



Interim Financial Statements

as of 30th June 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.

Auditing Company:

- Independent Auditors' Report limited to the auditing of the consolidated interim financial statements as of 30th June 2017.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Statutory Auditors

Name	Office	Duration of office	From	To
Zugno Fulvio	Chairman of the Board of Directors 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.

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Main economic and financial data of the Ascopiave Group

Economic figures

(Thousands of Euro)	1 st Half 2017	% of revenues	1 st Half 2016	% of revenues
Revenues	297,500	100.0%	265,811	100.0%
Gross operative margin	49,228	16.5%	48,933	18.4%
Operating result	37,545	12.6%	37,705	14.2%
Net result for the period	30,658	10.3%	29,240	11.0%

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

Assets figures

(Thousands of Euro)	30.06.2017	31.12.2016	30.06.2016
Net working capital	(1,332)	63,905	(10,417)
Fixed assets and other non current assets	549,616	522,574	519,031
Non-current liabilities (excluding loans)	(50,275)	(48,151)	(46,187)
Net invested capital	498,020	538,328	461,428
Net financial position	(67,109)	(94,119)	(46,639)
Total Net equity	(430,911)	(444,209)	(414,788)
Total financing sources	(498,020)	(538,328)	(461,428)

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

Monetary flow data

(thousands of Euro)	First Half 2017	First Half 2016
Net income of the Group	29,193	27,510
Cash flows generated (used) by operating activities	89,074	106,226
Cash flows generated/(used) by investments	(18,134)	(9,239)
Cash flows generated (used) by financial activities	(41,698)	(109,801)
Variations in cash	29,242	(12,815)
Cash and cash equivalents at the beginning of the period	8,822	28,301
Cash and cash equivalents at the end of the period	38,063	15,486

REPORT ON OPERATION

FOREWORD

The Ascopiave Group closed the first half of 2017 with a net consolidated profit of Euro 30.7 million (Euro 29.2 million as of 30th June 2016), with an increase of Euro 1.5 million, +4.8%, as compared to the same period in the previous year.

The consolidated net assets at the end of the first half of the year amounted to Euro 430.9 million, (Euro 444.2 million as of 31st December 2016) and the net capital invested to Euro 498.0 million (Euro 538.3 million as of 31st December 2016).

At the end of the first half of 2017, the Group accomplished investments for Euro 10.5 million (Euro 9.6 million as of 30th June 2016), mainly in the development, maintenance and modernisation of the networks and plant of gas distribution and the installation of electronic metres.

Activities

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

The Group currently holds concessions and direct assurances for the supply of the service in 230 municipalities (208 municipalities as of 31st December 2016) and has a distribution network extending for over 9,760 km¹ (over 8,300 km as of 31st December 2016), providing a service to a catchment area bigger than 1 million inhabitants.

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

In the gas sale segment, Ascopiave is one of the main National operators with over 544 million cu.m¹ of gas sold in the first six months of 2017 (540 million cu.m as of 30th June 2016).

Strategic objectives

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

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

¹The data specified as regards the length of the distribution network and the volumes of gas sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

diversification in other divisions of the energy sector in synergy with the core business and the improvement of operating processes.

Operating performance

The volumes of gas sold in the first half of 2017 are equal to 544.1 million cubic metres², marking an increase of 3.4% as compared to the same period in the previous year.

The volumes of electrical energy sold in the first half of 2017 were 212.3 GWh², marking an increase of 12.9% as compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through networks managed by the Group were 531.7 million cu.m, an increase of 8.2% as compared to the same period in 2016. The distribution network as of 30th June 2016 had an extension of 9,762 Km² (8,354 km as of 30th June 2016).

Economic results and financial situation

In the first half of 2017 the consolidated revenues of the Ascopiave Group equal Euro 297.5 million, compared to Euro 265.8 million in the first half of 2016. The increase in the turnover is mainly due to the higher revenues connected with the contributions received for the achievement of energy efficiency targets (Euro +14.2 million), revenues on gas sale (Euro +14.2 million) explained by higher amounts of gas sold and the extension of the scope of consolidation (Euro 5.3 million).

The Operating Result of the Group equals Euro 37.5 million, substantially in line with Euro 37.7 million in the first half of 2016. The decline in gas and electricity sale margins was almost totally offset by the excellent management of energy efficiency certificates, lower net operating costs and the extension of the scope of consolidation.

The Net Result of the Group equals Euro 30.7 million, increasing as compared to Euro 29.2 million in the first half of 2016, mainly due to lower fiscal charges on income taxes.

The Net Financial Position of the Group as of 30th June 2017 is equal to Euro 67.1 million, with an improvement of Euro 27.0 million as compared to Euro 94.1 million as of 31st December 2016.

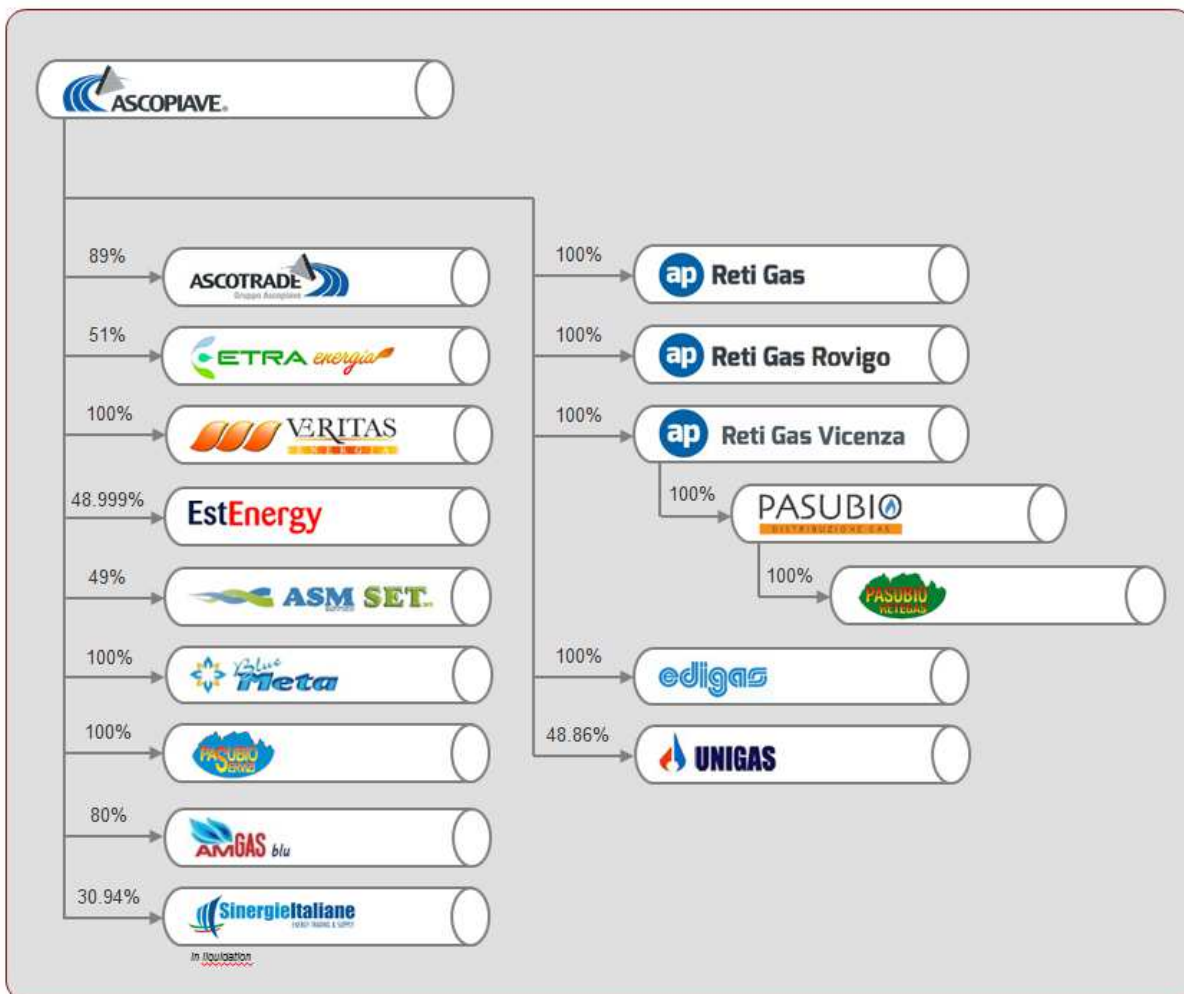
The reduction in financial indebtedness is determined by the cash flow of the period (Euro +42.4 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which generated financial resources for Euro 90.6 million. The investment activity originated a requirement of Euro 26.7 million.

The ratio between Net financial position and Net equity as of 30th June 2017 is equal to 0.16 (0.11 as of 30th June 2016).

² The data specified as regards the length of the distribution network and the volumes of gas sold are obtained by adding each Group company's data, previously pondering the data of the companies consolidated with the equity method according to the relevant share.

