



# SPAFID CONNECT

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Diffusione presunta

Oggetto : The Board of Directors has approved the results of the Interim reports ended 30th September 2017

*Testo del comunicato*

Vedi allegato.

## **PRESS RELEASE**

**ASCOPIAVE:** The Board of Directors has approved the results of the interim report for the period ended 30<sup>th</sup> September 2017.

**Gross Operating Margin: € 58.9 million, a decrease compared to the first nine months of 2016 (€ 61.5 million)**

**Operating Result: € 41.6 million, a decrease compared to the first nine months of 2016 (€ 45.0 million)**

**Net Consolidated Profit: € 33.6 million, a slight decrease compared to the first nine months of 2016 (€ 34.4 million)**

**Net Financial Position: € 90.3 million, an improvement as against 31<sup>st</sup> December 2016 (€ 94.1 million)**

**Debt/Shareholders' Equity ratio: 0.21 among the most performing in the field**

The Ascopiave S.p.A. Board of Directors, which had a meeting chaired by Mr Nicola Ceconato today, acknowledged and approved Ascopiave Group's interim report as of 30<sup>th</sup> September 2017, drafted in compliance with the International Accounting Standards IAS/IFR.

Chairman Nicola Ceconato commented: "The results we announce today for the first nine months of 2017 are positive as in the previous period. The Group is continuing the implementation of the strategic process outlined by the Board of Directors and the Management: the Group's high profitability and financial balance, among the best in the industry, demonstrate that it has all the technical, economic, organisational and financial potential to effectively address the challenges posed by the territorial tenders and to pursue business consolidation".

The General Manager Roberto Gumirato added: "Once again, in this third quarter we have achieved positive results. The gross operating margin is slightly down compared to the first nine months of the previous year, as a consequence of the reduction in unit margins and the decrease in the amounts sold as part of the activity of natural gas sale. Notwithstanding this decline, margins are supported by the excellent results generated by the distribution of natural gas, connected to the expansion of the Group's consolidation scope and the favourable management of the Energy Efficiency Certificates. Leveraging on the quality and dedication that characterise the resources of our organisation, we continue to implement Business Unit development strategies, alongside streamlining of operations".

### **Consolidated results of the Ascopiave Group in the first nine months of 2017**

#### **Revenue from sales**

The Ascopiave Group closed the first nine months of 2017 with consolidated revenues amounting to € 377.3 million, compared to € 353.3 million in the same period in the previous year 2016 (+6.8%). The increase is mainly due to the rise in revenue from natural gas sales (€ +4.2 million) and the higher contributions received for the achievement of energy efficiency targets (€ +19.7 million).

#### **Gross operating margin**

Gross operating margin in the first nine months of 2017 amounted to € 58.9 million, marking a decrease compared to € 61.5 million in the same period in the previous year (-4.2%).

The trade margins on gas sale have decreased by € 5.5 million compared to the first nine months of 2016. The decrease was mainly explained by the reduction in unit margins – due for the most part to the fact that the Authority reviewed some components of the selling price to the protected market – and the lower amounts of gas sold.

Trade margins on electricity sale, which slightly increased by € 0.1 million, remained basically stable.

Tariff revenues from distribution and metering increased by € 5.1 million compared to the first nine months of 2016 (of which € 5.7 million explained by the extended scope of consolidation). The decrease recorded with the same consolidation scope is mainly attributable to the increase in revenues paid in 2016 by the Authority subsequent to the disclosure of the final equalisation balances for fiscal year 2015.

The change in the item “residual costs and revenues” – with the same consolidation scope – positively contributed to the formation of the gross operating margin (€ +1.1 million). Among the most remarkable variations, there was an improvement in the margin on the activity related to the management of energy efficiency obligations amounting to € 3.2 million, higher contributions from CCSE for safety incentives totalling € 0.7 million and lower administrative consultancy costs for € 0.5 million. This improvement is partially offset by higher staff costs for € 2.1 million, lower contingencies for € 1.2 million and higher advertising and marketing expenses amounting to € 0.3 million. Subsequent to the extension of the consolidation area, costs totalling € 3.3 million were recorded.

### **Operating Result**

The operating result in the first nine months of 2017 amounted to € 41.6 million, compared to € 45.0 million in the same period in the previous year (-7.5%).

This result has been determined, in addition to a decrease in gross operating margin, by an increase in depreciation and amortisation (€ +1.0 million). The decrease in the provision for doubtful accounts (€ -0.2 million) has only partially offset the above-mentioned effects.

