>
<b>Total operating costs</b>		<b>163,357</b>	<b>147,123</b>
Purchase costs for raw material (gas)	(29)	107,908	97,143
Purchase costs for other raw materials	(30)	5,553	5,034
Costs for services	(31)	37,865	34,263
Costs for personnel	(32)	5,958	5,672
Other management costs	(33)	6,122	5,032
Other income	(34)	50	21
Amortization and depreciation	(35)	5,063	5,084
<b>Operating result</b>		<b>31,083</b>	<b>30,304</b>
Financial income	(36)	52	126
Financial charges	(36)	115	237
Evaluation of subsidiary companies with the net equity method	(36)	3,713	3,587
<b>Earnings before tax</b>		<b>34,733</b>	<b>33,780</b>
Taxes for the period	(37)	8,703	9,642
<b>Result for the period</b>		<b>26,030</b>	<b>24,138</b>
Group's Net Result		24,541	22,651
Third parties Net Result		1,489	1,487
<b>Consolidated statement of comprehensive income</b>			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(1,046)	187
<b>Total comprehensive income</b>		<b>24,984</b>	<b>24,325</b>
Group's overall net result		23,611	22,818
Third parties' overall net result		1,373	1,507
Base income per share		0.110	0.102
Diluted net income per share		0.110	0.102

Pursuant to CONSOB resolution no. 15519 dated 27 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
<b>Balance as of 1<sup>st</sup> January 2017</b>	234,412	46,882	(17,522)	(108)	120,757	53,635	438,055	6,155	444,209
Result for the period						24,541	24,541	1,489	26,030
Other operations					(930)		(930)	(116)	(1,046)
<b>Total result of overall income statement</b>				0	(930)	24,541	23,611	1,373	24,984
Allocation of 2016 result					53,635	(53,635)	0		0
<b>Balance as of 31<sup>st</sup> March 2017</b>	234,412	46,882	(17,522)	(108)	173,461	24,541	461,666	7,527	469,193

(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
<b>Balance as of 1<sup>st</sup> January 2016</b>	234,412	46,882	(17,522)	(99)	108,578	43,014	415,264	4,873	420,137
Result for the period						22,651	22,651	1,487	24,138
Other operations					167		167	21	187
<b>Total result of overall income statement</b>				0	167	22,651	22,818	1,507	24,325
Allocation of 2015 result					43,014	(43,014)	0		0
<b>Balance as of 31<sup>st</sup> March 2016</b>	234,412	46,882	(17,522)	(99)	151,758	22,651	438,081	6,380	444,461

**Consolidated financial statements**

	Restated	
	First Quarter 2017	First Quarter 2016
(thousands of Euro)		
<b>Net income of the Group</b>	<b>24,541</b>	<b>22,651</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>		
Third-parties operating result	1,489	1,487
Amortization	5,063	5,084
Bad debt provisions	478	616
Variations in severance indemnity	59	43
Current assets / liabilities on financial instruments	1,009	(62)
Net variation of other funds	(4)	0
Evaluation of subsidiaries with the net equity method	(3,713)	(3,587)
Losses / (gains) on disposal of fixed assets	0	(396)
Interests paid	(146)	(297)
Interest expense for the year	112	237
Taxes for the year	8,703	7,955
<b>Variations in assets and liabilities</b>		
Inventories	2,031	65
Accounts payable	(57,337)	(42,495)
Other current assets	(5,324)	16,031
Trade payables	557	(13,603)
Other current liabilities	64,923	52,113
Other non-current assets	(3)	546
Other non-current liabilities	316	729
<b>Total adjustments and variations</b>	<b>18,212</b>	<b>24,468</b>
<b>Cash flows generated (used) by operating activities</b>	<b>42,754</b>	<b>47,119</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(3,980)	(3,606)
Investments in tangible assets	(390)	(507)
<b>Cash flows generated/(used) by investments</b>	<b>(4,370)</b>	<b>(4,113)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financiers	(24)	(2,460)
Net changes in short-term bank borrowings	16,275	(31,202)
Net variation in current financial assets and liabilities	(1,860)	2,678
Ignitions loans and mortgages	16,000	16,000
Redemptions loans and mortgages	(28,500)	(28,500)
<b>Cash flows generated (used) by financial activities</b>	<b>1,891</b>	<b>(43,484)</b>
<b>Variations in cash</b>	<b>40,275</b>	<b>(478)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,822</b>	<b>28,301</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>49,097</b>	<b>27,823</b>

Pursuant to CONSOB resolution no. 15519 dated 27 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.

First quarter of 2016 has been reclassified to make it comparable to first quarter of 2017 to ensure consistency in the financial report of statement as of 31 December 2016. This reclassification refers to paid interests for Euro 60 thousand that have been reclassified from financing activity flow to the operating activity flow.

## **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 March 2017, 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 (Telematic Stock Market) – 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 March 2017 of the Ascopiave Group was authorized by resolution of the Board of Directors on 9 May 2017.

### **General drawing-up benchmarks and accounting principles adopted**

The Group Financial Statements as of 31 March 2017 and of the periods considered as a comparison, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission and in force as of the date of drawing-up of this report. The accounting standards used to draw up this interim report are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31 December 2016, as the accounting procedures described in the Interim Financial Statements as of 30 June 2015 under “Contributions”, and were applied consistently for all the periods considered.

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

### **Use of estimates**

. The drawing-up of the consolidated interim financial statements as of 31 March 2017 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the management’s best assessment, differ from the actual circumstances, they shall be modified to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph “Use of Estimates” in the Consolidated Financial Statements as of 31 December 2016. Moreover, some evaluation procedures, in particular the most complex ones, such as the determination of any impairment of non-current assets, are usually fully carried out only while drawing-up the annual financial statements, when all the necessary information is available, except for cases in which there are impairment indicators that require an immediate evaluation of potential losses.

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

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

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

## **Consolidation area and principles**

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity 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 unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the 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.

The companies included in the consolidation area as of 31 March 2017 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
<b>Parent company</b>					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
<b>100% consolidated companies</b>					
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%
<b>Companies under joint control consolidated with net equity method</b>					
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%
<b>Subsidiary companies consolidated with net equity method</b>					
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 con Anita S.p.A..

Compared to financial statement as of 31 December 2016 there are no changes in the consolidation area.

### Data summary of consolidated companies fully consolidated and joint control companies consolidated with 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.	8,953	914	3,097	(1,865)	Ita Gaap
AP Reti Gas S.p.A.	20,718	4,918	311,321	(24,801)	IFRS
Ascopiave S.p.A.	3,446	(638)	393,608	134,562	IFRS
Ascotrade S.p.A.	123,115	10,567	50,225	(33,255)	IFRS
Blue Meta S.p.A.	28,181	2,868	13,201	(8,230)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	1,243	183	10,489	(1,269)	Ita Gaap
Estenergy S.p.A.	53,899	5,786	29,291	(11,097)	IFRS
Etra Energia S.r.l.	2,912	324	1,208	(866)	Ita Gaap
Pasubio Servizi S.r.l.	15,820	1,749	8,179	(6,321)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	1,067	262	14,319	(2,481)	Ita Gaap
ASM Set S.r.l.	12,277	1,435	3,630	(2,292)	Ita Gaap
Unigas Distribuzione S.r.l.	3,001	412	41,585	(781)	Ita Gaap
Veritas Energia S.p.A.	25,667	1,652	5,858	(145)	Ita Gaap

Statements of controlled companies drafted according to national accounting standards are made standard during consolidation.

## COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

### Non-current assets

#### 1. Goodwill

Goodwill, equal to Euro 80,758 thousand as of 31 March 2017, remains unchanged as compared to 31 December 2016. 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.

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)	31.12.2016	Increase	Decrease	31.03.2017
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
<b>Total goodwill</b>	<b>80,758</b>			<b>80,758</b>

As of 31 March 2017, considering the outcome of the impairment tests carried out while preparing the balance sheet as of 31 December 2015, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

#### 2. Other intangible fixed assets

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

(Thousands of Euro)	31.03.2017			31.12.2016		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	4,910	(4,567)	342	4,910	(4,524)	386
Concessions, licences, trademarks and similar rights	9,933	(5,020)	4,913	9,933	(4,835)	5,098
Other intangible assets	25,632	(17,840)	7,792	25,632	(17,300)	8,332
Tangible assets under IFRIC 12 concession	544,190	(247,517)	296,674	544,096	(243,789)	300,307
Intangible assets in progress under IFRIC 12 concession	6,692	0	6,692	2,783	0	2,783
<b>Other intangible assets</b>	<b>591,356</b>	<b>(274,944)</b>	<b>316,412</b>	<b>587,353</b>	<b>(270,448)</b>	<b>316,905</b>

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

	31.12.2016			31.03.2017		
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
(Thousands of Euro)						
Industrial patent and intellectual property rights	386	(0)	0	43	0	342
Concessions, licences, trademarks and similar rights	5,098	0	0	185	0	4,913
Other intangible assets	8,332	(21)	0	519	0	7,792
Tangible assets under IFRIC 12 concession	300,307	92	0	3,726	0	296,674
Intangible assets in progress under IFRIC 12 concession	2,783	3,909	0	0	0	6,692
<b>Other intangible assets</b>	<b>316,905</b>	<b>6,980</b>	<b>0</b>	<b>4,473</b>	<b>0</b>	<b>316,412</b>

The investments made during the first quarter amount to Euro 3,980 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” did not register investments and its variation equals the amortization instalments of the period.

#### 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 amortised with a useful life of 12 years in compliance with the period provided for by the decree.

#### Other intangible fixed assets

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years.

The analysis of customers switching performed at the end of the 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 quarter, the item decreases by Euro 3.634 thousand, a decrease mainly related to the amortization instalments of the period. 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 item registered a negative variation for Euro 3,909 thousand.