The structure of the Ascopiave Group

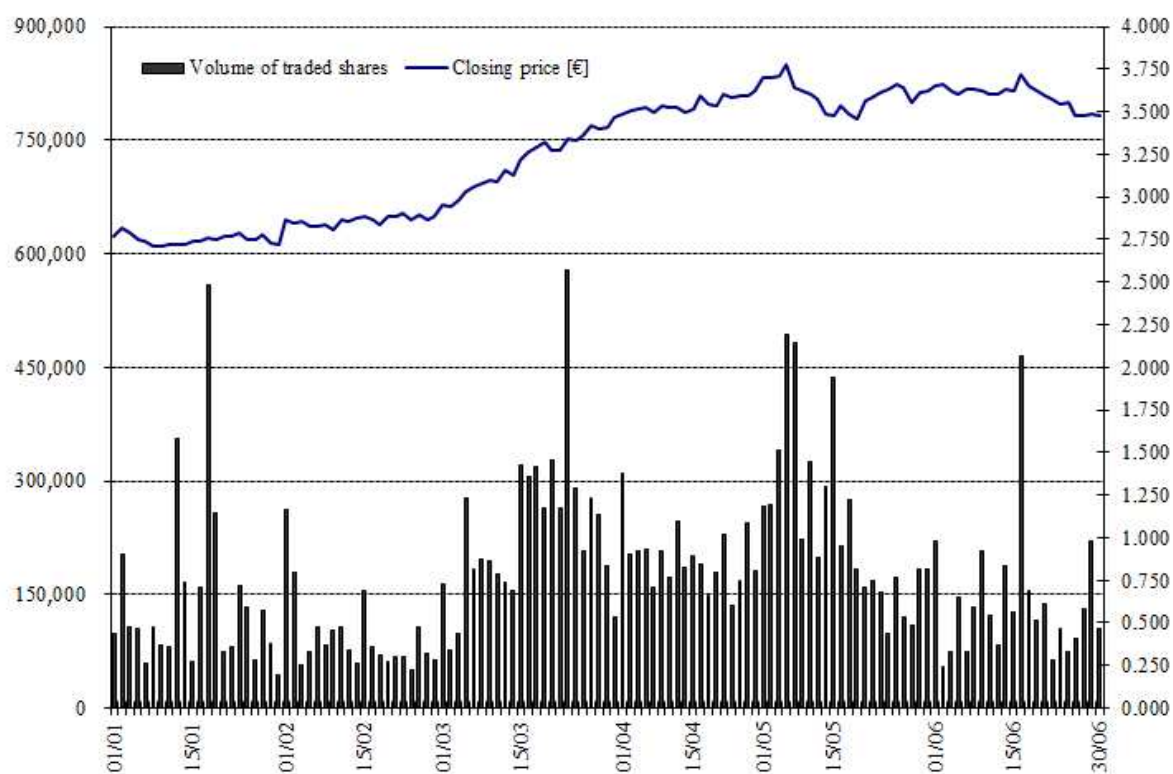
The table below shows the company structure of the Ascopiave Group as on 30th June 2017.



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

As of 30th June 2017 the Ascopiave share registered a quotation of Euro 3.480 per share, with an increase of 25.8 percentage points as compared to the listing at the beginning of 2017 (Euro 2.766 per share, referred to the quotation of 2nd January 2017).

Capitalisation of the Stock Exchange as of 30th June 2017 was equal to Euro 816.39 million³ (Euro 638.10 million as of 30th December 2016).



During the first half of 2017, the quotation of the share showed a positive performance (+25.8%), higher than the industry index FTSE Italia Servizi di Pubblica Utilità (+9.1%), FTSE Italia Star (+21.9%) and FTSE Italia All-Share (+6.8%).

³ The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30th June 2017 equalled Euro 14.0 billion. Source: Borsa Italiana website (www.borsaitaliana.it).

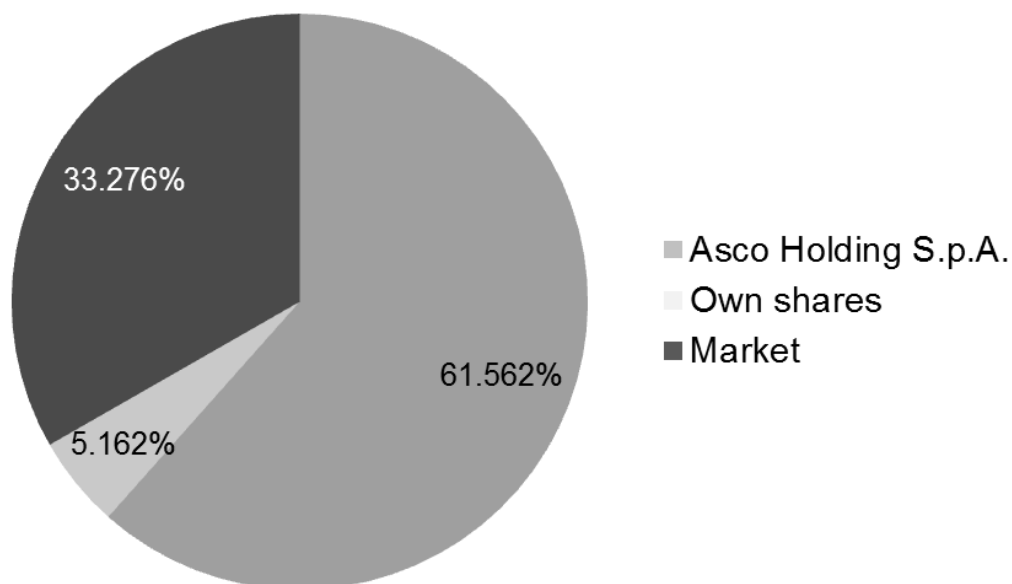
In the following table we report the main shares and stock-exchange data as of 30th June 2017:

Share and stock-exchange data	30th June 2017	30th June 2016
Earning per share (Euro)	0.14	0.12
Net equity per share (Euro)	1.84	1.75
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.480	2.700
Max. annual price (Euro)	3.782	2.700
Min. annual price (Euro)	2.710	2.010
Stock-exchange capitalization (Millions of Euro)	816.39	632.44
No. Of shares in circulation	222,310,702	222,310,702
No. Of shares in share capital	234,411,575	234,411,575
No. Of own share in portfolio	12,100,873	12,100,873

Control of the Company

As of 30th June 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., according to the number of shares held, is as follows:



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

Corporate Governance and Code of Ethics

During the first half of 2017, Ascopiave S.p.A. continued its improvement process of the corporate governance system planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to protect investors' benefits.

Internal audit

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

Appointed Manager

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

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

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

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

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

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

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

Transactions with related and affiliated parties

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

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

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 and staff services from Ascopiave S.p.A. to Asco Holding S.p.A., 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.
- ✓ Income from participation in national tax consolidation with Asco Holding S.p.A..

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

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

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

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	0	4,925	0	17,945	0	0	9,687	0	28	63
Total parent company	0	4,925	0	17,945	0	0	9,687	0	28	63
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	23	0	2	0	0	231	0	0	55	149
SEVEN CENTER S.R.L.	18	0	14	0	1	77	0	0	11	0
Total affiliated companies	41	0	16	0	1	308	0	0	67	149
<i>Subsidiary companies</i>										
Estenergy S.p.A.	10	0	2	0	0	0	0	0	0	0
ASM SET S.R.L.	608	482	4	0	0	97	2	3,292	231	26
Unigas Distribuzione S.r.l.	9	0	520	0	0	5,186	0	48	30	3,060
SINERGIE ITALIANE S.R.L. in liquidation	6	7,510	0	0	27,736	27	0	0	31	0
Total subsidiary companies	633	7,992	526	0	27,736	5,311	2	3,340	293	3,086
Total	674	12,917	542	17,945	27,737	5,619	9,690	3,340	387	3,297

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

The aggregate remuneration of Directors, Auditors and Senior management of the Group in the first half of 2017 is equal to Euro 974 thousand, as compared to Euro 885 thousand in the first half of the previous financial year; the change is mainly explained by the implementation of the “Management by objectives” plan.

Significant events during the first half of 2017

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

The Company, together with the other first instance appellants, on 16th 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 31st January 2017, as part of the possible business combination envisaged in the letter of intent signed between the Aeb-Gelsia Group and Ascopiave on 12th July 2016, the Parties agreed to extend the terms of the period of exclusivity in negotiations until 30th April 2017.

Ascopiave purchased 100% of Pasubio Group S.p.A.’s share capital.

On 3rd April 2017, Ascopiave S.p.A. acquired 100% of Pasubio Group S.p.A.’s 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 Euro 12.6 million (Euro 12.7 million in 2014), Ebitda was

Euro 4.7 million (Euro 4.4 million in 2014), net operating margin stood at Euro 2.7 million (Euro 2.1 million in 2014) and net profit was Euro 1.5 million (Euro 0.7 million in 2014).

The Group's shareholder's equity, as at 31st December 2015, amounted to Euro 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 Euro 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 Euro 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 Euro 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 Euro 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, at the closing date, 90% of the price agreed for the sale of the shares, amounting to Euro 14.7 million, whereas the balance (10%), amounting to Euro 1.6 million, was paid on 27th July, subsequent to the determination of the price adjustment envisaged in the agreement and based on the change in the net financial position from 31st December 2015 to the share transfer date.

Commencing 28th April 2017, Pasubio Group S.p.A. became AP Reti Gas Vicenza S.p.A.

On 28th 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..

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 12th July 2016, on 28th April 2017 the Parties agreed to extend the terms of the period of exclusivity in negotiations until 30th September 2017.

Shareholders' Meeting held on 28th April 2017

The Shareholders' Meeting of Ascopiave S.p.A. convened in ordinary and extraordinary session on 28th 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 31st December 2016 and resolved to distribute a dividend of Euro 0.18 per share. The dividend was paid on 10th May 2017 with ex-dividend date on 8th May 2017 (record date on 9th 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 28th April 2016.

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

The Board of Directors convened on 9th 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 16th 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 20th 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. announces that the Board of Directors is to meet on 31st July 2017 for the approval of the Interim report for the year ended 30th June 2017, and not on 1st August 2017 as initially scheduled. The Presentation to Analysts, initially planned for 2nd August 2017, will be held on 1st August 2017 as communicated to the market on 20th June 2017.

Efficiency and energy saving obligations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, Decree dated 28th December 2012 gave effect to the provisions of Decree 28/2011 which sets that the activities of management, evaluation and savings certification related to energy efficiency projects undertaken as part of the mechanism of white certificates are transferred to the GSE - Gestore dei Servizi Energetici.