### **Net Profit**

The consolidated net profit amounted to € 33.6 million, a slight decrease compared to € 34.4 million in the first nine months of 2016 (-2.2%).

The consolidation with the equity method of the jointly controlled companies and the associate company Sinergie Italiane S.r.l., under liquidation, generated income for € 5.0 million, compared to € 4.6 million in the first nine months of 2016. During the first nine months of 2017, the positive contribution of the associate company under liquidation to the consolidated profit and loss account amounted to € 0.6 million (€ 1.2 million in the first nine months of 2016).

Net financial expenses amounted to € 0.2 million, marking a decrease compared to the first nine months of the previous year (-46.0%).

Taxes recorded in the profit and loss account amounted to € 12.7 million, a decrease of € 2.0 million compared to the first nine months of 2016 (-13.7%), due to a decrease in IRES tax rates in force in 2017 (from 27.5% to 24%), and a lower taxable income.

The tax rate, calculated by normalising the pre-tax result of the companies consolidated with the equity method, decreased from 33.1% to 30.7%.

### **EBITDA of jointly controlled companies consolidated with the equity method**

In the first nine months of 2017, the jointly controlled companies consolidated with the equity method achieved a consolidation *pro-rata* gross operating margin of € 8.9 million, an increase of € 0.2 million compared to the same period in the previous year.

### **Operating performance in the first nine months of 2017**

The volumes of gas sold by the fully-consolidated companies in the first nine months of 2017 amounted to 520.9 million cubic metres, marking a decrease of 1.6% compared to the same period in 2016.

The equity-method consolidated companies sold a total of 85.2 million cubic metres of gas *pro-rata* in total, marking an increase of 0.3% compared to the same period in 2016.

With regard to gas distribution, the volumes of gas delivered through the networks managed by the fully-consolidated companies amounted to 593.7 million cubic metres, thus showing an increase of 12.1% compared to the same period in the previous year (the newly acquired companies distributed 43.4 million cubic metres).

The *pro-rata* 46.8 million cubic metres distributed by Unigas Distribuzione S.r.l., consolidated with the equity method, must be added to these volumes.

### **Investments**

Investments by the fully-consolidated companies in intangible and tangible fixed assets in the first nine months of 2017 amounted to € 14.7 million and mainly concerned the installation of metres and the development, maintenance and upgrade of gas distribution networks and systems. Specifically, investments in gas networks and systems amounted to € 11.7 million, of which € 5.6 million in metres and adjusters, € 2.8 million in connections, € 3.3 million in enlargements and enhancing of distribution networks and maintenance, mainly relating to reduction and pre-heating systems. Subsequent to the extension of the consolidation area, investments totalling € 2.0 million were recorded.

Investments by the equity-method consolidated companies in intangible and tangible fixed assets amounted to € 0.9 million and they also relate mainly to methane networks and plants.

### **Indebtedness and Debt/Net Equity Ratio**

The Group's net financial position as of 30<sup>th</sup> September 2017 amounted to € 90.3 million, an improvement of € 3.8 million as compared to 31<sup>st</sup> December 2016.

The positive financial flow was determined mainly by the following operations:

- The cash flow generated financial resources totalling € 50.9 million;
- Net investments in tangible and intangible fixed assets caused the expenditure of € 14.7 million;
- The management of net operating working capital and net fiscal working capital generated resources totalling € 21.3 million;
- The distribution of dividends net of dividends collected from the companies consolidated with the equity method and other changes in shareholders' equity caused the expenditure of € 36.3 million;
- The purchase of Pasubio Group, currently AP Reti Gas Vicenza S.p.A., determined investments amounting to € 16.3 million and an increase in the net financial position of € 1.1 million.

The debt/shareholders' equity ratio as of 30<sup>th</sup> September 2017 amounted to 0.21 (0.21 as of 31<sup>st</sup> December 2016). The indicator is among the best-performing in the field.

### **Significant events during the first nine months of 2017**

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

The Company, together with the other first instance appellants, on 16<sup>th</sup> January 2017 filed an appeal before the Council of State and is currently awaiting the scheduling of the proceedings.

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

On 31<sup>st</sup> January 2017, as part of the possible business combination envisaged in the letter of intent signed between the Aeb-Gelsia Group and Ascopiave on 12<sup>th</sup> July 2016, the Parties agreed to extend the terms of the period of exclusivity in negotiations until 30<sup>th</sup> April 2017.