### 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:

(Thousands of Euro)	31.03.2017			31.12.2016		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	37,169	(9,987)	27,182	37,169	(9,708)	27,461
Plant and machinery	2,599	(1,162)	1,437	2,599	(1,129)	1,470
Industrial and commercial equipment	3,202	(2,692)	511	3,192	(2,673)	519
Other tangible assets	15,948	(13,441)	2,507	15,871	(13,195)	2,676
Tangible assets in progress and advance payments	527	0	527	238	0	238
<b>Other tangible assets</b>	<b>59,445</b>	<b>(27,282)</b>	<b>32,163</b>	<b>59,071</b>	<b>(26,706)</b>	<b>32,364</b>

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

(Thousands of Euro)	31.12.2016			31.03.2017		
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	27,461	13		292		27,182
Plant and machinery	1,470	0		33		1,437
Industrial and commercial equipment	519	12		20		511
Other tangible assets	2,676	76		245		2,507
Tangible assets in progress and advance payments	238	288				527
<b>Other tangible assets</b>	<b>32,364</b>	<b>390</b>	<b>0</b>	<b>590</b>	<b>0</b>	<b>32,163</b>

#### 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 13 thousand and the change is mainly explained by costs incurred for the renovation of company headquarters.

#### Plants and machinery

The item “Plants and machinery” did not register investments and its variation equals the amortization instalments of the period.

#### Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period is to the tune of Euro 12 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

#### Other assets

The investments made during the first quarter of 2017 increased Euro 76 thousand, and they mainly relate to the costs incurred for the purchase of corporate vehicles, hardware and telephones.

#### 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 registered a Euro 288 thousand variation.

#### 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:

	31.12.2016			31.03.2017
	Net value	Increase	Decrease	Net value
<i>(Thousands of Euro)</i>				
Shareholdings in jointly controlled companies	68,737	3,412		72,149
Shareholdings in other companies	1			1
<b>Shareholdings</b>	<b>68,738</b>	<b>3,412</b>	<b>0</b>	<b>72,150</b>

##### *Shareholdings in joint companies*

Shareholdings in joint companies increase from Euro 68,738 thousand to Euro 72.150 thousand marking an increase of Euro 3.412 thousand. In particular, the increase is mainly explained by the results achieved in the first quarter of 2017 of which Estenergy S.p.A. Euro 2.688 thousand, ASM Set S.r.l. Euro 686 thousand and Unigas Distribuzione S.r.l. Euro 38 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 March 2017 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 30<sup>th</sup> 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, finalised 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 19 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 March 2016 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 March 2016).

The essential data of the shareholdings in the subsidiary as of 31 March 2017, 30 September 2016 and 31 March 2016 are reported below:

(Values referred to pro-rata participation in Million of Euro )	31/03/2017	31/12/2016	31/03/2016
Non-current assets	2.56	2.62	2.79
Current assets	8.98	9.01	8.33
Net equity	(3.74)	(4.03)	(5.01)
Non-current liabilities	0.00	0.00	0.00
Current liabilities	14.26	14.63	15.10
Revenues	31.54	15.36	28.79
Costs	(30.50)	(14.82)	(27.96)
Gross operative margin	1.04	0.54	0.83
Amortization and depreciation	(0.39)	(0.20)	(0.40)
Operating result	0.65	0.34	0.43
Net result	0.61	0.32	0.41
NFP	2.86	2.45	3.01

##### 5. Other non-current assets

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

(Thousands of Euro)	31.03.2017	31.12.2016
Security deposits	9,441	9,438
Other receivables	4,128	4,128
<b>Other non-current assets</b>	<b>13,569</b>	<b>13,566</b>

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 13,566 thousand to Euro 13,569 thousand marking a decrease of Euro 3 thousand.

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

- Receivables from the Municipality of Creazzo, for a value of Euro 1,678 thousand, which are written off for Euro 464 thousand as compared to 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, to define the value of the compensation of the distribution plants delivered to new distributors, whose evolution can be found in the paragraph “Litigations” of these interim financial statements.

- Receivables from the Municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality; the delivery of said infrastructures occurred following the date of expiry of the concession, on 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 1 October 2011.

As of 31 March 2017, there are on-going litigations with the municipalities mentioned above 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 financial assets at the end of each period considered:

(Thousands of Euro)	31.03.2017	31.12.2016
Non-current assets from derivative financial instruments	17	485
<b>Current liabilities from derivative financial instruments</b>	<b>17</b>	<b>485</b>

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-apr-18	30-set-18	Long/Buy	11.616 MWh	17
<b>Total</b>									<b>11.616</b>	<b>17</b>

#### 7. Advance tax receivables

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

(Thousands of Euro)	31.03.2017	31.12.2016
Advance tax receivables	9,853	9,758
<b>Advance tax receivables</b>	<b>9,853</b>	<b>9,758</b>

Advance taxes decrease from Euro 9,758 thousand to Euro 9.853 thousand, marking an increase of Euro 95 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 March 2017 and at the time when it is estimated that any temporary differences will be carried forward.

## Current assets

### 8. Inventories

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

	31.03.2017			31.12.2016		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
<i>(Thousands of Euro)</i>						
Gas stockage	178	(18)	160	1,945	0	1,945
Fuels and warehouse materials	2,153	(33)	2,119	2,399	(33)	2,366
<b>Fuels and warehouse materials</b>	<b>2,331</b>	<b>(51)</b>	<b>2,280</b>	<b>4,344</b>	<b>(33)</b>	<b>4,311</b>

As of 31 March 2017, inventories amount to Euro 2.280 thousand and show an overall decrease of Euro 2.031 thousand as compared to 31 December 2016 mainly explained by the sale of stored natural gas (Euro -1.785 thousand) and the decrease in goods in stock (Euro -247 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, 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 March 2017, that is 17.75 €/MWh, 31 December 2016 20.55 €/MWh; source PB-GAS).

At the end of the previous year, no depreciation of stocked gas price was necessary, as the market value was higher than the loading value of the stocked natural gas. However, as of 31 March 2017, provisions amount to Euro 18 thousand.

### 9. Trade receivables

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

	31.03.2017	31.12.2016
<i>(Thousands of Euro)</i>		
Receivables from customers	130,927	66,882
Receivables for invoices to be issued	80,573	88,345
Bad debt provisions	(6,562)	(7,148)
<b>Trade receivables</b>	<b>204,938</b>	<b>148,079</b>

Trade receivables decreased from Euro 148,079 thousand to Euro 20,938 thousand, marking an increase of Euro 56,859 thousand.

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

The increase is mainly explained by an increase in sold gas volumes and the timing of invoicing and payments, as well as by the seasonal nature of the business cycle, which influence the amounts of receivables from final customers

The decrease in the provision for doubtful accounts, amounting to Euro 586 thousand, is mainly due to the good capacity of the existing provisions which did not require additional amounts and the results of the debt collection process by external agencies and the network of appointed lawyers

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

(Thousands of Euro)	<b>31.03.2017</b>	<b>31.12.2016</b>
Initial bad debts provision	7,148	12,052
Provisions	478	2,891
Use	(1,064)	(7,796)
<b>Final bad debt provision</b>	<b>6,562</b>	<b>7,148</b>

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)	<b>31.03.2017</b>	<b>31.12.2016</b>
Gross trade receivables for invoices issued	130,927	66,882
- allowance for doubtful accounts	(6,562)	(7,148)
<b>Net trade receivables for invoices issued</b>	<b>124,365</b>	<b>59,734</b>

**Ageing of trade receivables for invoices issued:**

- to expire	106,666	51,710
- expired within 6 months	16,610	6,574
- overdue by 6 to 12 months	1,978	3,047
- expired more than 12 months	5,672	5,550

*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)	<b>31.03.2017</b>	<b>31.12.2016</b>
Tax consolidation receivables	5,162	4,777
Annual pre-paid expenses	821	275
Advance payments to suppliers	13,430	9,837
annual accrued income	1	0
Receivables due from CSEA	28,507	25,819
VAT Receivables	3,423	4,096
UTF and Provincial/Regional Additional Tax receivables	966	2,353
Other receivables	221	50
<b>Other current assets</b>	<b>52,531</b>	<b>47,207</b>

Other current assets increase by Euro 689 thousand, going from Euro 47,207 to Euro 52,531 thousand in the first quarter of 2017.

The main variation is due to the increase for Euro 3,593 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, an increase in CCSEI receivables for Euro 2,688 thousand, Euro 546 thousand for increased yearly deferred payments and Euro 385 thousand for receivables related to fiscal consolidation of the Group. These were partially offset by a decrease on gas and electrical power tariffs for Euro 1,377 thousand and an increase in VAT for Euro 673 thousand.

#### 11. Current financial assets

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

(Thousands of Euro)	31.03.2017	31.12.2016
Other financial current assets	1	0
<b>Current financial assets</b>	<b>1</b>	<b>0</b>

The current financial assets item did not vary considerably.

#### 12. Tax receivables

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

(Thousands of Euro)	31.03.2017	31.12.2016
Receivables related to IRAP	655	655
Other tax receivables	352	352
<b>Tax receivables</b>	<b>1,007</b>	<b>1,007</b>

Tax receivables did not vary considerably.

#### 13. Cash and cash equivalents

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

(Thousands of Euro)	31.03.2017	31.12.2016
Bank and post office deposits	34,313	8,803
Cash and cash equivalents on hand	14,784	19
<b>Cash and cash equivalents</b>	<b>49,097</b>	<b>8,822</b>

Cash and cash equivalents increase from Euro 8,822 thousand to Euro 49,097 thousand, marking an increase of Euro 40,275 thousand and they mainly refer to the bank accounting balance and to the company funds.

Cash value amount is mainly related to Cashier's Cheques issued to meet the payment obligations of the company aggregation described in paragraph "Relevant events after the closure of 1Q 2017" in this interim report.