The Decree also extended to parties other than distribution companies and the Energy Saving Company (so-called ESCO), the opportunity to present projects in order to obtain white certificates.

Decree dated 11th January 2017, published in the Official Gazette no. 78 dated 3rd April 2017, defined the new national goals for energy saving for the relevant distribution companies for the years 2017-2020. For natural gas distributors the quota of the above-mentioned obligations corresponds to the following white certificates:

- 2.95 million white certificates to be achieved in 2017
- 3.08 million white certificates to be achieved in 2018
- 3.43 million white certificates to be achieved in 2019
- 3.92 million white certificates to be achieved in 2020

Furthermore, the decree dated 11th January 2017 defines the new guidelines for presenting energy efficiency projects: the old mechanism was reviewed by eliminating the “tau” coefficient, the useful life of projects was extended and the standardised forms were eliminated.

The companies of the Ascopiave S.p.A. Group and Unigas Distribuzione S.r.l., are subject to the obligations set out in Decrees dated 20th July 2004, 21st December 2007 and 28th December 2012, and are obliged to meet the energy saving requirements established annually by the GSE.

The GSE has the task of checking that each distributor is in possession of energy efficiency certificates that comply with the annual objective assigned to it (increased by any additional shares for compensation or updated following the introduction of new national quantity objectives) and of informing the Ministry for Economic Development, the Ministry for the Environment and the Protection of the Territory and the Electric Market Administrator (GME), of all certificates received and the outcome of the inspections.

If a distributor does not meet the agreed objective, it could be subjected to an administrative penalty imposed by the Authority, implementing Law no. 481 dated 14th November 1995 and to the indications of decree dated 28th December 2012.

For further information on efficiency and energy saving relating to the companies of the Group, please see paragraph “Efficiency and energy saving”.

Efficiency and energy 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 31st May 2016. This obligation was fulfilled to the extent of 73%. During 2016, and specifically on 1st July 2016, Ascopiave transferred the entire natural gas distribution branch to the subsidiary AP Reti gas S.p.A. All related obligations were assigned as well.

In May 2017, AP Reti gas S.p.A. cancelled the residual of the 2015 target and fulfilled around 75% of the 2016 target (the 2016 target assigned to the Company was 104,012 TEE). The 2017 target for AP Reti gas amounts to 73,602 TEEs.

As far as Unigas Distribuzione S.r.l. is concerned, the goal for 2015 was quantified by the GSE in 19,116 TEE, of which 61% were delivered by 31st May 2016. In 2016, the company had a 22,737 TEE obligation, which was fulfilled with the delivery of just over 60% of the obligation. The 2017 target for Unigas Distribuzione amounts to 15,334 TEE.

As far as Pasubio Distribuzione S.r.l. is concerned, the goal for 2015 was quantified by the GSE in 14,430 TEE, of which 60% were delivered by 31st May 2016. In 2016, the company had a 16,539 TEE obligation, which was fulfilled with the delivery of 60% of the obligation. The 2017 target for Pasubio Distribuzione S.r.l. amounts to 11,672 TEE.

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 29th August 2011.

The expert has written a report (made available on 15th November 2011) 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 2nd 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 31st December 2015) have approved the residual value.

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

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.
- 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 31st December 2014 and, in 2016, to some municipalities belonging to the Treviso Sud area, an update as of 31st December 2015, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

The contracting authorities in the territorial areas of Treviso Nord and Venezia 2 - Entroterra and Veneto Orientale sent AEEGSI the assessments of the reimbursements of some municipalities for the purposes of the verifications provided for by the legislation.

The Authority has made some observations (then forwarded by the same contracting authorities) against which AP Reti Gas filed (and/or is about to file) its counterclaims.

Litigations

LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 30th June 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 thousand, in addition to the interests at the date of filing the Award.

LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 30th June 2017, the following litigations are pending:

MUNICIPALITY OF CREAZZO:

An Arbitration is pending between Ascopiave and the Municipality of Creazzo for the establishment of the industrial residual value of the distribution plants (delivered in 2005 to the new operator).

The Company would prefer to reach a negotiation agreement.

Regarding this, on 1 March 2017, the technicians in charge of the shared estimate of the value of the plants proposed an all-inclusive value of Euro 1,678 thousand (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 20th April 2017, following the filing of the Statements of Defence and their counter-argument, the last oral hearing was held.

By Court Order dated 2nd May 2017, the Panel rejected the application for document submission relating to the RAB filed by the Company.

By final award dated 18th July 2017, the Panel ordered the Municipality to pay Ascopiave the amount of Euro 1,346 thousand plus interest (effective the date of the ruling).

Total expenses, offset between the parties, amounted to approximately Euro 221 thousand.

ADMINISTRATIVE LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 30th June 2017, the following litigations are pending:

GUIDELINES – MINISTERIAL DECREE 22nd MAY 2014

An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgement no. 10341 dated 17th October 2016, by which the Regional Administrative Court of Latium rejected the main appeal against Ministerial Decree 22nd May 2014 concerning the introduction of the Guidelines for the determination of the residual industrial value and the appeal for “additional grounds” against Ministerial Decree no. 106 dated 20th May 2015, amending Ministerial Decree 226/2011.

The company is currently awaiting the scheduling of the proceedings.

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (retrospective deduction of private contributions and time limit of agreements' validity) were raised.

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 before the Council of State was filed (with deed dated 18th January 2016) by Ascopiave, against AEEGSI, for the cancellation of Judgement no. 2221 dated 19th 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 RIV delta in the section which envisages different regulations for incumbent (no reimbursement) and non-incumbent (full reimbursement).

On 8th February 2016 the Council of State scheduled the pre-trial hearing for 31st 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 24th November 2016. The Sentence is pending.

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

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

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

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 9th November 2016) overruled the protective order by 2i Rete Gas.

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 2nd 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.

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

The discussion on the substance of the appeal is yet to be scheduled.

CIVIL LITIGATIONS – NOT CONCERNING CONCESSIONS

As of 30th June 2017, the following litigations are pending:

ASCOPIAVE – UNIT B:

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

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

All the Parties regularly appeared before the Court.

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

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

On 10th June 2016, the Judge, deciding on the issue, scheduled the pre-trial hearing for 26th January 2017. The statement of claim and the counterclaims were then filed.

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.’s property, which does not comply with the minimum distances and the previous transaction existing between the Parties. Aspects connected with personnel and facility safety are also contested.

The Judge has appointed an Expert Witness.

In the meantime, a discussion also solicited by the court-appointed Expert Witness has been initiated in order to reach a settlement. To this end, a draft agreement has been prepared, not formalised yet due to the absence of an adequate insurance guarantee in favour of Ascopiave S.p.A..

The experts' activities ended on 11th July 2016.

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

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

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.

On 23rd June 2017, the hearing for the resumption of proceedings was held, during which the bankruptcy trustee stated that he had asked the Deputy Judge an authorisation, not yet obtained, to enter an appearance. He then pointed out that the plant in question was included in the bankrupt estate and that the sale procedure will be initiated as soon as possible.

FORCED ENTRY – DEFAULT SERVICE

Pursuant to the applicable obligation (specifically Art. 40.2 letter A of the Integrated Text for the Sale of Gas), AP Reti Gas may, pursuant to Art. 700 of the Italian Code of Civil Procedure, obtain forced entry to private property to disconnect utilities (when the metre is in a private property) of clients that are in default.

Appeals are made against final customers (or utility users).

For this purpose (and to meet the provisions of the regulations), the company has created a management procedure that starts with the activation of the Default Service (SDD) and ends with its closure (for any applicable reason).

According to the procedure, any controversy may be closed via ordinary methods, collection of information, personal detail checks and/or efforts to contact the end customers involved, notification of delays, past due notifications and, if all of the above are unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Italian Code of Civil Procedure.

For this purpose, Ascopiave S.p.A. has granted Attorney Sernaglia a power of attorney (limited to urgent appeals and their execution), formalised on 12th January 2015 and renewed by AP Reti Gas S.p.A. on 27th 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).

As concerns Ascopiave / AP Reti Gas:

- 4 procedures are in progress (they have been sent to the Legal Office and are awaiting filing);
- 1 procedure has been filed (hearings already scheduled/under scrutiny);
- 2 procedures are in execution of judgement;
- 22 procedures are being initiated (their appeals are being drafted and sent to the Legal Office);
- 3 procedures have been suspended (for various reasons);
- 134 procedures have been completed (in various stages).

Between 70 and 100 procedures for which legal action is likely to be taken are expected every year for all Group companies (including Unigas).

As of 30th June 2017, the total legal fees (including taxes), for Ascopiave/Ap Reti Gas's procedures forwarded to the Legal Office, amount to approximately Euro 141 thousand. For the other companies of the Group these costs amount approximately to Euro 84 thousand (including Unigas costs).

Relationships with Agenzia delle Entrate (Italian Tax Authority)

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

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

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

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

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

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

Regarding other outstanding litigations with Agenzia delle Entrate, 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, Asm Set, Blue Meta, Edigas Esercizio Distribuzione Gas Unipersonale, Pasubio Servizi, Unigas Distribuzione, Veritas Energia Unipersonale.

Since 2008, these companies are 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, or expressly denied it. 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 4th April 2017 the Tax Court of Bergamo rejected the appeal presented by 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 6th 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 evaluating the possibility of accepting the report on findings and recognise higher taxes for Euro 201 thousand and penalties estimated at Euro 33 thousand at the interim reporting date.

Territorial areas

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

Specifically:

- 1) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- 3) with Decree no. 226 issued by the Ministry for Economic Development on 12th November 2011, the regulatory norms concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service was approved (the so-called Decree for Criteria).

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

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

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

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

In addition, Law no. 9/2014 has established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98, are extended by four

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

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

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

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

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

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

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

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

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

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes

of 20th and 29th May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1st June 2012.