#### **Ascopiave has purchased 100% of Pasubio Group S.p.A. share capital**

On 3<sup>rd</sup> April 2017, Ascopiave S.p.A. acquired 100% of Pasubio Group S.p.A. share capital. The transaction was conducted after the award of the tender issued by the Town of Schio, also representing the other Municipalities that owned stakes in Pasubio Group S.p.A., for the sale of the entire share capital of the company.

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

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

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

The concessions managed by the Group were mostly awarded (20 out of 22) on the basis of tenders pursuant to Legislative Decree no. 164/2000 (the so-called Letta Decree); they will expire between 2018 and 2024 (over 70% of clients fall under those concessions expiring in December 2024).

The economic conditions offered by Ascopiave S.p.A. for the purchase of the entire share capital have the following main features:

- 1) the purchase of the shares of Pasubio Group at an equity value of € 16.3 million;
- 2) a commitment by Pasubio Distribuzione S.r.l., a subsidiary of Pasubio Group S.p.A., to disburse to the Municipalities which are currently shareholders of Pasubio Group S.p.A. and licensors of the distribution service a one-off supplementary fee amounting to € 5.1 million;
- 3) a commitment by Pasubio Distribuzione S.r.l. to disburse to the said Municipalities, commencing 2017, the annual concession fees as originally envisaged i.e. prior to the amendments in force between the parties;
- 4) a commitment by Pasubio Distribuzione S.r.l. to make an advance payment to the said Municipalities corresponding to the annual concession fees relating to the years 2017 and 2018.

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

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

With the transaction, Ascopiave paid the shareholders which sold the company's entire share capital 90% of the price agreed for the sale of the shares, amounting to € 14.7 million, whereas the balance (10%) was paid subsequent to the determination of the price adjustment envisaged in the agreement and based on the change in the net financial position from 31<sup>st</sup> December 2015 to the share transfer date.

In compliance with the agreements, Pasubio Distribuzione S.r.l. paid the municipalities which sold their stakes a portion of the one-off amount to which they were entitled, equal to € 5.1 million.

Ascopiave S.p.A. settled the payments by cash and financed the transaction through bank loans.

On 27<sup>th</sup> July 2017, Ascopiave S.p.A. paid the balance of the price relating to the acquisition of the stake in Pasubio Group, amounting to € 1.6 million, subsequent to the determination of the price adjustment envisaged in the agreement.

#### **Shareholders' Meeting held on 28<sup>th</sup> April 2017**

The Shareholders' Meeting of Ascopiave S.p.A. convened in ordinary and extraordinary session on 28<sup>th</sup> April 2017, chaired by Mr Fulvio Zugno.

The Shareholders' Meeting of Ascopiave S.p.A., convened in extraordinary session, examined and approved the following amendments to articles 14, 15 and 18 of the Articles of Association:

- increase in the number of Directors from five to six;
- increase in the number of Directors taken from the list which obtains the highest number of votes from four to five;
- introduction of the casting vote of the Chairman in the event of a tie;
- different numbering of paragraphs in art. 15.

The ordinary Shareholders' Meeting approved the financial statements and acknowledged the Group's consolidated financial statements as of 31<sup>st</sup> December 2016 and resolved to distribute a dividend of € 0.18 per share. The dividend was paid on 10<sup>th</sup> May 2017 with ex-dividend date on 8<sup>th</sup> May 2017 (record date on 9<sup>th</sup> May 2017).

The Meeting also appointed the new corporate bodies for the 2017 – 2019 period.

From the list for the appointment of the Directors, submitted by the majority shareholder Asco Holding S.p.A., which obtained the highest number of votes, Dimitri Coin, Nicola Ceconato, Enrico Quarello, Greta Pietrobon and Antonella Lillo were elected.

From the list submitted jointly by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A., which received the second-highest number of votes, Giorgio Martorelli, the first candidate of that list, was elected director.

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

The Board of Auditors appointed by the Meeting was elected based on the lists of candidates submitted by the Shareholders. Pursuant to art. 22.5 of the Articles of Association, from the list submitted by the majority shareholder, Asco Holding S.p.A., which obtained the highest number of votes, Luca Biancolin and Roberta Marcolin were elected acting auditors and Achille Venturato was elected alternate auditor.

From the list submitted jointly by AMBER CAPITAL ITALIA SGR S.p.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A., which received the second-highest number of votes, Antonio Schiro was elected acting auditor and Chairman of the Board of Auditors and Pierluigi De Biasi was elected alternate auditor.