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)	31.03.2017	31.12.2016
Cash and cash equivalents	49,097	8,822
Current financial assets	1	0
Current financial liabilities	(1,714)	(3,552)
Payables due to banks and financing institutions	(70,584)	(64,397)
Payables to leasing companies within 12 months	(71)	(93)
<b>Net short-term financial position</b>	<b>(23,272)</b>	<b>(59,220)</b>
Medium- and long-term bank loans	(32,130)	(34,541)
Non-current financial liabilities	(333)	(357)
<b>Net medium and long-term financial position</b>	<b>(32,463)</b>	<b>(34,899)</b>
<b>Net financial position</b>	<b>(55,735)</b>	<b>(94,119)</b>

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 first quarter of 2017" 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)	31.03.2017	31.12.2016
Current assets from derivative financial instruments	790	1,304
<b>Current assets from derivative financial instruments</b>	<b>790</b>	<b>1,304</b>

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 31 March 2017, 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	33
2 19513462	Intesa Sanpaolo	Commodity Swap	TTF Month Ahead	14-apr-16	1-ott-17	31-mar-18	Long/Buy	169.296 MWh	434
3 374160156	Unicredit	Commodity Swap	TTF Month Ahead	14-apr-16	1-ott-16	30-set-17	Long/Buy	195.027 MWh	302
4 377847968	Unicredit	Commodity Swap	TTF Month Ahead	17-giu-16	1-gen-17	31-mar-17	Long/Buy	43.922 MWh	17
5 20647812	BNP Paribas	Commodity Swap	TTF Month Ahead	24-ott-16	1-gen-17	31-mar-17	Long/Buy	21.590 MWh	3
6 385016489	Unicredit	Commodity Swap	TTF Month Ahead	25-ott-16	1-gen-17	31-mar-17	Long/Buy	28.675 MWh	1
<b>Total</b>								<b>471.590</b>	<b>790</b>

## Consolidated Shareholders' Equity

### 15. Net shareholders' equity

Ascopiave S.p.A. share capital as of 31 March 2017 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)	31.03.2017	31.12.2016
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	173,352	120,648
Group's Net Result	24,541	53,635
<b>Net equity of the Group</b>	<b>461,666</b>	<b>438,055</b>
Net equity of Others	6,038	2,847
Third parties Net Result	1,489	3,307
<b>Net equity of Others</b>	<b>7,527</b>	<b>6,154</b>
<b>Total Net equity</b>	<b>469,193</b>	<b>444,209</b>

The variations in the consolidated net equity, excluding the result achieved in the period, were due to a negative variation of Euro 1,046 thousand for a Cash Flow Edge reserve for the assessment of fair value of derivative agreements as of 31 March 2017.

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

(Thousands of Euro)	
Opening balance	1760
Effectiveness gained during the period	(1,384)
Effectively released in the income statement during the period	488
<b>Closing balance</b>	<b>864</b>

The value of the cash flow hedge reserve as of 31 March 2017 refers to the expected supply flows which will be recognized at cost (and therefore with effects on the income statement) during 2017 (for Euro 299 thousand) and 2018 (for Euro 451 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 548 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:

<i>(Thousands of Euro)</i>	<b>31.03.2017</b>	<b>31.12.2016</b>
Provisions for pension for gas sector employees	1,085	1,089
Other reserves for risks and charges	5,602	5,903
<b>Reserves for risks and charges</b>	<b>6,687</b>	<b>6,992</b>

Reserves for risks and charges decrease by Euro 305 thousand, going from Euro 6.992 to Euro 6.687 thousand.

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

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

<i>(Thousands of Euro)</i>	
Reserves for risks and charges as of 1 <sup>st</sup> January 2017	3,895
Provisions for risks hedging losses of associates with the equity method	1,475
Use of provisions for risks and charges	232
<b>Provisions for risks and charges as of 31<sup>st</sup> March 2017</b>	<b>6,687</b>

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

(Thousands of Euro)	31.03.2017	31.03.2016
Cover losses associated companies	3,895	4,196
Risks of litigation with suppliers	232	232
Funds on just working causes	1,475	1,475
Retirement fund and similar obligations	1,085	1,089
<b>Total</b>	<b>6,687</b>	<b>7,215</b>

17. Severance indemnity

Severance indemnity increases from Euro 4,077 thousand as of 1 January 2017 to Euro 4,136 thousand as of 31 March 2017 with an increase of Euro 59 thousand.

(Thousands of Euro)	
Severance indemnity as of 1 <sup>st</sup> January 2017	4,077
Retirement allowance	(309)
Payments for current services and work	368
<b>Severance indemnity as of 31<sup>st</sup> March 2017</b>	<b>4,136</b>

18. Medium- and long-term loans

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

(Thousands of Euro)	31.03.2017	31.12.2016
Loans from Prealpi	648	684
Loans from European Investment Bank	28,625	31,000
Loans from Unicredit S.p.A.	2,857	2,857
<b>Medium- and long-term bank loans</b>	<b>32,130</b>	<b>34,541</b>
Current portion of medium and long-term loans	9,912	9,287
<b>Medium and long-term loans</b>	<b>42,042</b>	<b>43,828</b>

Medium and long-term loans, mainly represented as of 31 March 2017 by the payables of the Parent Company to the European Investment Bank for Euro 32,750 thousand and Unicredit for Euro 8,571 thousand, decrease from Euro 43,828 thousand to Euro 42,042 thousand, thus marking an increase of Euro 1,786 thousand, explained by the payment of the loan instalments during 1Q 2017.

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 March 2017 is equal to Euro 32.750 thousand, with Euro 4.125 thousand classified in payables to banks and short-term loans. The loan also requires compliance with certain financial covenants to be assessed every six months on the consolidated data of the Group, drafted in compliance with IFRS. As of 31 December 2016, these covenants had been respected.

As collateral for the obligations deriving from the financing agreement, the Parent Company transferred to the European Investment Bank a quota of the future receivables from the reimbursement of the residual value of the goods relating to the Gas Distribution Concessions owned by subsidiary AP Reti Gas S.p.A., as per agreement integration signed in

December 2016

The medium long-term loan with Unicredit S.p.A. was signed by the Parent Company in 2011, to finance important company aggregation operations. As of 31 March 2017, it amounts to Euro 8,571 thousand, with Euro 5,714 thousand classified in payables to banks and short-term loans. The loan also requires compliance with certain financial covenants to be assessed twice a year on the pro-forma consolidated data based on the sum of the consolidated financial statements and the pro-rata share of the jointly controlled companies.

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

<i>(migliaia di Euro)</i>	<b>31.03.2017</b>
Esercizio 2017	7,501
Esercizio 2018	7,681
Esercizio 2019	4,826
Esercizio 2020	4,828
After 31 <sup>st</sup> December 2020	17,207
<b>Total medium and long-term loans</b>	<b>42,042</b>

#### 19. Other non-current liabilities

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

<i>(Thousands of Euro)</i>	<b>31.03.2017</b>	<b>31.12.2016</b>
Security deposits	11,746	12,052
Multi-annual passive prepayments	8,837	8,215
<b>Other non-current liabilities</b>	<b>20,583</b>	<b>20,267</b>

Other non-current liabilities increased from Euro 20,267 thousand to Euro 20,583 thousand, with an increase of Euro 316 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.

#### 20. Non-current financial liabilities

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



(Thousands of Euro)	31.03.2017	31.12.2016
Payables due to leasing companies (over 12 months)	333	357
<b>Non-current financial liabilities</b>	<b>333</b>	<b>357</b>

Non-current financial liabilities decreased from Euro 357 thousand as of 31 March 2016 to Euro 333 thousand, marking a drop of Euro 24 thousand, and mainly include payables to leasing companies, due after 12 months. The current instalment amounts to Euro 71 thousand, classified under “Current financial liabilities”.

#### 21. Deferred tax payables

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

(Thousands of Euro)	31.03.2017	31.12.2016
Deferred tax payables	16,551	16,814
<b>Deferred tax payables</b>	<b>16,551</b>	<b>16,814</b>

Payables for deferred taxation decrease from Euro 16,814 thousand to Euro 16,551 thousand, marking a decrease of Euro 263 thousand, mainly due to the dynamics of amortizations in the client lists and amortization on gas distribution networks.

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 March 2017 and at the time when it is estimated that any temporary differences will be carried forward.

### Current liabilities

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

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

(Thousands of Euro)	31.03.2017	31.12.2016
Payables due to banks	60,672	55,110
Current portion of medium-long-term loans	9,912	9,287
<b>Payables due to banks and financing institutions</b>	<b>70,584</b>	<b>64,397</b>

Payables to banks decrease from Euro 64,397 thousand to Euro 69,959 thousand, marking a decrease of Euro 5,562 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 March 2017.

#### 23. Trade payables

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

(Thousands of Euro)	31.03.2017	31.12.2016
Payables to suppliers	41,770	25,100
Payables to suppliers for invoices not yet received	61,839	77,952
<b>Trade payables</b>	<b>103,609</b>	<b>103,052</b>

Trade payables decrease from Euro 103,052 thousand to Euro 103,609 thousand, an increase of Euro 557 thousand. This variation is mainly explained by the increase in purchased volumes of natural gas, offset by the decrease in purchase cost of natural gas, 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)	31.03.2017	31.12.2016
IRAP payables	2,350	1,029
IRES payables	634	202
<b>Tax payables</b>	<b>2,984</b>	<b>1,231</b>

Tax payables increase from Euro 1.231 thousand to Euro 2.936 thousand, with an increase of Euro 1.705 thousand and include payables accrued as of 31 March 2017 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)	31.03.2017	31.12.2016
Advance payments from customers	2,692	2,519
Amounts due to parent companies for tax consolidation	15,211	6,382
Amounts due to social security institutions	871	1,451
Amounts due to employees	5,564	4,679
VAT payables	28,679	2,650
Payables to revenue office for withholding tax	734	936
Annual passive prepayments	354	627
Annual passive accruals	574	368
UTF and Provincial/Regional Additional Tax payables	29,332	6,500
Other payables	22,923	7,579
<b>Other current liabilities</b>	<b>106,934</b>	<b>33,691</b>

Other current liabilities decreased from Euro 33,691 thousand to Euro 106,934 thousand, marking an increase of Euro 73,243 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 March 2017.

#### 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 March 2017 is with an increase of Euro 8,829 thousand from 31 December 2016.

#### Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employers and managers, accrued as of 31 March 2017 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 March 2017 but not paid out on that date. This item increased from the previous year by Euro 885 thousand, mainly due to the payables accrued as of 31 March 2017 due to the incentive plan.

#### VAT Payables

VAT payables increased by Euro 26,029 thousand as compared to 31 December 2016. The increase in VAT payables is explained by the quarterly compensation of the tax, granted to the subsidiaries selling natural gas, in that they fall within the category of the subjects billing a high number of end customers. As of 31 March 2017, the Group accrued VAT payables for a total amount of Euro 28,679 thousand, dropping from the first quarter of 2016 Euro 30,123 thousand.

#### 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 March 2017, the Group's total payables are Euro 29.332 thousand compared to Euro 25.160 thousand in the first three months of the previous year.