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

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

The most significant changes include:

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

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

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

In 2015-2016, a number of tenders were published for the award of the service with Territorial procedure. Many of them did not follow the procedures required by law, which envisages, among other things, the prior examination by the Authority of the reimbursement amounts of the plants due to outgoing operators as well as the review of the invitation to tender's overall content and annexes before publication. Moreover, most calls are also inconsistent, even significantly, with the instructions contained in the ministerial regulations, also with regard to the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities. In this context, the standardisation of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

The only tender that has been issued so far is for the Minimum Territory Area Milano 1 – Città e impianto di Milano (February 2017).

The Municipality of Belluno, Awarding Entity of the Minimum Territory Area of Belluno, regularly followed the procedure set out in the regulations and published a tender in December 2016. The deadline for submitting bids was 30th

June 2017 and was subsequently extended to 1st September 2017.

Distribution of dividends

On 28th 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 8th May 2017, record date on 9th May 2017 and payment on 10th May 2017.

Own shares

In accordance with Art. 40 of Legislative Decree 127 2 d), as of 30th June 2017 the company holds own shares for a value of Euro 17,521 thousand (Euro 17,521 thousand as of 31st December 2016), accounted for as a reduction from the other reserves, as can be seen in the Net Equity variations.

Outlook for the Year

As far as the gas distribution activities are concerned, in 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 31st 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 28th 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 Euro 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.

Goals and policies of the group and risk description

Credit and liquidity risk

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing. It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering the numerous customers and the low physical risk in the service of gas and electricity delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 14.3% (21.0% as of 30th June 2016) of the total gross credit of third parties. Significant commercial operations take place in Italy.

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

The main payment obligations opened as of 30th June 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 30th June 2017, the Ascopiave Group holds a portfolio of 230 natural gas distribution concessions (208 as of 31st December 2016) located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities previously managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

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

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

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

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the

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

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

Evolution of the adjustment sessions of natural gas allocations

During the first half of 2017, the regulatory framework is unchanged as compared to the scenario described in section “Assessment benchmarks” of the yearly financial statements as of 31st December 2016 and 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 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. The consultation process, at the reporting date, is still in progress and therefore it is not possible to determine the economic effects of any changes that may be introduced at the end of the discussion.

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. of 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

Research and development

IT systems

The most significant IT project implemented during the first half of 2017 is the integration of the company AP Reti Gas Vicenza S.p.A into the application model of Ascopiave Group's gas distribution companies. The project, to be completed in September 2017, involves a large number of activities related to system infrastructure modifications, the creation of new installations or applications, migration activities, and data verification, testing, and application launch.

During the year, the Work Force Management system was further developed, as its use was extended to other Distribution Companies of the Group. The WFM system has substantially changed the processes through which field interventions are planned and implemented, entailing many advantages through the introduction of automatic systems to schedule operations and optimise the use of resources, the application of principles of saturation of the working day and minimisation of paths.

The activities to enable interaction with the Integrated Information System (SII) have continued, including the implementation of a Communication Port according to the specifications issued by Acquirente Unico, as well as the changes required to meet regulatory updates, internal process improvement needs and the communication standards defined by AEEGSI.

Again with regard to management applications for the Distribution companies, in the first half of 2017 the migration project of the databases used in the latest available release was completed.

In the first half of the year, some new modules supporting ETRM were developed on SAP BPC infrastructure for the Group's sales companies, in particular the modules to support Deal, Transport, Storage and Logistics management activities. Alongside the traditional client-server architecture, the SAP BPC infrastructure was then made available on a virtualised platform so as to improve its performance and availability.

In March 2017, the new version of the Mobile app and the Online front-office for the end customers was released, providing new features such as the ability to pay the bills by credit card and the possibility of receiving notifications on the App, as well as via SMS, for a series of events (bill issuance, self-reading tips, bills due, etc.).

The development of CRM features continued, in particular those dedicated to the management of offers for the mass market and business customers, to the integration with the Loyalty programme management system and the new reporting procedure for call centre activities.

With regard to the management software of the sales companies, the first module of the new application for front office and back office operations came into production. In addition, the management software was adjusted to comply with regulatory changes and resolutions issued by AEEGSI.

Through the use of a new information management system and new features developed on management applications, it was also possible to further improve the management flow of receivables from end customers and debt collection.

During the first half of the year, the platform built to receive invoices with xml syntax from suppliers (already used for Public Administration e-invoicing) was enhanced, thus automating invoice entry into the accounting system.

In the first half of 2017, a plan to upgrade the security of the Group's IT systems was completed. In particular, anti-virus and anti-malware systems were enhanced by introducing sandboxes and preventive analysis of executable code entering the network. The project also envisaged the introduction of a virtual patching system to prevent the malicious

use of known vulnerabilities in systems where it is not possible to immediately apply all security updates for application issues.

Human resources

As of 30th June 2017, the Ascopiave Group had 665 employees⁴, divided between the various companies of the Group as outlined below:

100% consolidated companies	30/06/2017	31/12/2016	Var.
Ascopiave S.p.A.	90	92	-2
AP Reti Gas S.p.A.	168	170	-2
Ascotrade S.p.A.	86	83	3
AP Reti Gas Rovigo S.r.l.	18	18	0
Edigas Distribuzione S.p.A.	26	26	0
Pasubio Servizi S.r.l.	16	17	-1
Etra Energia S.r.l.	6	6	0
Veritas Energia S.p.A.	43	40	3
Blue Meta S.p.A.	23	22	1
AP Reti Gas Vicenza S.p.A.	17	0	17
Pasubio Rete Gas S.r.l.	29	0	29
Amgas Blu S.r.l.	8	8	0
Total 100% consolidated companies	530	482	48
Companies consolidated with net equity method	30/06/2017	31/12/2016	Var.
Estenergy S.p.A.	80	81	-1
ASM Set S.r.l.	11	10	1
Unigas Distribuzione S.r.l.	44	45	-1
Total Companies consolidated with net equity method	135	136	-1
Total	665	618	47

As compared to 31st December 2016, the workforce of the Ascopiave Group increased by 47 units, of which +46 units for the extension of the scope of consolidation (AP Reti Gas Vicenza and Pasubio Rete Gas) and +1 unit due to the change in employment levels over the previous scope of consolidation.

⁴ The data concerning the proportionally consolidated companies, i.e. Estenergy (48.999%), ASM Set (49%) and Unigas Distribuzione (48.86%), are represented at 100%.

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

100% consolidated companies	30/06/2017	31/12/2016	Var.
Managers	17	17	0
Office worker	392	362	30
Manual workers	121	103	18
Total 100% consolidated companies	530	482	48
Companies consolidated with net equity method	30/06/2017	31/12/2016	Var.
Managers	3	3	0
Office worker	114	115	-1
Manual workers	18	18	0
Total Companies consolidated with net equity method	135	136	-1
Total of Group	30/06/2017	31/12/2016	Var.
Managers	20	20	0
Office worker	506	477	29
Manual workers	139	121	18
Total employees	665	618	47

Seasonal nature of the activity

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.

Performance Indicators

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

- **Gross operating margin (Ebitda):** defined by the Group as earnings before depreciation and amortisation, write-down of receivables, cash flow management and taxes.
- **Operating result:** this indicator is also illustrated in the accounting standards applied, and it is defined as operative margin (Ebit) minus the balance of non-recurrent costs and revenues. This last item includes contingent assets and liabilities, capital gains and losses from transfer of assets, insurance reimbursements, taxes and other minor positive and negative components.
- **Revenues from the tariff on the activity of gas distribution:** defined by the Group as the amount of revenue realised by the distribution companies of the Group for the implementation of tariffs for distribution and

measurement of natural gas to their end customers, net of equalisation amounts managed by the Electricity Equalisation Fund (Cassa Conguaglio per il Settore Elettrico).

- **First margin on gas sales:** the Group defines it as the amount obtained from the difference between the sales proceeds (realised by the Group's sale companies to end customers or final market within the business of trading and selling as a wholesaler) and the sum of the following costs: the cost of transmission service (gross of amounts subject to elimination and distribution tariffs applied by the distribution companies) and the purchase cost of gas sold.
- **First margin on electric power sale:** the Group defines it as the amount obtained from the difference between the proceeds of sale of electricity and the sum of the following costs: cost of transport services, dispatching and balancing cost and purchase of electricity sold.

Comments on the economic and financial results of the first half of 2017

General operational performance and indicators

NATURAL GAS DISTRIBUTION	1 st Half 2017	1 st Half 2016	Var.	Var. %
Companies consolidated with full consolidation method				
Number of concessions	198	176	22	12.5%
Length of distribution network (km)	9,223	7,816	1,407	18.0%
Volumes of gas distributed (cm/mln)	489.2	449.7	39.5	8.8%
Companies consolidated with net equity consolidation method				
Number of concessions	32	32	0	0.0%
Length of distribution network (km)	1,103	1,102	2	0.2%
Volumes of gas distributed (cm/mln)	87.0	85.2	1.8	2.1%
Ascopiave Group*				
Number of concessions	214	192	22	11.5%
Length of distribution network (km)	9,762	8,354	1,408	16.9%
Volumes of gas distributed (cm/mln)	531.7	491.3	40.4	8.2%

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

NATURAL GAS SALES TO FINAL MARKET	1 st Half 2017	1 st Half 2016	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of gas sold (cm/mln)	465.3	462.0	3.3	0.7%
Companies consolidated with net equity consolidation method				
Volumes of gas sold (cm/mln)	160.9	160.7	0.2	0.1%
Ascopiave Group*				
Volumes of gas sold (cm/mln)	544.1	540.7	3.4	0.6%

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

SALE OF ELECTRIC POWER	1 st Half 2017	1 st Half 2016	Var.	Var. %
Companies consolidated with full consolidation method				
Volumes of electric power sold (GWh)	185.7	163.4	22.3	13.6%
Companies consolidated with net equity consolidation method				
Volumes of electric power sold (GWh)	54.3	50.2	4.1	8.2%
Ascopiave Group*				
Volumes of electric power sold (GWh)	212.3	188.0	24.3	12.9%

* 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 half of 2017, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 489.2 million cubic metres, increasing by 8.8% as compared to the same period in the previous year. The increase is mainly explained by the extension of the consolidation scope: in the second quarter of the year, in fact, the volumes distributed by the companies Pasubio Distribuzione S.r.l. and Ap Reti gas Vicenza S.p.A. amounted to 24.0 million cubic metres.