Furthermore, the Shareholders' Meeting approved the Remuneration Policy, corresponding to Section I of the Remuneration Report compiled in accordance with art. 123/3 of Italian Legislative Decree 58/1998, and approved a new purchase and sale plan of treasury shares whose duration is 18 months, after revoking the previous authorisation of 28<sup>th</sup> April 2016.

#### **Process for the development of a future business combination between the Aeb-Gelsia Group and Ascopiave**

As part of the possible business combination envisaged in the letter of intent signed between the Aeb-Gelsia Group and Ascopiave on 12<sup>th</sup> July 2016, on 28<sup>th</sup> April 2017 the Parties agreed to extend the terms of the period of exclusivity in negotiations until 30<sup>th</sup> September 2017.

#### **Commencing 28<sup>th</sup> April 2017, Pasubio Group S.p.A. became AP Reti Gas Vicenza S.p.A.**

On 28<sup>th</sup> April 2017, in compliance with AEEGSI's unbundling regulations, Pasubio Group S.p.A., a company of the Ascopiave Group operating in the gas distribution sector, upon resolution of Pasubio Group S.p.A. Shareholders' Meeting, changed its name to AP Reti Gas Vicenza S.p.A.

#### **Appointment of Nicola Ceconato as the Managing Director. Establishment of the Internal Committees.**

The Board of Directors convened on 9<sup>th</sup> May 2017 entrusted the Chairman, Mr Nicola Ceconato, with the role of Managing Director, granting him powers of attorney to implement the strategies of the Company and the Ascopiave Group, with immediate effect.

The Board of Directors instituted an internal Risk and Control Committee and appointed its members:

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

The Board of Directors instituted an internal Remuneration Committee and appointed its members:

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

Furthermore, on the basis of the information received from the persons concerned and the facts known, the Board finally ascertained, pursuant to art. 144-novies, paragraph 1-bis, of the Issuers' Regulations, as well as in accordance with Application Guideline 3.C.4 of the Code of Conduct for Listed Companies, that the Directors Dimitri Coin, Greta Pietrobon, Enrico Quarello and Giorgio Martorelli are in possession of the independence requirements under art. 148, paragraph 3, of the Unified Finance Law and art. 3 of the Code of Conduct for Listed Companies and that therefore the composition of the Board of Directors complies with the provisions of art. 147-ter of the Unified Finance Law and art. IA.2.10.6 of the Instructions for Borsa Italiana Regulations regarding STAR issuers.

On the same day, the Board of Auditors ascertained that its members fulfil the independence requirements set forth in art. 148, paragraph 3, of the Unified Finance Law on the basis of the information received from the persons concerned. The composition of the Board of Auditors therefore complies with the provisions of article 148 of the Unified Finance Law.

#### **New Board of Directors of Ascotrade S.p.A.**

Ascopiave S.p.A. Board of Directors, which had a meeting chaired by Nicola Ceconato on 16<sup>th</sup> June 2017, resolved to convene the Ordinary Shareholders' Meeting of the subsidiary Ascotrade S.p.A. to decide on the revocation of the current Board of Directors appointed on 20<sup>th</sup> April 2017 and the appointment of a new governing body. As far as Ascopiave S.p.A. is concerned, Stefano Busolin (Chairman and Managing Director), Giovanni Zoppas (Director), Quirinio Biscaro (Director) and Stefano Varnerin (Director) were appointed.

#### **Amendment of annual schedule of corporate events, pursuant to article 2.6.2, Regulations on the Markets Organised and Managed by Borsa Italiana S.p.A.**

Ascopiave S.p.A. announced on 20<sup>th</sup> June 2017 that the Board of Directors was to meet on 31<sup>st</sup> July 2017 for the approval of the Interim report, and not on 1<sup>st</sup> August 2017 as initially scheduled. The Presentation to Analysts, initially planned for 2<sup>nd</sup> August 2017, was held on 1<sup>st</sup> August 2017.



**Merger by acquisition of Pasubio Distribuzione Gas S.r.l. Unipersonale and Pasubio Rete Gas S.r.l. Unipersonale into AP Reti Gas Vicenza S.p.A.**

On 26<sup>th</sup> July 2017, the merger by acquisition of Pasubio Distribuzione Gas S.r.l. Unipersonale and Pasubio Rete Gas S.r.l. Unipersonale into AP Reti Gas Vicenza S.p.A. was signed. The deed was entered in the Register of Companies on 31<sup>st</sup> July 2017.