#### Other payables

These figures increase by Euro 15,344 thousand, mainly include: payables to the Authority for Electricity and Gas and

Water regarding the new tariff components of transport by vector companies (Euro 14,700 thousand), payables from unpaid employee obligations accrued as of 31 March 2017 (Euro 313 thousand) and payables to the Tax Authority for the Television Tax that has been charged in the electricity bill of house users (Euro 342 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)	31.03.2017	31.12.2016
Financial payables within 12 months	1,714	3,552
Payables to leasing companies within 12 months	71	93
<b>Current financial liabilities</b>	<b>1,786</b>	<b>3,645</b>

Current financial liabilities decrease by Euro 1,859 thousand, going from 3,645 thousand to Euro 1,786 thousand, mainly due to the bank account balance for the joint control subsidiary ASM SET S.r.l. for Euro -1,838.

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 in the paragraph “Non-current financial liabilities” of this Quarterly 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)	31.03.2017	31.12.2016
Current liabilities from derivative financial instruments	57	29
<b>Current liabilities from derivative financial instruments</b>	<b>57</b>	<b>29</b>

Liabilities on derivatives are represented by the fair value of the following commodity as of 31 March 2017, which will have financial manifestation between 1 April 2017 and 31 August 2018:

# Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€000)
1 391467876	Unicredit	Commodity Swap	TTF Quarter Ahead	15-feb-17	1-apr-17	30-apr-17	Long/Buy	7.200 MWh	18
2 22258780	Intesa Sanpaolo	Commodity Swap	TTF Quarter Ahead	2-mar-17	1-apr-17	30-apr-17	Long/Buy	21.600 MWh	24
3 22312787	Intesa Sanpaolo	Commodity Swap	TTF Quarter Ahead	9-mar-17	1-mag-17	31-mag-17	Long/Buy	22.320 MWh	10
4 22454461	Intesa Sanpaolo	Commodity Swap	TTF Quarter Ahead	29-mar-17	1-mag-17	31-ago-17	Long/Buy	44.280 MWh	4
5 20695952	BNP Paribas	Commodity Swap	TTF Quarter Ahead	4-nov-16	1-gen-17	31-mar-17	Long/Buy	11.467 MWh	2
<b>Totals</b>								<b>106.867</b>	<b>57</b>

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

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

<i>(Thousands of Euro)</i>	<b>First Quarter 2017</b>	<b>First Quarter 2016</b>
Revenues from gas transportation	12,756	12,425
Revenues from gas sale	161,646	148,358
Revenues from electricity sale	15,083	15,446
Revenues from connections	35	29
Revenues from heat supply	32	37
Revenues from distribution services	914	1,483
Revenues from services supplied to Group companies	352	310
Revenues from AEEGSI contributions	6,340	3,052
Other revenues	2,345	1,373
<b>Revenues</b>	<b>199,503</b>	<b>182,512</b>

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 199,503 thousand, with an increase of Euro 16,991 thousand as compared to the same period in the previous year.

The revenues from natural gas sale, equalling Euro 161.646 thousand, record a decrease as compared to the same period of the previous financial year totalling Euro 13,287 thousand. The increase is mainly explained by higher volumes of natural gas sold to the end market (31.2 million cubic meters); During first quarter of 2017, 380.2 million cubic meters were sold as compared to 349.1 million in the same period in the previous year.

At the end of the first quarter, revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 17,234 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 transportation of natural gas to the distribution network generated revenues for Euro 12,756 thousand, with an increase as compared to the same period of the previous year of Euro 331 thousand, involving the transport of 353,7 million cubic meters (+14.2 million as compared to the same period of the previous year). 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 15 December of the year before that in which the price becomes effective.

At the end of the reference period, the revenues from electricity sales amounted to Euro 15,083 thousand, showing a decrease over the previous year of Euro 363 thousand. The GWhs sold in the first quarter of 2017 amount to 191,1 million, marking an increase of 17.0 million over the previous first quarter. Revenues from connection services to the distribution network are to the tune of Euro 35 thousand, with a decrease of Euro 7 thousand as compared to the same period of the previous year. 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 from contributions made by the Authority for Electricity, Gas and Water amount to Euro 6,340 thousand recording an increase of Euro 6,340 thousand as compared to the previous first quarter. 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 the first quarter of 2017 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2016 target (regulatory period June 2016 - May 2017). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution announced by GSE for the 2016 target (regulatory period June 2016 - May 2017) measured at 31 March 2017 and amounting to Euro 183.7 (source: STX).

The item "Other revenues" increased from Euro 1,373 thousand in the first quarter of 2016, to Euro 2,345 thousand in the period considered, showing an increase of Euro 972 thousand.

The increase is mainly due to the payment for the activities for the safety of the natural gas distribution plants. This payment of Euro 656 thousand was allocated by the CSEA during the first quarter of 2017.

## 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)	First Quarter 2017	First Quarter 2016
Purchase costs for raw material (gas)	107,908	97,143
<b>Purchase costs for raw material (gas)</b>	<b>107,908</b>	<b>97,143</b>

At the end of the reference quarter, the costs for natural gas procurement amounted to Euro 107,908 thousand, showing an increase of Euro 10,765 thousand as compared to the same period in 2016. The increase in costs is mainly explained by the trend of the price basket to which the raw material is adjusted as well as higher 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 380.2 million cubic meters, which translates into an increase of 31.2 million in consumption.

In the period considered, gas inventories amount to Euro 176 thousand as compared to Euro 1,414 thousand as of 31 March 2016.

The accounting of the economic effects of the hedging derivatives accrued during the year has determined the recognition of decreased costs totalling Euro 488 thousand which have decreased the item by an equivalent amount.

It is noted that, during the financial period, the company Eni Gas & Power S.p.A. provided the most significant amounts of natural gas for the supply to end customers to Ascopiave Group.

### 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)	First Quarter 2017	First Quarter 2016
Purchase of electricity	5,063	4,732
Purchase of other raw material	491	302
<b>Purchase costs for other raw materials</b>	<b>5,553</b>	<b>5,034</b>

At the end of the quarter, the costs incurred for the purchase of other raw materials register an increase equal to Euro 519 thousand mainly explained by the higher costs incurred to procure electricity.

The costs incurred for the purchase of electricity showed an increase of Euro 330 thousand, from Euro 4,732 thousand, to Euro 5,063 thousand in the reference period. The increase is mainly explained by the average purchase price trend. Sold GWhs increased from 17.0 GWh in the first quarter of 2016 to 101.1 GWh of the reference quarter.

The costs incurred for the purchase of other materials register an increase equal to Euro 188 thousand, from Euro 302 thousand in 1Q 2016 to Euro 491 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)	First Quarter 2017	First Quarter 2016
Costs of conveyance on secondary networks	29,197	25,492
Costs for counting meters reading	143	218
Costs for mailing bills	411	143
Mailing and telegraph costs	90	400
Maintenance and repairs	678	787
Consulting services	889	1,249
Commercial services and advertisement	883	588
Sundry suppliers	515	452
Directors' and Statutory Auditors' fees	300	275
Insurances	192	206
Personnel costs	237	244
Other managing expenses	1,620	1,405
Costs for use of third-party assets	2,546	2,673
Storage services	163	129
<b>Costs for services</b>	<b>37,865</b>	<b>34,263</b>

The costs for services incurred during the quarter showed an increase of Euro 3,602 thousand, from Euro 34,263 thousand in 2016, to Euro 37,865 thousand in the reference period. This variation is mainly explained by the lower costs for gas carriage and electricity transportation (Euro +3,705 thousand), partially offset by the decrease in costs for consultancy services (Euro -360 thousand).

The costs incurred for gas transportation in primary and secondary networks increased by Euro 4,243 thousand, going from Euro 16,113 in 2016 to Euro 20,356 thousand in the reference quarter. The increase is mainly related to increased consumption of natural gas in the reference period.

Costs incurred for transportation of electricity at the end of the first quarter, amount to Euro 8,842 thousand, marking a decrease of Euro 532 thousand compared to the first quarter of 2016. Traded energy quantity during the reference period increased by 17 GWh, going from 84.1 in 1Q 2016 to 101.1 in 2017.

The costs incurred for consultancy services decrease from Euro 1.249 thousand in 1Q 2016 to Euro 889 thousand in the reference period. This decrease is mainly explained by the costs incurred for the creation of company AP Reti Gas S.p.A..

Costs for other management expenses surge for Euro 215 thousand mainly due to the increased costs for bank and postal account commissions for Euro 130 thousand and the increase supplier services for Euro 59 thousand.

The costs incurred for the use of third-party assets have decreased by Euro 629 thousand compared to the first quarter of 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:

<b>(Thousands of Euro)</b>	<b>First Quarter 2017</b>	<b>First Quarter 2016</b>
Wages and salaries	5,114	4,753
Social security contributions	1,588	1,792
Severance indemnity	330	289
Other costs	0	11
<b>Total personnel costs</b>	<b>7,032</b>	<b>6,844</b>
Capitalized personnel costs	(1,073)	(1,173)
<b>Personnel costs</b>	<b>5,958</b>	<b>5,672</b>

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 increase from Euro 6.844 thousand in the first quarter of 2016 to Euro 7.032 thousand in the reference quarter, marking an increase of Euro 188 thousand.

The increase is due to the rise in salaries for the year under consideration, due to personal merits and agreement obligations.

Capitalized personnel cost registered a decrease of Euro 99 thousand, going from Euro 1,173 thousand of the previous first quarter to Euro 1,073 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:



Description	31.03.2017	31.03.2016	Variation
Managers (average)	17	17	0
Office workers (average)	363	361	2
Manual workers (average)	103	103	0
<b>No. of personal employed</b>	<b>483</b>	<b>481</b>	<b>2</b>

### 33. Other operating costs

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

	First Quarter 2017	First Quarter 2016
<i>(Thousands of Euro)</i>		
Provision for risks on credits	478	616
Membership and AEEGSI fees	74	169
Capital losses		3
Extraordinary losses	66	25
Other taxes	304	214
Other costs	154	125
Costs of contracts	26	94
Energy efficiency certificates	5,020	3,786
<b>Other management costs</b>	<b>6,122</b>	<b>5,032</b>

Other operating costs, increasing from Euro 5,032 thousand in first quarter of 2016, to Euro 6,122 thousand in the reference period, show an increase of Euro 1,090 thousand. This increase is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +1,234 thousand), partially offset by lower allowances for doubtful accounts (Euro -137 thousand) made possible thanks to the appropriate capacity of the bad debt provision.