The company Unigas Distribuzione S.r.l., consolidated through the net equity method, distributed 87.0 million cubic metres, an increase of 2.1% as compared to the same period in 2016.

The volume of gas sold by the fully consolidated companies during the first half of 2017 amounted to 465.3 million cubic metres, marking an increase of 0.7% as compared to the same period in the previous year. In the first six months of 2017, the companies consolidated through the net equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 160.9 million cubic metres (+0.1% as compared to the same period in the previous year).

In the first half of 2017, the volume of electricity sold by the fully consolidated companies is equal to 185.7 GWh, marking an increase of 13.6% as compared to the same period in the previous year. In the first half of 2017, the companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 54.3 GWh of electricity (+8.2% as compared to the same period in the previous year).

General operational performance – The Group’s economic results

(Thousands of Euro)	1 st Half 2017	% of revenues	1 st Half 2016	% of revenues
Revenues	297,500	100.0%	265,811	100.0%
Total operating costs	248,272	83.5%	216,878	81.6%
Gross operative margin	49,228	16.5%	48,933	18.4%
Amortization and depreciation	10,597	3.6%	10,076	3.8%
Provision for risks on credits	1,086	0.4%	1,151	0.4%
Operating result	37,545	12.6%	37,705	14.2%
Financial income	227	0.1%	126	0.0%
Financial charges	418	0.1%	411	0.2%
Evaluation of subsidiary companies with the net equity method	4,548	1.5%	4,171	1.6%
Earnings before tax	41,902	14.1%	41,591	15.6%
Taxes for the period	11,244	3.8%	12,351	4.6%
Net result for the period	30,658	10.3%	29,240	11.0%
Group’s Net Result	29,193	9.8%	27,510	10.3%
Third parties Net Result	1,466	0.5%	1,730	0.7%

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

In the first half of 2017, the Group incomes amount to Euro 297,500 thousand, increasing by 11.9% as compared to the same period in the previous year. The following table reports the details of income.

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Revenues from gas transportation	17,630	2,828	14,802	16,730
Revenues from gas sale	223,405		223,405	209,203
Revenues from electricity sale	27,447		27,447	27,496
Revenues from connections	133	22	111	71
Revenues from heat supply	28		28	66
Revenues from distribution services	3,399	601	2,798	2,112
Revenues from services supplied to Group companies	696	(0)	696	519
Revenues from AEEGSI contributions	21,139	1,142	19,997	6,923
Other revenues	3,622	710	2,912	2,692
Revenues	297,500	5,303	292,197	265,811

The **revenues from gas sale** increase from Euro 209,203 thousand to Euro 223,405 thousand, marking an increase of Euro 14,203 thousand (+6.8%). The change is mainly due to higher volumes of gas sold.

The **revenues from electricity sales** decreased from Euro 27,496 thousand to Euro 27,447 thousand, marking a decrease of Euro 48 thousand (-0.2%), mainly due to lower unit margins.

The **operating result** for the first half of 2017 amounts to Euro 37,545 thousand, marking a decrease of Euro 161 thousand (-0.4%) as compared to the same period in the previous year.

The extension of the consolidation scope caused an increase in operating earnings to the tune of Euro 1,198 thousand (+3.2%), partially offsetting the decrease recorded with the same consolidation scope, which amounted to Euro 1,359 thousand (-3.6%).

The decrease is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 3,273 thousand (of which Euro 2,828 thousand due to the extension of the consolidation scope);
- decrease in the first margin on the activity of gas sales, equal to Euro 4,782 thousand;
- decrease in the first margin on the activity of electricity sale, equal to Euro 135 thousand;
- positive change in other items of cost and revenues, equal to Euro 1,483 thousand, despite higher costs recorded due to the extension of the consolidation scope (Euro 1,630 thousand);

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 16,730 thousand to Euro 17,630 thousand) is mainly explained by the extension of the consolidation scope which determined the recognition of higher revenues for Euro 2,828 thousand.

The decrease in the **first margin on the activity of gas sale** (from Euro 41,649 thousand to Euro 36,867 thousand), is mainly due to a decrease in average unit sale prices, offset by higher volumes of gas sold.

The increase **in the first margin on the activity of electricity sales**, from Euro 3,272 thousand to Euro 3,137 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 1,483 thousand, is mainly due to:

- extension of the consolidation scope: negative change amounting to Euro 1,630 thousand;
- higher other revenues for Euro 14,160 thousand;
- higher material and service costs and other charges equalling Euro 9,797 thousand;
- higher personnel cost for Euro 1,156 thousand;
- higher amortisation of fixed assets for Euro 159 thousand;
- lower bad debts provisions for Euro 65 thousand;

The **net consolidated profit** in the first half of 2017 amounts to Euro 30,658 thousand, thus recording an increase of Euro 1,418 thousand (+4.8%) as compared to the same period in the previous year.

This change is due to the following factors:

- extension of the consolidation scope: positive change amounting to Euro 929 thousand;
- a decrease in the operating result, as previously stated, for Euro 1,359 thousand;
- higher result of companies consolidated through the equity method for Euro 377 thousand;
- an increase in financial revenues for Euro 101 thousand;
- an increase in financial charges for Euro 6 thousand;
- a decrease in taxes for Euro 1,107 thousand, due to the decrease in IRES rates for the year 2017, which decreased taxation from 27.5% to 24%;

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 33.0% to 30.1%.

General operational performance – Financial situation

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
A Cash and cash equivalents on hand	21	4	17	19
B Bank and post office deposits	38,042	1,340	36,702	8,803
D Liquid assets (A) + (B) + (C)	38,063	1,344	36,719	8,822
E Current financial assets	460	0	460	0
F Payables due to banks	(65,934)	0	(65,934)	(55,110)
G Current portion of medium-long-term loans	(9,912)	0	(9,912)	(9,287)
H Current financial liabilities	(199)	0	(199)	(3,645)
I Current financial indebtedness (F) + (G) + (H)	(76,045)	0	(76,045)	(68,042)
J Net current financial indebtedness (I) - (E) - (D)	(37,522)	1,344	(38,866)	(59,220)
K Medium- and long-term bank loans	(29,273)	0	(29,273)	(34,541)
L Non current financial assets		0		
M Non-current financial liabilities	(315)	0	(315)	(357)
N Non-current financial indebtedness (K) + (L) + (M)	(29,588)	0	(29,588)	(34,899)
O Net financial indebtedness (J) + (N)	(67,109)	1,344	(68,454)	(94,119)

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

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.

The financial position decreased from Euro 94,119 thousand as of 31st December 2016 to Euro 67,109 thousand as of 30th June 2017, reporting an improvement of Euro 27,010 thousand.

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

(Thousands of Euro)	30.06.2017	30.06.2016
Group's net income	30,658	29,240
Amortizations	10,597	10,076
Bad debt provisions	1,086	1,151
(a) Auto-financing	42,342	40,468
(b) Adjustment to reconcile net income with the variation in financial position generated by operating management:	48,362	65,758
(c) Variation in financial position generated by operating activities = (a)+ (b)	90,703	106,226
(d) Variation in financial position generated by investments	(26,762)	(8,928)
(e) Other variation in financial position	(36,931)	(29,900)
Net variation in financial position = (c) + (d) + (e)	27,010	67,398

The cash flow generated by the operating management (letters a + b), equal to Euro 90,703 thousand, was mainly due to self-financing for Euro 42,342 thousand and other financial positive variations amounting to Euro 48,362 thousand,

mainly related to the management of the net circulating capital for Euro 52,910 thousand and to the assessment of companies consolidated through the equity method for Euro -4,548 thousand.

The management of net circulating capital has generated financial resources amounting to Euro 52,910 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 24,309 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 7,479 thousand, and 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 11,345 thousand. The variation in the net operating capital has absorbed financial resources for Euro 417 thousand.

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

(Thousands of Euro)	30.06.2017	30.06.2016
Inventories	514	(2,396)
Trade receivables and payables	29,000	31,478
Operating receivables and payables	(29,931)	(17,200)
Severance pay fund and other found	290	922
Current taxes	11,244	12,351
Taxes paid	(2,745)	(1,695)
Tax receivables and payables	44,539	46,491
Non current financial assets/(liabilities)	0	(22)
Change in net working capital	52,910	69,929

Investment activities have generated a cash requirement of Euro 26,762 thousand. Euro 10,462 thousand were invested in tangible and intangible assets, and Euro 16,300 thousand in stakes.

Additional variations in the net financial position concern dividends received from the companies consolidated with the equity method, which have generated resources for Euro 6,706 thousand, and the distribution of dividends for Euro 42,869 thousand. The extension of the consolidation scope determined an increase in the Group's net financial position to the tune of Euro 1,121 thousand.

The following table shows in detail the other changes in the financial position during the first six months of 2017:

(Thousands of Euro)	30.06.2017	30.06.2016
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)	(33,347)
Dividends distributed to other shareholders	(2,853)	(2,222)
Dividends / (loss coverage) associated or jointly controlled companies	6,706	5,980
Other movements in equity	353	(311)
expansion of the consolidation perimeter	(1,121)	0
Other changes in financial position	(36,931)	(29,900)

General operational performance – Investments

During the first half of 2017, the Group made investment for an amount of Euro 10,464 thousand, an increase as compared to the same period in the previous year of Euro 894 thousand due to the extension of the consolidation scope. With the same consolidation scope, investments decreased by Euro 374 thousand due to the lower costs incurred in

other investments (Euro -553 thousand), which more than offset the increase in investments in natural gas distribution facilities (Euro +178 thousand).