For accounting and tax purposes, the transactions performed by the merged companies were posted to the merging company's financial statements commencing 1<sup>st</sup> January 2017; for legal purposes, i.e. vis-à-vis third parties, the merger took effect commencing 1<sup>st</sup> September 2017.

**Long-term loan taken out with Banca Nazionale del Lavoro (BNL)**

On 2<sup>nd</sup> August 2017, the Parent Company signed with BNL a 12-year long-term fixed-rate loan, amounting to € 30,000 thousand, repayable every six months through constant instalments for the capital portion.

**Meeting for the appointment of the new Board of Directors of Ascotrade S.p.A.**

The ordinary Shareholders' Meeting of the subsidiary Ascotrade S.p.A., convened on 7<sup>th</sup> August 2017, revoked the current Board of Directors appointed on 20<sup>th</sup> April 2017.

The new Board of Directors of Ascotrade S.p.A., as far as Ascopiave S.p.A. is concerned, is composed of Mr Stefano Busolin (Chairman and Managing Director), Mr Giovanni Zoppas (Director), Mr Quirino Biscaro (Director) and Mr Stefano Varnerin (Director).

The minority shareholder, Bim Gestione Servizi Pubblici S.p.A., has also appointed Mr Giuseppe Vignato as the fifth component of the new Board of Directors of Ascotrade S.p.A..

**Participation in the tender for awarding the concession for the management of the gas distribution service in the territorial area of Belluno**

The bid for the tender awarding the natural gas distribution service in the Belluno Territorial Area was submitted on 1<sup>st</sup> September 2017. The tendering procedures are currently suspended due to a protective order by the Regional Administrative Court of Veneto, which deliberated on the appeal filed by one of the applicants. The merit hearing is scheduled for 18<sup>th</sup> January 2018.

**Final Judgment of the Appeal against resolution ARG/GAS 367/2014**

With deed dated 18<sup>th</sup> January 2016 Ascopiave had filed an appeal before the Council of State, against AEEGSI, for the cancellation of Judgement no. 2221 dated 19<sup>th</sup> October 2015, by which the Regional Administrative Court of Lombardy – Milan rejected the appeal for the cancellation of Resolution ARG/gas 367/2014 relating to the methods for recognising the value of the RAB VIR delta in the section which envisages different regulations for incumbent (no reimbursement) and non-incumbent (full reimbursement).

On 8<sup>th</sup> February 2016 the Council of State scheduled the pre-trial hearing for 31<sup>st</sup> March 2016. During the hearing, the lawyers of the company requested that the merit hearing be scheduled as soon as possible (the aim of the pre-trial hearing was to quicken the proceeding as much as possible).

By Judgement no. 4198/2017, published on 5<sup>th</sup> September 2017, the Council of State rejected the appeal, thus confirming the previous Judgement of the Regional Administrative Court and, as a consequence, the effectiveness of the contested Resolution, according to which for each municipal installation, the local net invested capital (RAB), recognised to the winner of the territorial tender, will be equal to:

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

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

**The Ascopiave Group and the Aeb/Gelsia Group interrupt the business combination process**

On 25<sup>th</sup> September 2017, the Ascopiave Group and the Aeb Group agreed to consensually interrupt the process aimed at combining their businesses of gas and electricity sale and distribution in Lombardy.

After conducting intense and challenging comparative activities marked by transparency and cooperation, the Parties observed that, at present, the conditions for the completion of the operation are not met, also in the light of the new regulatory scenarios governing unlisted companies having a public shareholder.

The two groups recognise the affinity of their guiding principles, as well as the similarities in terms of history, business model and market approach, characterised, for both, by a strong link with their local territory and excellence in the services they provide; the parties therefore intend to maintain relations with a view to fostering dialogue and discussion on future challenges that the energy market will pose. The Groups do not

exclude, in the event of optimum conditions, the development of new partnership and cooperation initiatives in the future.

### **Significant events subsequent to the end of the period**

#### **Amendments and additions to regulations governing settlement gas**

In 2016, the regulatory framework is unchanged as compared to the scenario described in section “Assessment benchmarks” of the yearly financial statements as of 31<sup>st</sup> December 2015. The adjustment sessions of natural gas allocations are still suspended in compliance with the provisions of the Authority for Electricity, Gas and Water contained in Resolution 276/2015/R/GAS dated 9<sup>th</sup> 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/GAS. 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 algorithms other than those used in current sessions. On 3<sup>rd</sup> August 2017, the Authority presented, with DCO 590/2017, the final guidelines on possible amendments and additions to the regulations in force governing Settlement, aimed at simplifying the doctrine and overcoming some of the issues emerged.