The costs recognized as of 31 March 2017 for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2017 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 2017, and amounting to Euro 205.9 source: STX (Euro 128.9 on 31 March 2016).

### 34. Other operating revenues

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

	First Quarter 2017	First Quarter 2016
<i>(Thousands of Euro)</i>		
Other income	50	21
<b>Other income</b>	<b>50</b>	<b>21</b>

At the end of the reference period, other operating income shows an increase of Euro 29 thousand, from Euro 21 thousand in first quarter of 2016 to Euro 50 thousand.

35. *Amortization and depreciation*

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

	First Quarter 2017	First Quarter 2016
<i>(Thousands of Euro)</i>		
Intangible fixed assets	4,473	4,478
Tangible fixed assets	590	607
<b>Amortization and depreciation</b>	<b>5,063</b>	<b>5,084</b>

Amortization and depreciation record a decrease of Euro 21 thousand, from Euro 5,084 thousand in first quarter of 2015, to Euro 5,063 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:

	First Quarter 2017	First Quarter 2016
<i>(Thousands of Euro)</i>		
Interest income on bank and post office accounts	0	9
Other interest income	50	117
Other financial income	2	1
<b>Financial income</b>	<b>52</b>	<b>126</b>
Interest expense on banks	1	65
Interest expense on loans	77	120
Other financial expenses	37	52
<b>Financial charges</b>	<b>115</b>	<b>237</b>
Evaluation of subsidiary companies with net equity method	301	146
Evaluation of subsidiary companies with net equity method	3,412	3,441
<b>Evaluation of subsidiary companies with the net equity method</b>	<b>3,713</b>	<b>3,587</b>
<b>Total net financial expenses</b>	<b>3,650</b>	<b>3,475</b>

At the end of the first quarter of 2016, the balance between financial income and expenses showed a loss of Euro 63 thousand, a decrease from the previous year of Euro 48 thousand.

The item “Evaluation of associated companies using the equity method” amounts to Euro 301 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 334 thousand.

The item “Result quota from jointly controlled companies” includes the net results achieved by the jointly controlled companies in the reference period; they decrease by Euro 28 thousand compared to the previous year, totalling Euro 3,412 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)	First Quarter 2017	First Quarter 2016
IRES current taxes	7,740	8,075
IRAP current taxes	1,321	1,410
(Advance)/Deferred taxes	(359)	157
<b>Taxes for the period</b>	<b>8,703</b>	<b>9,642</b>

Accrued taxes decrease from Euro 9,642 thousand in the first quarter of 2016 to Euro 8,703 thousand in the reference period, thus registering a decrease of Euro 939 thousand. This is mainly explained by the drop in IRES rates for the year 2017, which decreased taxation from 27.5% to 24%. The positive effect of the decreased tax rate was partially offset by an increase in the taxable company revenue for the quarter under scrutiny.

The table below shows the breakdown of IRES taxes in the years considered:

(Thousands of Euro)	First Quarter 2017	First Quarter 2016
Earnings before tax	34,733	33,780
Taxes for the period	8,703	9,642
<b>Percentage of income before taxes</b>	<b>25.1%</b>	<b>28.5%</b>

The tax-rate recorded as of 31 March 2017 is equal to 25.1%, a decrease of 3.5% compared to the previous year. This is mainly explained by the drop in IRES rates.

### **Non-recurrent components**

In accordance with CONSOB communication no. DEM/6064296 dated 28 July 2006, we report that in the first three months of 2017 no unusual and/or atypical operations occurred.

### **Transactions deriving from unusual and/or atypical operations**

Pursuant to CONSOB communication N. DEM/6064296 dated 28 July 2006, we report that during 2015 no unusual and/or atypical operations occurred.

**ADDITIONAL COMMENTARY TO INTERIM REPORT AS OF 31 MARCH 2017****Commitments and risks****Guarantees given**

As of 31 March 2017, the Group provided the following bank guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	<b>31<sup>st</sup> March 2017</b>	<b>31<sup>st</sup> December 2016</b>
On credit lines	6,400	6,400
Guarantees on credit lines (letter of comfort)	462	231
On execution of works (letter of comfort)	903	903
Agreements on incentives art. 4 of Law no. 92/2012	22	43
On UTF offices and regions for taxes on gas (letter of comfort)	5,657	4,157
On UTF offices and regions for taxes on electricity (letter of comfort)	319	119
On distribution concession (letter of comfort)	2,593	3,414
On agreements for transport of gas (letter of comfort)	10,837	12,841
On agreements for transport of electricity (letter of comfort)	16,765	16,751
On purchase of gas agreements (letter of comfort)	22	22
On purchase of electricity agreements (letter of comfort)	2,000	2,000
On storage of natural gas service	570	410
<b>Total</b>	<b>46,550</b>	<b>47,290</b>

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

(Thousands of Euro)	<b>31<sup>st</sup> March 2017</b>	<b>31<sup>st</sup> December 2016</b>
On credit lines	26,665	26,665
On execution of works (letter of comfort)	8	8
On UTF offices and regions for taxes on gas (letter of comfort)	495	495
On UTF offices and regions for taxes on electricity (letter of comfort)	928	928
On distribution concession (letter of comfort)	68	68
On agreements for transport of gas (letter of comfort)	180	180
On agreements for transport of electricity (letter of comfort)	775	1,128
On active agreements of gas administration (letter of comfort)	216	216
On leases agreements	114	114
<b>Total</b>	<b>26,448</b>	<b>29,801</b>

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 March 2017 to Euro 26,665 thousand (Euro 34,333 thousand in as of 31 March 2016).

**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 benchmarks

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 March 2017 of Euro 42,042 thousand and due dates between 1 January 2017 and 5 February 2026.

The medium - long term loans are mainly represented by the loan issued in August 2013 by the European Investment Bank with an outstanding debt of Euro 32,750 thousand and by the loan granted in 2011 by Unicredit S.p.A. with an outstanding debt of Euro 8,517 thousand as of 31 March 2017, subject to a securitization operation by the lender. Both are subject to covenants which have been met.

For further details please see paragraph no. 18 “*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	
Net Financial Position 2017	(98,975)	(71,302)	(55,735)	
Positive average rate	0.01%	0.01%	0.01%	
Negative average rate	0.32%	0.31%	0.29%	
Positive average rate increased of 200 basis point	2.01%	2.01%	2.01%	
Negative average rate increased of 200 basis point	2.32%	2.31%	2.29%	
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	
Negative average rate decreased of 50 basis point	0.00%	0.00%	0.00%	
Net Financial Position recalculated with increase of 200 basis point	(99,143)	(71,416)	(55,830)	
Net Financial Position recalculated with decrease of 50 basis point	(98,933)	(71,274)	(55,712)	<b>Total</b>
Effect to income before taxes with increase of 200 basis point	(168)	(113)	(95)	(376)
Effect to income before taxes with decrease of 50 basis point	42	28	24	94

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 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 376 thousand (2016: Euro 475 thousand) or positive for Euro 94 thousand (2016: Euro 119 thousand).

### **Receivable risk**

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

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

### **Liquidity risk**

The liquidity risk concerns the risk of the Group not to dispose of available and sufficient financial resources 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.

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, as well as derivative coverage agreements to align the various purchase/sale formulas.

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, to reduce or mitigate those risks.

To this end, the "Compliance with EMIR Regulation" Procedure has been approved, which defines the benchmarks and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 – European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative

hedging instruments, required to make these operations as transparent as possible to the market.

### **Price risk management and methods of accounting presentation**

The Group is exposed to commodity price risk due to its operations in the gas and electricity sectors; the overall objective of risk management is to reduce the impact on the Group's Income statement of the effects arising from the portfolio purchases and sales 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 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 March 2017, 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 +864 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.

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### **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.

<i>(Thousands of Euro)</i>	<b>31.03.2017</b>	<b>31.12.2016</b>	<b>31.03.2016</b>
Financial position in the short term	23,272	59,220	28,189
financial position in the medium-long term	32,463	34,899	42,447
<b><i>Financial gross debt</i></b>	<b><i>55,735</i></b>	<b><i>94,119</i></b>	<b><i>70,635</i></b>
Share capital	234,412	234,412	234,412
Own shares	(17,521)	(17,521)	(17,521)
Reserves	227,761	173,684	204,920
Undistributed net profit	24,541	53,635	22,651
<b>Total Net equity</b>	<b>469,193</b>	<b>444,209</b>	<b>444,461</b>
<b>Total capital and gross debt</b>	<b>524,928</b>	<b>538,328</b>	<b>515,097</b>
<i>Debt/Net assets ratio</i>	<i>0.12</i>	<i>0.21</i>	<i>0.16</i>

The debt/net equity ratio as of 31 March 2017 is 0.12, a decrease as compared to 31 December 2016, where it equalled 0.21.

The trend in this indicator is related to the combined effect of the increase in the Net financial position (Euro +38,384 thousand in the first quarter of 2017), and the Shareholders' equity, which has increased by Euro 24,982 thousand compared to 31 December 2016.

### **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 March 2017 and 31 March 2016 is as follows:



								31.03.2017	
(Thousands of Euro)	A	B	C	D	E	F	Total	Fair value	
Other non-current assets				13,569			13,569	13,569	
Trade receivables and Other current assets				243,217			243,217	243,217	
Current financial assets				1			1	1	
Cash and cash equivalents				49,097			49,097	49,097	
Current assets from derivative financial instruments		790					790	790	
Medium- and long-term bank loans						32,130	32,130	32,130	
Other non-current liabilities						11,746	11,746	11,746	
Non-current financial liabilities						333	333	333	
Payables due to banks and financing institutions						70,584	70,584	70,584	
Trade payables and Other current liabilities						207,498	207,498	207,498	
Current financial liabilities						1,786	1,786	1,786	
Current liabilities from derivative financial instruments		57					57	57	
								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	

### 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

### 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 benchmarks 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 first quarters of 2017 and 2016.