With the same consolidation scope, the costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 9,805 thousand, relate to the construction and maintenance of natural gas network and distribution systems for Euro 2,342 thousand, the creation of connections for Euro 2,065 thousand, and the installation of meters for Euro 4,139 thousand.

Due to the extension of the consolidation scope, the investments made in the second quarter by Pasubio Distribuzione S.r.l. and AP Reti Gas Vicenza S.p.A. were recognised; as of 30th June 2017, they amounted to Euro 1,260 thousand.

INVESTMENTS (thousands of Euro)	1H 2017	1H 2016
Connecting a gas users	2,065	2,676
Expansions, reclamations and network upgrades	2,031	2,424
Flowmeters	4,139	2,722
Maintenance	311	545
Investments of new companies acquired	1,260	
Raw material (gas) investments	9,805	8,367
Land and buildings	384	523
Industrial and commercial equipment	26	6
Forniture	10	13
Vehicles	53	269
Hardware e Software	140	84
Other assets	38	308
Investments of new companies acquired	8	
Other investments	659	1,203
Investments	10,464	9,570

Ascopiave Group

Consolidated interim financial statements

as of 30th June 2017

Consolidated statement of financial position

(Thousands of Euro)		30.06.2017	31.12.2016
ASSETS			
Non-current assets			
Goodwill	(1)	80,758	80,758
Other intangible assets	(2)	344,874	316,905
Tangible assets	(3)	33,867	32,364
Shareholdings	(4)	66,048	68,738
Other non-current assets	(5)	12,905	13,566
Non-current assets from derivative financial instruments	(6)	0	485
Advance tax receivables	(7)	11,163	9,758
Non-current assets		549,616	522,574
Current assets			
Inventories	(8)	3,970	4,311
Trade receivables	(9)	78,862	148,079
Other current assets	(10)	72,454	47,207
Current financial assets	(11)	460	0
Tax receivables	(12)	1,810	1,007
Cash and cash equivalents	(13)	38,063	8,822
Current assets from derivative financial instruments	(14)	342	1,304
Current assets		195,961	210,730
ASSETS		745,577	733,304
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		(17,521)	(17,521)
Reserves		209,413	221,164
Net equity of the Group		426,303	438,055
Net equity of Others		4,608	6,154
Total Net equity	(15)	430,911	444,209
Non-current liabilities			
Provisions for risks and charges	(16)	6,958	6,992
Severance indemnity	(17)	4,831	4,077
Medium- and long-term bank loans	(18)	29,273	34,541
Other non-current liabilities	(19)	22,158	20,267
Non-current financial liabilities	(20)	315	357
Deferred tax payables	(21)	16,329	16,814
Non-current liabilities		79,862	83,050
Current liabilities			
Payables due to banks and financing institutions	(22)	75,846	64,397
Trade payables	(23)	75,480	103,052
Tax payables	(24)	720	1,231
Other current liabilities	(25)	82,342	33,691
Current financial liabilities	(26)	199	3,645
Current liabilities from derivative financial instruments	(27)	216	29
Current liabilities		234,804	206,045
Liabilities		314,666	289,095
Net equity and liabilities		745,577	733,304

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

Consolidated statement of comprehensive income

(Thousands of Euro)		1 st Half 2017	1 st Half 2016
Revenues	(28)	297,500	265,811
Total operating costs		249,358	218,029
Purchase costs for raw material (gas)	(29)	146,193	134,728
Purchase costs for other raw materials	(30)	9,989	8,295
Costs for services	(31)	59,494	53,478
Costs for personnel	(32)	13,012	11,313
Other management costs	(33)	21,311	10,338
Other income	(34)	640	123
Amortization and depreciation	(35)	10,597	10,076
Operating result		37,545	37,705
Financial income	(36)	227	126
Financial charges	(36)	418	411
Evaluation of subsidiary companies with the net equity method	(36)	4,548	4,171
Earnings before tax		41,902	41,591
Taxes for the period	(37)	11,244	12,351
Result for the period		30,658	29,240
Group's Net Result		29,193	27,510
Third parties Net Result		1,466	1,730
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(1,466)	1,290
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		239	(310)
Total comprehensive income		29,432	30,221
Group's overall net result		28,125	28,356
Third parties' overall net result		1,307	1,864
Base income per share		0.131	0.124
Diluted net income per share		0.131	0.124

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

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

Consolidated statement of changes in shareholders' equity

(thousands of Euro)	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
Balance as of 1st January 2017	234,412	46,882	(17,521)	(108)	120,757	53,635	438,055	6,154	444,209
Result for the period						29,193	29,193	1,466	30,658
Other operations					(1,306)		(1,306)	(161)	(1,466)
IAS 19 TFR actualization for the period				238			238	2	239
Total result of overall income statement				238	(1,306)	29,193	28,125	1,307	29,431
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)	(2,853)	(2,853)
Long-term incentive plans			(0)		140		140		140
Balance as of 30th June 2017	234,412	46,882	(17,521)	129	133,210	29,193	426,304	4,608	430,911

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

Consolidated financial statements of cash flow

(thousands of Euro)	First Half 2017	First Half 2016
Net income of the Group	29,193	27,510
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Third-parties operating result	1,466	1,730
Amortization	10,597	10,076
Bad debt provisions	1,086	1,151
Variations in severance indemnity	(20)	506
Current assets / liabilities on financial instruments	1,634	(1,350)
Net variation of other funds	309	415
Evaluation of subsidiaries with the net equity method	(4,548)	(4,171)
Impairment losses / (gains) on shareholdings	(373)	0
Interests paid	(277)	(385)
Taxes paid	(2,745)	(1,695)
Interest expense for the year	303	362
Taxes for the year	11,244	12,351
Variations in assets and liabilities		
Inventories	514	(2,396)
Accounts payable	75,489	94,917
Other current assets	(19,495)	13,220
Trade payables	(46,489)	(63,439)
Other current liabilities	29,626	15,746
Other non-current assets	671	546
Other non-current liabilities	890	1,131
Total adjustments and variations	59,882	78,716
Cash flows generated (used) by operating activities	89,074	106,226
Cash flows generated (used) by investments		
Investments in intangible assets	(9,943)	(8,832)
Realisable value of intangible assets	2	640
Investments in tangible assets	(521)	(738)
Realisable value of tangible assets	(0)	2
Disposals / (Acquisition) of investments and advances	(8,025)	(0)
Other net equity operations	353	(311)
Cash flows generated/(used) by investments	(18,134)	(9,239)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financiers	(43)	(40)
Net changes in short-term bank borrowings	(11,587)	(118,549)
Net variation in current financial assets and liabilities	(3,906)	1,877
Ignitions loans and mortgages	210,000	77,500
Redemptions loans and mortgages	(200,000)	(41,000)
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)	(33,347)
Dividends distributed to other shareholders	(2,853)	(2,222)
Dividends distributed from subsidiary companies	6,706	5,980
Cash flows generated (used) by financial activities	(41,698)	(109,801)
Variations in cash	29,242	(12,815)
Cash and cash equivalents at the beginning of the period	8,822	28,301
Cash and cash equivalents at the end of the period	38,063	15,486

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

EXPLANATORY NOTES

Company information

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

As of 30th June 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 – STAR Segment – organised and managed by Borsa Italiana S.p.A..

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

The publication of the Interim financial report as of 30th June 2017 of the Ascopiave Group was authorised by resolution of the Board of Directors on 31st July 2017.

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

General drawing-up criteria and accounting principles adopted

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

The Interim Financial Report of the Ascopiave Group as at 30th June 2017 is prepared in compliance with art. 154 ter c. 2 of Legislative Decree no. 58/98 – T.U.F. (Consolidated Finance Law) – and subsequent amendments.

The consolidated abridged interim financial statements as of 30th June 2017 of the Ascopiave Group were prepared in accordance with IAS 34 - ‘Intermediate financial statements’, concerning intermediate financial information (the “Consolidated abridged half-yearly financial statements”). The accounting principle IAS 34 envisages a minimum level of information significantly lower compared to general IFRS dispositions, in case complete financial statements drafted according to IFRSs were previously made available to the public. As such, these statements, which are prepared in an abridged form, and include minimum information pursuant to IAS 34, are to be read in conjunction with the Consolidated Financial Statements of the Group for the fiscal year ended 31st December 2016. The accounting standards used to draw up this interim report, prepared in accordance with IAS 34 - ‘Intermediate financial statements’, are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2016, except as stated in the following paragraph.

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

With regard to the presentation methods of the formats of financial statements, the Consolidated statement of assets has been prepared on the basis of the “current/non-current” distinction; for the comprehensive consolidated income

statement the multi-step format was adopted with the classification of costs by nature and for the consolidated Cash flow statement the indirect method of representation.

Accounting principles, amendments and interpretations applied from 30th June 2017

The principles, amendments and interpretations effective since 1st January 2017 and applicable for the first time to the Financial report at 30th June 2017 are briefly described below. Their adoption, where applicable, has not had significant impacts on the interim financial statements of the Ascopiave Group, as they do not apply, or only apply to the financial disclosure:

- Amendment to IAS 12 – Income taxes: recognition of deferred tax assets for unrealised losses. On 19th January 2016, the IASB issued some amendments to IAS 12 with the purpose of clarifying how to recognise deferred tax assets measured at fair value.
- Amendment to IAS 7 – Statement of Cash Flows: disclosure initiative. The purpose of the amendment published on 29th January 2016 is to improve the presentation and disclosure of financial information in financial reports and to solve some critical issues reported by the operators.