By resolution 670/2017/R/GAS dated 5<sup>th</sup> October 2017, the Authority for Electricity, Gas and Water approved the first provisions on gas settlement with specific reference to the methods to be used for the determination of the physical and economic adjustment items for the previous period, from 2013 until the coming into effect of the new regulations.

In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply, and the differentials emerging between the total quantities injected into the distribution network and taken therefrom, shall be subdivided on the basis of the latter. The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to adjustment. They will be distributed proportionally to the various sales companies on the basis of the volumes of natural gas used by the end customers and measured by means of readings. The adjustment session for 2013-2016 is scheduled for May 2018.

At the closing date of this report, the regulatory framework of the new doctrine is not fully defined: the Authority has in fact postponed the definition of a relevant parameter to a subsequent decision, making it impossible to calculate any economic effects of the resolution.

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.

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., 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.

#### **Outlook for 2017**

As far as the gas distribution activities are concerned, in 2017 the Group will continue its normal operations and service management and perform preparatory activities for the invitations to tender. The Group will also participate in the tenders invited, if any, for the award of the Minimum Territorial Areas in which it is interested. Most Towns currently managed by the Group belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders is 31<sup>st</sup> December 2017. If the tender authorities issue calls for tenders in 2017, in the light of the time required to submit bids and evaluate and select them, it is reasonable to assume that possible transfers of management to potential new operators may be executed only after the end of 2017. Thus, the activity perimeter of the Group will likely not change compared to today, if we exclude the combination of Pasubio Group S.p.A. (which changed its name to AP Reti Gas Vicenza S.p.A. on 28<sup>th</sup> April 2017).

As regards the economic results, the tariff adjustment for the year 2017 is completely defined and should ensure revenues substantially in line with those of 2016.

As concerns the energy efficiency obligations, the significant volatility experienced by the prices of the energy efficiency certificates makes it difficult to forecast their impact on profit and loss over the entire financial year.

As far as gas sale is concerned, assuming normal weather conditions, trade margins are expected to decrease compared to 2016, due to the competitive pressure in the retail market and the tariff measures issued by AEEGSI (change in the gradualness component).



Other factors which could affect trade margins are connected to the weather conditions of the last quarter of 2017. Obviously, the positive effects due to the compensation of the APR mechanism, amounting to € 11.1 million, cannot be repeated. As regards 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 and electricity prices, the actual operational performance, the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, success in the development and application of new technologies, the changes in stakeholder expectations and other changes in business conditions.

### **Seasonal nature of operations**

Gas consumption undergoes a considerable amount of variations on a seasonal basis, with a greater demand in winter in relation to higher consumptions for heating. This seasonality influences the trend of revenues from gas sales and of procurement costs, while other operating costs are fixed and incurred by the Group in a uniform manner throughout the year. This peculiarity of the business also affects the performance of the Group’s net financial position, as the invoicing cycles of accounts receivable and payable are not aligned and also depend on the volumes of gas sold and purchased during the year. Therefore, the data and the information contained in the interim financial statements do not allow for immediate indications to be drawn regarding the overall performance for the year.

### **Statement by the manager in charge**

The manager in charge of preparing the company accounting documents, Mr Cristiano Belliato, hereby states, under the terms of paragraph 2, article 154 bis, Unified Finance Law, that the accounting information note contained in this press release corresponds to the official documents, accounting books and records.

### **Notice of filing of the Interim Management Report as of 30<sup>th</sup> September 2017**

The Interim Management Report for the period ended 30<sup>th</sup> September 2017 shall be made available to the public at the registered office and at the stock management company Borsa Italiana S.p.A. (Italian Stock Exchange), stored in the “eMarket SDIR-eMarket Storage” system provided by Spafid Connect S.p.A. and published on the website [www.gruppoascopiave.it](http://www.gruppoascopiave.it) within the time prescribed by law.

### **Annexes**

Consolidated financial statements subject to limited audit.