1 <sup>st</sup> Q 2017 (Thousands of Euro)	Distribution	Sale	Electricity sale	Other	Cancellations and adjustments	Total
Net revenues of third-party customers	4,321	179,624	15,174	384		199,503
Intra-group revenues among the segments	18,706	1,496	8,354	3,136	(31,692)	0
<b>Segment revenues</b>	<b>23,028</b>	<b>181,120</b>	<b>23,528</b>	<b>3,519</b>	<b>(31,692)</b>	<b>199,503</b>

1stQ 2016 (Thousand of Euro)	Gas distribution	Gas sale	Electricity sale	Other	Elisions	Total
Net revenues of third-party customers	18,376	148,358	15,446	331		182,512
Intra-group revenues among the segments	23,731	289	8,452	0	(32,472)	0
<b>Segment revenues</b>	<b>42,107</b>	<b>148,647</b>	<b>23,898</b>	<b>331</b>	<b>(32,472)</b>	<b>182,512</b>

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

## Transactions with related parties

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

(Thousands of Euro)	Trade receivables	Other recepta	Trade payables	Other payable	Costs			Revenues			
					Goods	Services	Other	Goods	Services	Other	
<i>Parent company</i>											
Asco Holding S.p.A.		11	5,162		15,007	0		7,271	0	11	236
<b>Total parent company</b>		<b>11</b>	<b>5,162</b>	<b>0</b>	<b>15,007</b>	<b>0</b>	<b>0</b>	<b>7,271</b>	<b>0</b>	<b>11</b>	<b>236</b>
<i>Affiliated companies</i>											
Asco TLC S.p.A.		78	0	0	0	0	140	0	0	33	90
Seven Center S.r.l.		11	0	35	0	0	66	0	0	11	0
<b>Total affiliated companies</b>		<b>89</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>206</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>90</b>
<i>Subsidiary companies</i>											
Estenergy S.p.A.		52	0	75	0	0		0	0	0	0
ASM SET S.r.l.		1,317	21	55	1,574	0	58	2	2,336	130	24
Unigas Distribuzione S.r.l.		51	0	3,310	0	0	4,188	0	44	21	0
Sinergie Italiane S.r.l. in liquidation		17	8,193	0	0	16,885	16	0	0	17	0
<b>Total subsidiary companies</b>		<b>1,437</b>	<b>8,214</b>	<b>3,440</b>	<b>1,574</b>	<b>16,885</b>	<b>4,262</b>	<b>2</b>	<b>2,379</b>	<b>168</b>	<b>24</b>
<b>Total</b>		<b>1,537</b>	<b>13,377</b>	<b>3,475</b>	<b>16,582</b>	<b>16,885</b>	<b>4,468</b>	<b>7,273</b>	<b>2,379</b>	<b>223</b>	<b>351</b>

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 aforementioned subsidiary derive from the contract to supply gas and electrical energy and from service contracts drawn up between the parties.

The costs for assets due to Sinergie Italiane S.r.l. in liquidation relate to the purchase of natural gas 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 March 2017 (Euro 34,400 as compared to 31 March 2016).

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 24 February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

## Financial statements representation pursuant to Consob resolution 15519/2006

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

### Consolidated assets and liabilities statement

(Thousands of Euro)	31.03.2017	Of which related parties					31.12.2016	Of which related parties					
		A	B	C	D	Total		%	A	B	C	D	Total
<b>ASSETS</b>													
<b>Non-current assets</b>													
Goodwill (1)	80,758						80,758						
Other intangible assets (2)	316,412						316,905						
Tangible assets (3)	32,163						32,364						
Shareholdings (4)	72,150			72,149		72,149	68,738	68,737		68,737	100.0%		
Other non-current assets (5)	13,569			8,193		8,193	13,566	8,193		8,193	60.4%		
Non-current assets from derivative financial instruments (6)	17						485						
Advance tax receivables (7)	9,853						9,758						
<b>Non-current assets</b>	<b>524,924</b>			<b>80,342</b>		<b>80,342</b>	<b>522,574</b>	<b>76,930</b>		<b>76,930</b>	<b>14.7%</b>		
<b>Current assets</b>													
Inventories (8)	2,280						4,311						
Trade receivables (9)	204,938	11	89	1,437		1,537	0.7%	148,079	36	150	1,739	1,925	1.3%
Other current assets (10)	52,531	5,162				5,162	9.8%	47,207	4,925			4,925	10.4%
Current financial assets (11)	1						0						
Tax receivables (12)	1,007						1,007						
Cash and cash equivalents (13)	49,097						8,822						
Current assets from derivative financial instruments (14)	790						1,304						
<b>Current assets</b>	<b>310,642</b>	<b>5,174</b>	<b>89</b>	<b>1,437</b>		<b>6,699</b>	<b>2.2%</b>	<b>210,730</b>	<b>4,961</b>	<b>150</b>	<b>1,739</b>	<b>6,850</b>	<b>3.3%</b>
<b>ASSETS</b>	<b>835,566</b>	<b>5,174</b>	<b>89</b>	<b>81,779</b>		<b>87,041</b>	<b>10.4%</b>	<b>733,304</b>	<b>4,961</b>	<b>150</b>	<b>78,669</b>	<b>83,780</b>	<b>11.4%</b>
<b>Net equity and liabilities</b>													
<b>Total Net equity</b>													
Share capital	234,412						234,412						
Own shares	(17,521)						(17,521)						
Reserves	244,776						221,164						
<b>Net equity of the Group</b>	<b>461,666</b>						<b>438,055</b>						
<b>Net equity of Others</b>													
<b>Total Net equity</b> (15)	<b>469,193</b>						<b>444,209</b>						
<b>Non-current liabilities</b>													
Provisions for risks and charges (16)	6,687						6,992						
Severance indemnity (17)	4,136						4,077						
Medium- and long-term bank loans (18)	32,130						34,541						
Other non-current liabilities (19)	20,583						20,267						
Non-current financial liabilities (20)	333						357						
Deferred tax payables (21)	16,551						16,814						
<b>Non-current liabilities</b>	<b>80,420</b>						<b>83,050</b>						
<b>Current liabilities</b>													
Payables due to banks and financing institutions (22)	70,584						64,397						
Trade payables (23)	103,609		35	3,440		3,475	3.4%	103,052	25	2,627		2,652	2.6%
Tax payables (24)	2,984						1,231						
Other current liabilities (25)	106,934	15,007				15,007	14.0%	33,691	7,738			7,738	23.0%
Current financial liabilities (26)	1,786			1,574		1,574	88.2%	3,645		3,412		3,412	93.6%
Current liabilities from derivative financial instruments (27)	57						29						
<b>Current liabilities</b>	<b>285,953</b>	<b>15,007</b>	<b>35</b>	<b>5,014</b>		<b>20,056</b>	<b>7.0%</b>	<b>206,045</b>	<b>7,738</b>	<b>25</b>	<b>6,039</b>	<b>13,802</b>	<b>6.7%</b>
<b>Liabilities</b>	<b>366,373</b>	<b>15,007</b>	<b>35</b>	<b>5,014</b>		<b>20,056</b>	<b>5.5%</b>	<b>289,095</b>	<b>7,738</b>	<b>25</b>	<b>6,039</b>	<b>13,802</b>	<b>4.8%</b>
<b>Net equity and liabilities</b>	<b>835,566</b>	<b>15,007</b>	<b>35</b>	<b>5,014</b>		<b>20,056</b>	<b>2.4%</b>	<b>733,304</b>	<b>7,738</b>	<b>25</b>	<b>6,039</b>	<b>13,802</b>	<b>1.9%</b>

#### 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	1Q 2017						1Q 2016							
		Of which related parties						Of which related parties							
		A	B	C	D	Total	%	A	B	C	D	Total	%		
<b>Revenues</b>	(28)	199,503	11	134	2,572		2,717	1.4%	182,512	14	114	1,968	2,096	1.1%	
<b>Total operating costs</b>		<b>163,357</b>		<b>206</b>	<b>21,147</b>		<b>21,354</b>	<b>13.1%</b>	<b>147,123</b>	<b>14</b>	<b>24</b>	<b>14,511</b>	<b>339</b>	<b>14,874</b>	<b>10.1%</b>
Purchase costs for raw material (gas)	(29)	107,908			16,885		16,885	15.6%	97,143		10,299		10,299	10.6%	
Purchase costs for other raw materials	(30)	5,553							5,034		6		6	0.1%	
Costs for services	(31)	37,865		206	4,262		4,468	11.8%	34,263	24	4,206	142	4,372	12.8%	
Costs for personnel	(32)	5,958							5,672			197	197	3.5%	
Other management costs	(33)	6,122							5,052		0		0	0.0%	
Other income	(34)	50							21						
Amortization and depreciation	(35)	5,063							5,084						
<b>Operating result</b>		<b>31,083</b>	<b>11</b>	<b>(73)</b>	<b>(18,575)</b>		<b>(18,637)</b>	<b>-60.0%</b>	<b>30,304</b>	<b>14</b>	<b>90</b>	<b>12,544</b>	<b>339</b>	<b>12,778</b>	<b>-42.2%</b>
Financial income	(36)	52			0		0	0.0%	126						
Financial charges	(36)	115			2		2	2.1%	257		3		3	1.1%	
Evaluation of subsidiary companies with the net equity method	(36)	3,713		0	1	(0)	1	0.0%	3,587		0	(1)	(0)	0.0%	
<b>Earnings before tax</b>		<b>34,733</b>	<b>11</b>	<b>(71)</b>	<b>(18,578)</b>		<b>(18,638)</b>	<b>-53.7%</b>	<b>33,780</b>	<b>14</b>	<b>90</b>	<b>12,546</b>	<b>339</b>	<b>12,781</b>	<b>-37.8%</b>
Taxes for the period	(37)	8,703		7,035			7,035	80.8%	9,642		8,171		8,171	84.7%	
<b>Result for the period</b>		<b>26,030</b>	<b>(7,024)</b>	<b>(71)</b>	<b>(18,578)</b>		<b>(25,673)</b>	<b>-98.6%</b>	<b>24,138</b>	<b>8,157</b>	<b>90</b>	<b>12,546</b>	<b>339</b>	<b>20,952</b>	<b>-86.8%</b>
<b>Net result for the period</b>		<b>26,030</b>	<b>(7,024)</b>	<b>(71)</b>	<b>(18,578)</b>		<b>(25,673)</b>	<b>-98.6%</b>	<b>24,138</b>	<b>8,157</b>	<b>90</b>	<b>12,546</b>	<b>339</b>	<b>20,952</b>	<b>-86.8%</b>
Group's Net Result		24,541							22,651						
Third parties Net Result		1,489							1,487						
<b>Consolidated statement of comprehensive income</b>															
1. Components that can be reclassified to the income statement															
Fair value of derivatives, changes in the period net of tax		(1,046)							187						
2. Components that can not be reclassified to the income statement															
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		190		(14)			(14)	-7.1%	(253)						
<b>Total comprehensive income</b>		<b>24,984</b>	<b>(7,024)</b>	<b>(71)</b>	<b>(18,578)</b>		<b>(25,673)</b>	<b>102.8%</b>	<b>24,325</b>	<b>8,157</b>	<b>90</b>	<b>12,546</b>	<b>339</b>	<b>20,952</b>	<b>-86.1%</b>
Group's overall net result		23,610	(7,024)	(71)	(18,578)		(25,673)	-108.7%	22,818	(8,139)	108	(12,528)	(321)	(20,934)	-91.7%
Third parties' overall net result		1,373							1,507	(18)	(18)	(18)	(18)	(18)	-1.2%
Base income per share		0.110							0.102						
Diluted net income per share		0.110							0.102						