As concerns the new accounting standard IFRS 15 – Revenue from contracts with customers, replacing IAS 18 – Revenues and IAS 11 – Construction Contracts, mandatorily applicable to annual periods commencing on or after 1st January 2018, based on a preliminary analysis of the main existing sales contracts, the Group does not expect a significant impact from the application of the new accounting standard on the recognition of revenues.

As regards the new accounting standard IFRS 9 – Financial Instruments, which replaces IAS 39, mandatorily applicable to annual periods commencing on or after 1st January 2018, the Group is assessing the implementation method and the impact on its consolidated financial statements. Based on a preliminary analysis with particular reference to classification and hedge accounting, no significant impacts on the Group's financial statements are expected.

Use of estimates

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

If, in the future, such estimates and assumptions, which are based on the Management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise. For a detailed description of the most significant evaluation processes of the Group, please refer to paragraph "Use of Estimates" in the Consolidated Financial Statements as of 31st December 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 on the basis of the best assessment of the weighted average tax rate expected for the entire financial year by each company included in the consolidation area.

With regard to the evaluation criteria used for measuring the relevant revenues generated from the sale of natural gas, and described in the Annual financial statements as at 31st December 2016 in the section "Assessment criteria", during

the first half of 2017 the additional reading cycle of meters (installed at the end users' premises) was not performed as in previous years. The different interval for measuring consumption, expanding the period being measured, has changed the distribution of cubic meters of natural gas during the months concerned, thus determining a change in the quantification of the accrual basis for the period being measured.

Consequently, consistent with the calculation methods used in the previous year, in order to safeguard the correlation of costs incurred and revenues generated, the directors considered it appropriate to postpone the measurement of the possible economic effects to the third quarter of the year.

Fair value hierarchy

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

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

The Group, as of 30th June 2017, has only one type of financial instruments on commodities falling within the scope of level 3.

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

Consolidation area and principles

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

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

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

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

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

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

The value of goodwill is not amortised but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realised. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognised in the income statement. The acquisition costs are booked in the income statement. Associated companies are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights. Investments in associates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders’ equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment.

The interim financial statements of subsidiaries and jointly controlled Companies used for the purpose of preparing the Interim Consolidated Financial Statements of the first six months of 2017 are those approved by the respective Boards of Directors. The data of the Consolidated companies are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 30th June 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
Parent company					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
100% consolidated companies					
Ascotrade S.p.A.	Pieve di Soligo (TV)	1.000.000	89.00%	89.00%	0%
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100.00%	0%
Etra Energia S.r.l.	Cittadella (PD)	100.000	51.00%	51.00%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7.000.000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100.00%	0%
Amgas Blu S.r.l.	Foggia (FG)	10.000	80.00%	80.00%	0%
Blue Meta S.p.A.	Pieve di Soligo (TV)	606.123	100.00%	100.00%	0%
Pasubio Servizi S.r.l.	Schio (VI)	250.000	100.00%	100.00%	0%
AP Reti Gas Vicenza S.p.A.	Schio (VI)	10.000.000	100.00%	100.00%	0%
Pasubio Distribuzione Gas S.r.l.	(4) Schio (VI)	451.000	100.00%	100.00%	0%
Pasubio Rete Gas S.r.l.	(5) Schio (VI)	50.000	100.00%	100.00%	0%
Veritas Energia S.p.A.	Pieve di Soligo (TV)	1.000.000	100.00%	100.00%	0%
Companies under joint control consolidated with net equity method					
ASM Set S.r.l.	(1) Rovigo (RO)	200.000	49.00%	49.00%	0%
Estenergy S.p.A.	(2) Trieste (TS)	1.718.096	48.999%	48.999%	0%
Unigas Distribuzione S.r.l.	(3) Nembro (BG)	3.700.000	48.86%	48.86%	0%
Subsidiary companies consolidated with net equity method					
Sinergie Italiane S.r.l. in liquidation	Milano (MI)	1.000.000	30.94%	30.94%	0%

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

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

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

(4) Controlled by Ap Reti gas Vicenza S.p.A.

(5) Controlled by Pasubio Distribuzione Gas S.r.l.

As compared to the financial statements closed at 31st December 2016, on 3rd April 2017 Ascopiave S.p.A. acquired 100% of Ap Reti Gas Vicenza S.p.A.'s share capital (formerly Pasubio Group S.p.A.), which in turns owns the entire share capital of Pasubio Distribuzione Gas, which owns Pasubio Rete S.r.l.'s entire share capital.

For further information, please see the tables in the explanatory notes showing the values generated by the new consolidated companies and the values as of 30th June 2017.

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

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Amgas Blu S.r.l.	11,082	966	1,231	(2,674)	Ita Gaap
AP Reti Gas S.p.A.	48,952	9,888	308,604	(18,851)	IFRS
Ascopiave S.p.A.	56,312	46,998	401,228	138,416	IFRS
Ascotrade S.p.A.	168,994	10,215	24,419	(33,610)	IFRS
Blue Meta S.p.A.	36,390	2,775	7,617	(13,173)	Ita Gaap
Edigas Esercizio Distribuzione Gas S.p.A.	2,547	525	10,831	(1,592)	Ita Gaap
Estenergy S.p.A.	71,018	6,390	19,936	(20,979)	IFRS
Etra Energia S.r.l.	3,951	282	966	(1,671)	Ita Gaap
AP Reti Gas Vicenza S.p.A.	3,576	579	17,088	2,289	Ita Gaap
Pasubio Distribuzione Gas S.r.l.	6,561	(199)	(81)	12,090	Ita Gaap
Pasubio Rete Gas S.r.l.	1,384	(192)	1,589	(981)	Ita Gaap
Pasubio Servizi S.r.l.	19,417	1,716	4,597	(10,852)	Ita Gaap
AP Reti Gas Rovigo S.r.l.	2,205	661	14,718	(2,294)	Ita Gaap
ASM Set S.r.l.	14,915	1,250	1,519	(578)	Ita Gaap
Unigas Distribuzione S.r.l.	6,065	1,036	40,409	5,053	Ita Gaap
Veritas Energia S.p.A.	39,529	1,584	3,506	(374)	Ita Gaap

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

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 80,758 thousand as of 30th June 2017, remains unchanged as compared to 31st 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.

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

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

(Thousands of Euro)	31.12.2016	Increase	Decrease	30.06.2017
Distribution of natural gas	24,396			24,396
Sales of natural gas	56,362			56,362
Total goodwill	80,758			80,758

As of 30th June 2017, considering the outcome of the impairment tests carried out while preparing the balance sheet as of 31st December 2016, the evolution of the external indicators and of the internal values previously used to estimate the value recoverable from the cash-generating units and that there are no new, significant impairment indicators to take into account, the administrators did not judge it necessary to carry out another impairment test on the book value of the goodwill reported above.

2. Other intangible fixed assets

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

(Thousands of Euro)	30.06.2017			31.12.2016		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	4,910	(4,610)	229	4,910	(4,524)	386
Concessions, licences, trademarks and similar rights	15,257	(7,728)	7,529	9,933	(4,835)	5,098
Other intangible assets	26,704	(19,449)	7,255	25,632	(17,300)	8,332
Tangible assets under IFRIC 12 concession	584,837	(265,115)	319,722	544,096	(243,789)	300,307
Intangible assets in progress under IFRIC 12 concession	10,068	0	10,068	2,783	0	2,783
Other intangible assets	641,775	(296,902)	344,874	587,353	(270,448)	316,905

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

	31.12.2016			30.06.2017			
(Thousands of Euro)	Net value	Values of newly acquired companies	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	386	0	0	0	87	0	299
Concessions, licences, trademarks and similar rights	5,098	2,801	0	0	370	0	7,529
Other intangible assets	8,332	0	0	34	1,042	0	7,255
Tangible assets under IFRIC 12 concession	300,307	23,659	3,293	0	7,537	0	319,722
Intangible assets in progress under IFRIC 12 concession	2,783	1,862	5,426	2	0	0	10,068
Other intangible assets	316,905	28,322	8,718	37	9,035	0	344,874

The investments made during the first six months of the financial year amount to Euro 8,718 thousand and refer to costs incurred for the construction of the infrastructures for natural gas distribution. The extension of the consolidation scope determined an increase in the item “Other intangible assets” equal to Euro 28,322 thousand. In the period 1st April – 30th June 2017, the net book amount of the intangible assets recorded by the newly acquired companies changed by Euro 891 thousand.

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 amortisation of the period.

Concessions, licences, trademarks and similar rights

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

Other intangible fixed assets

This item includes the fair value of customer lists that result from the acquisition of companies operating in the sale of natural gas and electricity that occurred in previous years. The analysis of customers switching performed at the end of the first half of 2017 has not highlighted any switch-out percentages above the expected depreciation percentage, and therefore its useful life (10 years) has not required any changes or impairments.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of measurement and reduction groups. At the end of the first half of the financial year, the investments amounted to Euro 19,415 thousand, mainly explained by the extension of the consolidation scope. Investments total Euro 3,293 thousand, including the reclassifications of assets under construction, whereas depreciation in the period amounted to Euro 7,537 thousand. The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the AEEGSI in tariff regulations. The

technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

Intangible assets under construction under concession

The item includes the costs incurred for the building of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the period considered. The item has changed by Euro 7,285 thousand (Euro 1,862 thousand due to the extension of the consolidation scope).