*The Ascopiave Group operates in the natural gas sector, mainly in the segments of distribution and sale to end users. Thanks to its broad customer base and the quantity of gas sold, Ascopiave is currently one of the main operators in the industry at a national level.*

*The Group owns concessions and direct assignments for the management of distribution activities in 230 Towns, supplying the service to a market segment of 1.5 million inhabitants, through a distribution network which spreads over 10,000 kilometres.*

*The sale of natural gas is performed through different companies, some under joint control. Overall, in 2016, the companies of the Group sold over 1 billion cubic metres of gas to end users.*

*Ascopiave has been listed under the Star segment of Borsa Italiana since 12<sup>th</sup> December 2006.*

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Pieve di Soligo, 7<sup>th</sup> November 2017



## **Ascopiave Group**

### **Consolidated interim financial statements**

30<sup>th</sup> September 2017

**Consolidated statement of financial position**

(Thousands of Euro)		30.09.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	343,979	316,905
Tangible assets	(3)	33,411	32,364
Shareholdings	(4)	66,402	68,738
Other non-current assets	(5)	12,984	13,566
Non-current assets from derivative financial instruments	(6)	0	485
Advance tax receivables	(7)	11,185	9,758
<b>Non-current assets</b>		<b>548,720</b>	<b>522,574</b>
<b>Current assets</b>			
Inventories	(8)	5,410	4,311
Trade receivables	(9)	59,940	148,079
Other current assets	(10)	66,849	47,207
Tax receivables	(11)	1,490	1,007
Cash and cash equivalents	(12)	44,672	8,822
Current assets from derivative financial instruments	(13)	816	1,304
<b>Current assets</b>		<b>179,177</b>	<b>210,730</b>
<b>ASSETS</b>		<b>727,897</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		212,866	221,164
<b>Net equity of the Group</b>		<b>429,756</b>	<b>438,055</b>
<b>Net equity of Others</b>		<b>4,239</b>	<b>6,154</b>
<b>Total Net equity</b>	(14)	<b>433,994</b>	<b>444,209</b>
<b>Non-current liabilities</b>			
Provisions for risks and charges	(15)	7,083	6,992
Severance indemnity	(16)	4,991	4,077
Medium- and long-term bank loans	(17)	54,360	34,541
Other non-current liabilities	(18)	22,405	20,267
Non-current financial liabilities	(19)	296	357
Deferred tax payables	(20)	15,978	16,814
<b>Non-current liabilities</b>		<b>105,112</b>	<b>83,050</b>
<b>Current liabilities</b>			
Payables due to banks and financing institutions	(21)	78,060	64,397
Trade payables	(22)	62,210	103,052
Tax payables	(23)	905	1,231
Other current liabilities	(24)	45,338	33,691
Current financial liabilities	(25)	2,271	3,645
Current liabilities from derivative financial instruments	(26)	7	29
<b>Current liabilities</b>		<b>188,790</b>	<b>206,045</b>
<b>Liabilities</b>		<b>293,903</b>	<b>289,095</b>
<b>Net equity and liabilities</b>		<b>727,897</b>	<b>733,304</b>

**Consolidated statement of comprehensive income**

(Thousands of Euro)	3rd Quarter 2017	3rd Quarter 2016
<b>Revenues</b>	(27) 377,344	353,337
<b>Total operating costs</b>	319,573	293,238
Purchase costs for raw material (gas)	(28) 172,400	169,292
Purchase costs for other raw materials	(29) 15,676	14,717
Costs for services	(30) 82,738	77,611
Costs for personnel	(31) 18,150	16,043
Other management costs	(32) 31,271	15,729
Other income	(33) 662	155
Amortization and depreciation	(34) 16,176	15,140
<b>Operating result</b>	<b>41,595</b>	<b>44,959</b>
Financial income	(35) 253	196
Financial charges	(35) 503	658
Evaluation of subsidiary companies with the net equity method	(35) 4,962	4,571
<b>Earnings before tax</b>	<b>46,307</b>	<b>49,067</b>
Taxes for the period	(36) 12,698	14,708
<b>Result for the period</b>	<b>33,610</b>	<b>34,359</b>
Group's Net Result	32,200	32,621
Third parties Net Result	1,410	1,738
<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	(784)	863
2. Components that can not be reclassified to the income statement		
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax	3	(310)
<b>Total comprehensive income</b>	<b>32,829</b>	<b>34,912</b>
Group's overall net result	31,507	33,086
Third parties' overall net result	1,321	1,825
Base income per share	0.145	0.147
Diluted net income per share	0.145	0.147