**Legend for Related Parties column:**

*A Parent companies*

*B Associated companies*

*C Affiliates and Jointly controlled companies*

*D Other related parties*

## Consolidated financial report

(thousands of Euro)	Of which related parties						%	Of which related parties						
	First quarter 2017	A	B	C	D	Total		First quarter 2016	A	B	C	D	Total	%
<b>Net income of the Group</b>	<b>24,541</b>							<b>22,651</b>						
<b>Cash flows generated (used) by operating activities</b>														
<b>Adjustments to reconcile net income to net cash</b>														
Third-parties operating result	1,489					0	0%	1,487					0	0%
Amortization	5,063					0	0%	5,084					0	0%
Bad debt provisions	478					0	0%	616					0	0%
Variations in severance indemnity	59					0	0%	43					0	0%
Current assets / liabilities on financial instruments	1,009					0	0%	(62)					0	0%
Net variation of other funds	(4)					0	0%	0					0	0%
Evaluation of subsidiaries with the net equity method	(3,713)	0		(3,412)		(3,412)	92%	(3,587)		(2,770)		(2,770)	77%	
Losses / (gains) on disposal of fixed assets	0					0	0%	(396)					0	0%
Interests paid	(146)					0	0%	(297)					0	0%
Interest expense for the period	112					0	0%	237					0	0%
Taxes for the period	8,703					0	0%	7,955					0	0%
<b>Variations in assets and liabilities</b>														
Inventories	2,031					0	0%	65					0	0%
Accounts payable	(57,337)	25	61	302	0	388	-1%	(42,495)	(3)	(99)	(1,402)	0	(1,505)	4%
Other current assets	(5,324)	(237)	0	0	0	(237)	4%	16,031	3,696	0	0	0	3,696	23%
Trade payables	557	0	10	813	0	823	148%	(13,603)					(1)	0%
Other current liabilities	64,923	7,269	0	0	0	7,269	11%	52,113	(7,264)	0	0	0	(7,264)	-14%
Other non-current assets	(3)	0	0	0	0	0	-7%	546	0	0	12,015	0	12,015	2201%
Other non-current liabilities	316	0	0	0	0	0	0%	729	0	0	0	0	0	0%
<b>Total adjustments and variations</b>	<b>18,212</b>	<b>7,057</b>	<b>71</b>	<b>(2,297)</b>	<b>0</b>	<b>4,830</b>	<b>27%</b>	<b>24,468</b>	<b>(3,572)</b>	<b>(100)</b>	<b>7,843</b>	<b>0</b>	<b>4,172</b>	<b>17%</b>
<b>Cash flows generated (used) by operating activities</b>	<b>42,754</b>	<b>7,057</b>	<b>71</b>	<b>(2,297)</b>	<b>0</b>	<b>4,830</b>	<b>11%</b>	<b>47,119</b>	<b>(3,572)</b>	<b>(100)</b>	<b>7,843</b>	<b>0</b>	<b>4,172</b>	<b>9%</b>
<b>Cash flows generated (used) by investments</b>														
Investments in intangible assets	(3,980)					0	0%	(3,606)					0	0%
Investments in tangible assets	(390)					0	0%	(507)					0	0%
<b>Cash flows generated/(used) by investments</b>	<b>(4,370)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>(4,113)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>Cash flows generated (used) by financial activities</b>														
Net changes in debts due to other financiers	(24)	0	0	0	0	0	0%	(2,460)	0	0	0	0	0	0%
Net changes in short-term bank borrowings	16,275					0	0%	(31,202)					0	0%
Net variation in current financial assets and liabilities	(1,860)	0	0	(1,838)	0	(1,838)	99%	2,678	0	0	(1,931)	0	(1,931)	-72%
Ignitions loans and mortgages	16,000					0	0%	16,000					0	0%
Redemptions loans and mortgages	(28,500)					0	0%	(28,500)					0	0%
<b>Cash flows generated (used) by financial activities</b>	<b>1,891</b>	<b>0</b>	<b>0</b>	<b>(1,838)</b>	<b>0</b>	<b>(1,838)</b>	<b>-97%</b>	<b>(43,484)</b>	<b>0</b>	<b>(0)</b>	<b>(1,931)</b>	<b>0</b>	<b>(1,931)</b>	<b>4%</b>
<b>Variations in cash</b>	<b>40,275</b>					<b>0</b>	<b>0%</b>	<b>(478)</b>					<b>0</b>	<b>0%</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(6,822)</b>					<b>0</b>	<b>0%</b>	<b>28,301</b>					<b>0</b>	<b>0%</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(49,097)</b>					<b>(0)</b>	<b>0%</b>	<b>27,823</b>					<b>0</b>	<b>0%</b>

### Legend for Related Parties column:

*A* Parent companies

*B* Associated companies

*C* Affiliates and Jointly controlled companies

*D* Other related parties

## Consolidated net indebtedness

(migliaia di Euro)	Of which related parties						%	Of which related parties						
	31.03.2017	A	B	C	D	Total		31.12.2016	A	B	C	D	Total	%
<b>A Cash and cash equivalents on hand</b>	<b>14,784</b>							<b>19</b>						
<b>B Bank and post office deposits</b>	<b>34,313</b>							<b>8,803</b>						
<b>D Liquid assets (A) + (B) + (C)</b>	<b>49,097</b>							<b>8,822</b>						
<b>E Current financial assets</b>	<b>1</b>							<b>0</b>						
<b>F Payables due to banks</b>	<b>(60,672)</b>							<b>(55,110)</b>						
<b>G Current portion of medium-long-term loans</b>	<b>(9,912)</b>							<b>(9,287)</b>						
<b>H Current financial liabilities</b>	<b>(1,786)</b>							<b>(3,645)</b>						
<b>I Current financial indebtedness (F) + (G) + (H)</b>	<b>(72,369)</b>							<b>(68,042)</b>						
<b>J Net current financial indebtedness (I) - (E) - (D)</b>	<b>(23,272)</b>							<b>(59,220)</b>						
<b>K Medium- and long-term bank loans</b>	<b>(32,130)</b>							<b>(34,541)</b>						
<b>M Non-current financial liabilities</b>	<b>(333)</b>							<b>(357)</b>						
<b>N Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(32,463)</b>							<b>(34,899)</b>						
<b>O Net financial indebtedness (J) + (N)</b>	<b>(55,735)</b>							<b>(94,119)</b>						

### Legend for the Related Parties column:

*A* Parent companies

*B* Associated Companies

*C* Affiliates and Jointly controlled companies

*D* Other related parties

The figures entered 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:

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

Group D - other related parties:

- Board of Directors
- Auditors
- Strategic managers

## **Significant events after the year end of 1Q 2017**

### **Ascopiave stipulates purchase of 100% share capital of Pasubio Group S.p.A..**

On 3 April 2017 Ascopiave S.p.A. formalised the purchase of 100% of share capital of Pasubio Group S.p.A.

The finalization of the operation follows the awarding of the tender by the Municipality of Schio, on behalf of other Municipalities that also owned Pasubio Group S.p.A. shares, for the sale of the entire share capital of the company.

Said sale was possible by virtue of the State Council decision that confirmed the Sentence of the Regional Administrative Court of Veneto that rejected the suspension request by 2i Reti Gas (as second in the awarding selection described above). Please refer to the paragraph "Litigation" for further information.

Pasubio Group S.p.A. leads a group that distributes natural gas, operating in 22 Municipalities in the provinces of Vicenza and Padova, supplying approximately 88,000 users.

According to Ascopiave estimates, by merging the data of companies of this Group, Pasubio Group S.p.A. closed 2015 with consolidated revenues of Euro 12.6 million (Euro 12.7 million in 2014), EBITDA Euro 4.7 million (Euro 4.4 million in 2014), EBIT Euro 2.7 million (Euro 2.1 million in 2014) and a net revenue of Euro 1.5 million (Euro 0.7 million in 2014).

As of 31 December 2015, the Group owned a Shareholders' Equity of Euro 21.1 million and had a net financial indebtedness (adjusted to accommodate receivable invoices for concession fees from municipalities for years before 2015) of Euro 6.9 million.

Concessions managed by the Group have almost been entirely allocated (20 out of 22) through tenders called pursuant to Legislative Decree no. 164/2000 (so-called Letta Decree) with deadlines ranging from 2018 to 2024 (more than 70% of all supplied concessions are allocated in Municipalities with concessions expiring December 2024).

Economic conditions offered by Ascopiave for the purchase of the entire share capital include:

- 1) Purchase of Pasubio Group shares at an equity value price of Euro 16.3 million;

- 2) Commitment to pay to former Pasubio Group S.p.A. partner Municipalities and distribution service concession Authorities an integrative one-off payment of Euro 5.1 million;
- 3) Commitment to restore, for the aforementioned Municipalities, from 2017, payment of yearly concessions in their original amount e.g. before the adjustments between the parties;
- 4) Commitment to pay in advance to the aforementioned Municipalities a sum of all the yearly concessions for years 2017 to 2018.

Obligations no. 2, 3 and 4, while formulated by Ascopiave during the offering phase, shall be formally made by Pasubio Distribuzione S.R.L., a 100% Pasubio Group owned company in charge of the concessions.

Ascopiave S.p.A. issued cash payments and financed the operation with bank receivables.

Regarding 2016 data, Ascopiave estimates that the increased due concessions following the commitment 3) above should result in increased costs and therefore result in a proportional reduction of operating results for the following years, amounting to Euro 1.6 million annually.

The offer presented by Ascopiave envisages that all currently employed personnel remain employed an improvement in the company charter as well as enhancement of current territorial operating locations.

Upon agreement stipulation, to comply with obligations, Ascopiave paid 90% of the agreed price for the sale of shares, amounting to Euro 14.7 million. The balance payment (10%), according to agreement conditions, shall be paid upon production and inconsideration of the results of the comparison between net financial positions dated 31 December 2015 and 3 April 2017 (which is the date of transfer of the share capital).

### **Shareholders' Meeting dated 28 April 2017**

28 April 2017, the ordinary and extraordinary Ascopiave S.p.A. Shareholders' Meeting was called by Chairman Flavio Zugno.

The Ascopiave S.p.A. Shareholders' Meeting convened for extraordinary purposes approved the following amendments to Art. 14, 15 and 18 of Company Bylaws:

- ✓ increase of number of Board of Director members from 5 to 6;
- ✓ increase of number of Board of Director members of majority list from 4 to 5;
- ✓ Chairman casting vote in case of tie;
- ✓ Renumbering of paragraphs in Art. 15.

The Ascopiave S.p.A. Shareholders' Meeting convened for extraordinary purposes approved the yearly statement and acknowledged the Group Consolidated Statement as of 31 December 2016 and agreed to the distribution of dividends for Euro 0.18 thousand per share, payment 10 May 2017 with dividend date 8 May 2017 (record date 9 May 2017).

The Shareholders' Meeting also appointed the new company bodies for the period 2017 – 2019.

From the list of Directors, presented by Asco Holding S.p.A. majority shareholder that had the highest number of votes, Dimitri Coin, Nicola Ceconato, Enrico Quarello, Greta Pietrobon and Antonella Lillo have been elected.

From the list presented in conjunction between AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A. with the second highest number of votes, Giorgio Martorelli, as first candidate of the list, was also elected.

The Shareholders' Meeting also appointed Nicola Ceconato as Chairman of the Board of Directors.

The Board of Statutory Auditors was also elected by the Shareholders' Meeting according to the list of possible



candidates presented by the Shareholders. Pursuant to Art. 22.5 of Company Bylaws, from list of Statutory Auditors, presented by Asco Holding S.p.A. majority shareholder that had the highest number of votes Luca Biancolin and Roberta Marcolin have been elected as full Statutory Auditors and Achille Venturano as alternate.

From the list presented in conjunction between AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A. with the second highest number of votes Pierluigi De Biasi was appointed full Statutory Auditor and Chairman of the Board of Statutory Auditors.

Shareholders' Meeting also approved the Remuneration Policy, pursuant to Section I of the Remuneration Report drafted in compliance with Art. 123/3 of Legislative Decree 58/1998 and approved a new purchase plan for owned shares for 18 months, pending withdrawal of the previous authorisation dated 28 April 2016.

#### **Development of a future industrial merger operation Aeb-Gelsia Group and Ascopiave**

As part of the possible industrial aggregation development envisaged in the letter of intent signed by Aeb-Gelsia Group and Ascopiave on 12 July 2016, on 28 April 2017 the Parties opted to extend the deadline for the exclusive negotiation period up to 30 September 2017.

#### **From 28 April 2017 Pasubio Group S.p.A. becomes AP Reti Gas Vicenza S.p.A.**

On 28 April 2017, in compliance with AEEGSI regulations regarding functional separation (unbundling), Pasubio Group S.p.A., company of the Ascopiave Group operating in the gas distribution sector changed its name into AP Reti Gas Vicenza S.p.A.

#### **Nicola Ceconato appointed CEO; internal committees have been formed.**

The Board of Directors on 9 May 2017 appointed Chairman Nicola Ceconato as CEO. He was also appointed with the power to implement Company and Ascopiave Group strategies with immediate effect.

The Board of Directors appointed a Committee for Control and Risk among its numbers. The following Directors are now part of this Committee.

- Enrico Quarello (Chairman), independent director
- Greta Pietrobon, independent director
- Giorgio Martorelli, independent director

The Board of Directors appointed a Committee for remuneration among its numbers. The following Directors are now part of this Committee.

- Dimitri Coin (Chairman), independent director
- Enrico Quarello, independent director
- Antonella Lillo, independent director

Furthermore, based on information received by the people concerned as well as the information in its possession, the Board ensured, pursuant to art. 114/9 paragraph 1-bis of the Issuer Regulation as well as pursuant to Application Criterion 3.C.4 of the Self-Regulation Code of Publicly Traded Companies that Directors Dimitri Coin, Greta Pietrobon, Enrico Quarello and Giorgio Martorelli possess the independence requisites envisaged by Art. 148,

paragraph 3 of the Single Finance Text and Art. 3 of the Self-Regulation Code of Publicly Traded Companies. Therefore, the composition of the Board of Directors is compliant with what is set forth in Art. 147/3 of the of the Single Finance Text and Art. IA 2.10.6 of the Instructions to Regulation of Italian Stock Market regarding STAR Issuers.

Additionally, on the same date, the Board of Statutory Auditors ascertained that its members possess the independence requisites set forth by Art. 148 of the of the Single Finance Text based on information received by the people concerned. The Therefore, the composition of the Board of Statutory Auditors is compliant with what is set forth in Art. 148 of the of the Single Finance Text.

### **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 March 2017 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 recognised 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**

<b>(Thousands of Euro)</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>Current assets</b>	<b>90,442</b>	<b>56,707</b>
of which		
Cash and cash equivalents	11,097	4,014
<b>Non-current assets</b>	<b>70,899</b>	<b>71,240</b>
<b>Current liabilities</b>	<b>59,958</b>	<b>31,905</b>
of which		
Current financial liabilities	0	11
<b>Non - current liabilities</b>	<b>5,135</b>	<b>5,280</b>
	<b>96,248</b>	<b>90,762</b>
Group inteterest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>47,161</b>	<b>44,472</b>

**Income Statement - summary data**

<b>(Thousands of Euro)</b>	<b>First Quarter 2017</b>	<b>First Quarter 2016</b>
Revenues	53,899	53,918
Total operating costs	45,737	45,634
<b>Gross operative margin</b>	<b>8,162</b>	<b>8,284</b>
Amortization and depreciation	424	443
<b>Operating result</b>	<b>7,739</b>	<b>7,841</b>
Financial income	39	65
Financial charges	14	5
<b>Earnings before tax</b>	<b>7,763</b>	<b>7,901</b>
Taxes of the period	2,277	2,599
<b>Result of the period</b>	<b>5,486</b>	<b>5,301</b>
Group inteterest	48.999%	48.999%
<b>Net profit for the period attributable of the Group</b>	<b>2,688</b>	<b>2,598</b>

**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**

<b>(Thousands of Euro)</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>Current assets</b>	<b>19,490</b>	<b>18,467</b>
of which		
Cash and cash equivalents	3,900	4,335
<b>Non-current assets</b>	<b>46,860</b>	<b>46,993</b>
<b>Current liabilities</b>	<b>22,576</b>	<b>21,933</b>
of which		
Current financial liabilities	0	0
<b>Non - current liabilities</b>	<b>1,239</b>	<b>1,070</b>
	<b>42,535</b>	<b>42,457</b>
<b>Group inteterest</b>	<b>48.860%</b>	<b>48.860%</b>
<b>Net profit for the period attributable of the Group</b>	<b>20,783</b>	<b>20,745</b>

**Income Statement - summary data**

<b>(Thousands of Euro)</b>	<b>First Quarter 2017</b>	<b>First Quarter 2016</b>
Revenues	5,495	3,062
Total operating costs	4,507	1,812
<b>Gross operative margin</b>	<b>988</b>	<b>1,251</b>
Amortization and depreciation	600	603
<b>Operating result</b>	<b>387</b>	<b>647</b>
Financial income	0	1
Financial charges	115	22
<b>Earnings before tax</b>	<b>273</b>	<b>626</b>
Taxes of the period	195	223
<b>Result of the period</b>	<b>78</b>	<b>403</b>
Group inteterest	48.86%	48.86%
<b>Net profit for the period attributable of the Group</b>	<b>38</b>	<b>197</b>

**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**

<b>(Thousands of Euro)</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>Current assets</b>	<b>12,318</b>	<b>10,084</b>
of which		
Cash and cash equivalents	717	1,006
<b>Non-current assets</b>	<b>5,278</b>	<b>5,319</b>
<b>Current liabilities</b>	<b>8,061</b>	<b>7,263</b>
of which		
Current financial liabilities	0	0
<b>Non - current liabilities</b>	<b>951</b>	<b>957</b>
	<b>8,583</b>	<b>7,183</b>
<b>Group inteterest</b>	<b>49.000%</b>	<b>49.000%</b>
<b>Net profit for the period attributable of the Group</b>	<b>4,206</b>	<b>3,520</b>

**Income Statement - summary data**

<b>(Thousands of Euro)</b>	<b>First Quarter 2017</b>	<b>First Quarter 2016</b>
Revenues	12,277	11,101
Total operating costs	10,278	9,116
<b>Gross operative margin</b>	<b>1,999</b>	<b>1,985</b>
Amortization and depreciation	51	51
<b>Operating result</b>	<b>1,949</b>	<b>1,934</b>
Financial income	5	5
Financial charges	4	1
<b>Earnings before tax</b>	<b>1,949</b>	<b>1,940</b>
Taxes of the period	549	621
<b>Result of the period</b>	<b>1,400</b>	<b>1,319</b>
Group inteterest	49.000%	49.000%
<b>Net profit for the period attributable of the Group</b>	<b>686</b>	<b>646</b>

Pieve di Soligo, 09 May 2017

Chairman of the Board of Directors  
Nicola Ceconato

DECLARATION  
*(Translation from the original issued in Italian)*

Certification of the Interim Quarterly Report  
as of 31<sup>st</sup> March 2017

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

I the undersigned, dr. Cristiano Belliato, in my position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declare, to the best of my knowledge, pursuant to the provisions of Article 154-bis, paragraph 2, of the Consolidated Law on Finance, that the accounting information stated in the Quarterly Report as of 31<sup>st</sup> March 2017 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 9<sup>th</sup> May 2017

Ascopiave S.p.A.  
dott. Cristiano Belliato