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

### Consolidated statement of changes in shareholders' equity

(thousands of Euro)	Share Capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
<b>Balance as of 1<sup>st</sup> January 2017</b>	<b>234.412</b>	<b>46.882</b>	<b>(17.521)</b>	<b>(108)</b>	<b>120.757</b>	<b>53.635</b>	<b>438.055</b>	<b>6.154</b>	<b>444.209</b>
Result for the period						32.200	32.200	1.410	33.610
Other operations					(695)		(695)	(88)	(784)
IAS 19 TFR actualization for the period				3			3	(0)	3
<b>Total result of overall income statement</b>				<b>3</b>	<b>(695)</b>	<b>32.200</b>	<b>31.507</b>	<b>1.321</b>	<b>32.829</b>
Allocation of 2016 result					53.635	(53.635)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(40.016)		(40.016)		(40.016)
Dividends distributed to third parties shareholders							(0)	(3.237)	(3.237)
Long-term incentive plans			(0)		210		210		210
<b>Balance as of 30<sup>th</sup> September 2017</b>	<b>234.412</b>	<b>46.882</b>	<b>(17.521)</b>	<b>(106)</b>	<b>133.890</b>	<b>32.200</b>	<b>429.756</b>	<b>4.239</b>	<b>433.995</b>

(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>	<b>234.412</b>	<b>46.882</b>	<b>(17.522)</b>	<b>(99)</b>	<b>108.578</b>	<b>43.014</b>	<b>415.264</b>	<b>4.873</b>	<b>420.137</b>
Result for the period						32.621	32.621	1.738	34.359
Other operations					768		768	95	863
IAS 19 TFR actualization for the period				(302)			(302)	(8)	(310)
<b>Total result of overall income statement</b>				<b>(302)</b>	<b>768</b>	<b>32.621</b>	<b>33.086</b>	<b>1.825</b>	<b>34.912</b>
Allocation of 2015 result					43.014	(43.014)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders'					(33.347)		(33.347)		(33.347)
Dividends distributed to third parties shareholders							(0)	(2.222)	(2.222)
<b>Balance as of 30<sup>th</sup> September 2016</b>	<b>234.412</b>	<b>46.882</b>	<b>(17.522)</b>	<b>(401)</b>	<b>119.013</b>	<b>32.621</b>	<b>415.004</b>	<b>4.476</b>	<b>419.479</b>



**Consolidated statement of cash flows**

( thousands o f Euro)	Third quarter 2017	Third quarter 2016
<b>Net income of the Group</b>	<b>32,200</b>	<b>32,621</b>
<b>Cash flows generated (used) by operating activities</b>		
<b>Adjustments to reconcile net income to net cash</b>		
Third-parties operating result	1,410	1,738
Amortization	16,176	15,140
Bad debt provisions	1,134	1,379
Variations in severance indemnity	141	569
Current assets / liabilities on financial instruments	951	(897)
Net variation of other funds	471	411
Evaluation of subsidiaries with the net equity method	(4,962)	(4,571)
Impairment losses / (gains) on shareholdings	(373)	0
Interests paid	(403)	(555)
Taxes paid	(14,517)	(1,695)
Interest expense for the period	410	599
Taxes for the period	12,698	14,708
<b>Variations in assets and liabilities</b>		
Inventories	(927)	(2,163)
Accounts payable	94,363	108,709
Other current assets	(13,890)	6,754
Trade payables	(59,760)	(69,555)
Other current liabilities	5,400	(12,504)
Other non-current assets	592	1,800
Other non-current liabilities	1,137	2,124
<b>Totale rettifiche e variazioni</b>	<b>40,051</b>	<b>61,991</b>
<b>Cash flows generated (used) by operating activities</b>	<b>72,251</b>	<b>94,611</b>
<b>Cash flows generated (used) by investments</b>		
Investments in intangible assets	(14,010)	(13,498)
Realisable value of intangible assets	2	640
Investments in tangible assets	(682)	(804)
Realisable value of tangible assets	(0)	2
Payment and advance on holdings	(9,655)	0
Other net equity operations	212	(310)
<b>Cash flows generated/(used) by investments</b>	<b>(24,133)</b>	<b>(13,971)</b>
<b>Cash flows generated (used) by financial activities</b>		
Net changes in debts due to other financiers	(61)	(58)
Net changes in short-term bank borrowings	(7,856)	(45,287)
Net variation in current financial assets and liabilities	(1,374)	9,306
Ignitions loans and mortgages	300,000	76,000
Redemptions loans and mortgages	(266,430)	(107,500)
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)	(33,347)
Dividends distributed to other shareholders	(3,237)	(2,222)
Dividends distributed from subsidiary companies	6,706	5,980
<b>Cash flows generated (used) by financial activities</b>	<b>(12,268)</b>	<b>(97,128)</b>
<b>Variations in cash</b>	<b>35,851</b>	<b>(16,487)</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>44,672</b>	<b>11,814</b>

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