3. Tangible assets

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

(Thousands of Euro)	30.06.2017			31.12.2016		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	40,108	(11,128)	28,981	37,169	(9,708)	27,461
Plant and machinery	2,838	(1,414)	1,424	2,599	(1,129)	1,470
Industrial and commercial equipment	3,408	(2,893)	515	3,192	(2,673)	519
Other tangible assets	16,647	(14,279)	2,368	15,871	(13,195)	2,676
Tangible assets in progress and advance payments	580	0	580	238	0	238
Other tangible assets	63,582	(29,714)	33,867	59,071	(26,706)	32,364

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

(Thousands of Euro)	31.12.2016			30.06.2017			
	Net value	Values of newly acquired companies	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Lands and buildings	27,461	2,078	27		585		28,981
Plant and machinery	1,470	25	0		71		1,424
Industrial and commercial equipment	519	16	20		41		515
Other tangible assets	2,676	71	124		503		2,368
Tangible assets in progress and advance payments	238	0	342				580
Other tangible assets	32,364	2,190	513	0	1,200	0	33,867

At the end of the first half of the reporting period, tangible fixed assets amounted to Euro 33,867 thousand. The change is mainly explained by the amortisation and depreciation of the period and the extension of the consolidation scope. In the period from 1st April to 30th June 2017, the net book amount of intangible assets recognised by the newly acquired companies changed by Euro 14 thousand.

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, net of the change in the consolidation scope, increased by Euro 27 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 amortisation of the period.

Industrial and commercial equipment

The item “Industrial and commercial equipment” in the period considered registered investments equal to Euro 20 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first half of financial year 2017, equal to Euro 124 thousand, mainly relate to the costs incurred for the purchase of corporate vehicles, hardware and phones.

Tangible assets under construction and advance payments

The item basically includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the first half of the year, the item changed by Euro 342 thousand.

4. Shareholdings

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

	31.12.2016			30.06.2017
	Net value	Increase	Decrease	Net value
(Thousands of Euro)				
Shareholdings in jointly controlled companies	68,737	3,984	6,680	66,041
Shareholdings in other companies	1	6		7
Shareholdings	68,738	3,991	6,680	66,048

Shareholdings in joint companies

Shareholdings in joint companies decrease from Euro 68,738 thousand to Euro 66,023 thousand, marking a decrease of Euro 2,696 thousand, mainly explained by the dividends distributed by the jointly controlled companies for Euro 6,706 of which Estenergy S.p.A. Euro 4,883 thousand, ASM Set S.r.l. Euro 943 thousand and Unigas Distribuzione S.r.l. Euro 880 thousand, net of the actuarial effects on TFR (Employee Severance Indemnity) for Euro 26 thousand, partially offset by the results achieved in the first half of 2017 for Euro 3,959 thousand of which Estenergy S.p.A. Euro 2,838 thousand, ASM Set S.r.l. Euro 577 thousand and Unigas Distribuzione S.r.l. Euro 544 thousand.

The evaluation of the shareholdings in jointly controlled companies with the net equity method and their profit and loss statement and balance sheet figures are shown in the section “Synthesis data as of 30th June 2017 of the jointly controlled companies consolidated through the net equity method” of the Explanatory Notes.

Shareholdings in affiliate companies

Sinergie Italiane S.r.l. in liquidation

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

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

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

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

Based on the results of the financial statements for the year 2015-2016, as approved by the Shareholders’ meeting on 18th December 2015 and on preliminary operating data of financial year 2015-2016 restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 11,738 thousand, of which Euro 3,632 thousand attributable to the Ascopiave Group. Given that the capital deficit of the affiliate company as of 31st December 2016 amounted to Euro 13,561 thousand, of which Euro 4,196 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 564 thousand with a positive impact on the profit and loss statement (Euro 545 thousand as of 30th June 2016).

The essential data of the shareholdings in the subsidiary as of 31st May 2017, 31st December 2016 and 30th June 2016 are reported below:

(Values referred to pro-rata partecipation in Million of Euro)	First five months as of	Balance as of	First half as of
	31/05/2017	31/12/2016	30/06/2016
Non-current assets	2.53	2.62	2.73
Current assets	13.62	9.01	12.36
Net equity	(3.48)	(4.03)	(4.62)
Non-current liabilities	0.00	0.00	(0.00)
Current liabilities	18.65	14.63	18.68
Revenues	42.01	15.36	40.96
Costs	(40.64)	(14.82)	(39.50)
Gross operative margin	1.37	0.54	1.46
Amortization and depreciation	(0.45)	(0.20)	(0.60)
Operating result	0.92	0.34	0.86
Net result	0.87	0.32	0.81
NFP	2.50	2.45	6.96

Other investments

Other equity investments related to the newly acquired companies are attributable to the shares in the company Pedemontana Distribuzione Gas S.r.l. (9.09%) for Euro 5 thousand and minority stakes in Banca Alto Vicentino S.p.A. for Euro 1 thousand. The acquisition of the minority shareholding is due to the combination with the companies of the so-called “Pasubio Group”.

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)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Security deposits	8,777	10	8,767	9,438
Other receivables	4,128		4,128	4,128
Other non-current assets	12,905	10	12,895	13,566

Non-current assets are mostly made up of security deposits that the companies selling natural gas have issued for the monthly payments due for the import of gas from Russia and deposits paid to Gestore Mercati Energetici for the purchase of energy efficiency certificates. Other non-current assets decreased from Euro 13,566 thousand to Euro 12,905 thousand, marking a decrease of Euro 661 thousand (Euro 671 thousand on a comparable consolidation basis) mainly due to the refund of part of the security deposit by Sinergie Italiane S.r.l. in liquidation for Euro 683 thousand.

“Other receivables” are unchanged and made up of:

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

As of 30th June 2017 there is an on-going litigation with the municipalities mentioned in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain.

6. Non-current assets from derivative instruments

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

(Thousands of Euro)	30.06.2017	31.12.2016
Assets from derivative for raw materials over 12 months		485
Non-current assets from derivative financial instruments		485

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

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	19513462	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	14-apr-16	1-lug-18	30-set-18	Long/Buy	2.208 MWh	0
Totali									2.208	0

7. Advance tax receivables

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Advance tax receivables	11,163	1,203	9,961	9,758
Advance tax receivables	11,163	1,203	9,961	9,758

Advance taxes increase from Euro 9,758 thousand to Euro 11,163 thousand, marking an increase, net of the change in the scope of consolidation, of Euro 1,203 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 30th June 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:

	30.06.2017			31.12.2016		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
(Thousands of Euro)						
Gas stockage	1,287	(12)	1,276	1,945	0	1,945
Fuels and warehouse materials	2,510	(33)	2,477	2,399	(33)	2,366
New company values acquired	286	(69)	217			
Fuels and warehouse materials	4,083	(114)	3,970	4,344	(33)	4,311

As of 30th June 2017, the inventories are equal to Euro 3,970 thousand, and show an overall decrease equal to Euro 341 thousand as compared to 31st December 2016, mainly explained by the sale of natural gas stored (Euro -669 thousand) partially offset by the increase in goods in stock (Euro +111 thousand) and material inventories of the newly acquired companies (Euro +217 thousand).

Goods in stock 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 114 thousand (of which Euro 69 thousand of the newly acquired companies), in order to adapt their value to the opportunities for their clearance or use.

The value of gas inventories is calculated based on the weighted average purchase price of the raw material, whereas the provision for gas inventory depreciation is evaluated on the basis of the market price recorded on the last day of the reporting period (30th June 2017, that is 18.56 Euro/MWh source MGS; 31st December 2016: 20.55 Euro/MWh source MGS). At the end of the previous year, no depreciation of stocked gas price was necessary, as the market value was higher than the book value of the stocked natural gas. However, as of 30th June 2017, provisions amounted to Euro 12 thousand.

9. Trade receivables

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

	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
	(Thousands of Euro)			
Receivables from customers	46,395	1,304	45,091	66,882
Receivables for invoices to be issued	39,116	1,042	38,074	88,345
Bad debt provisions	(6,649)	(295)	(6,355)	(7,148)
Trade receivables	78,862	2,051	76,810	148,079

Trade receivables decreased from Euro 148,079 thousand to Euro 78,862 thousand, marking a decrease of Euro 71,269 thousand net of the change in the scope of consolidation.

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

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

The lower provisions, equal to Euro 793 thousand, net of the newly acquired companies, are mainly explained by the good capacity of the existing provisions, which did not require additional amounts, despite the uses in the first six months of the year, in addition to 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)	30.06.2017	31.12.2016
Bad debt provisions	7,148	12,052
Bad debt provisions from acquisitions	295	(0)
Provisions	1,086	2,891
Use	(1,879)	(7,796)
Final bad debt provision	6,649	7,148

In the period 1st April – 30th June 2017, the provision for doubtful accounts recognised by the newly acquired companies remained unchanged.

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

(Thousands of Euro)	30.06.2017	31.12.2016
Gross trade receivables for invoices issued	46,395	66,882
- allowance for doubtful accounts	(6,649)	(7,148)
Net trade receivables for invoices issued	39,746	59,734

Ageing of trade receivables for invoices issued:

- to expire	35,336	51,710
- expired within 6 months	4,382	6,574
- overdue by 6 to 12 months	1,228	3,047
- expired more than 12 months	5,449	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)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Tax consolidation receivables	4,925	0	4,925	4,777
Annual pre-paid expenses	2,692	1,138	1,553	275
Advance payments to suppliers	9,891	188	9,703	9,837
Annual accrued income	1		1	0
Receivables due from CSEA	48,501	6,852	41,649	25,819
VAT Receivables	5,234	2,076	3,157	4,096
UTF and Provincial/Regional Additional Tax receivables	439		439	2,353
Other receivables	771	305	466	50
Other current assets	72,454	10,559	61,894	47,207

Other current assets increased from Euro 47,207 thousand to Euro 72,454 thousand, marking an increase of Euro 14,687 thousand, net of the change in the scope of consolidation.

The variation is mainly explained by the increase in receivables (Euro 15,830 thousand) from CCSEI, prepaid expenses for Euro 1,278 thousand (mainly software support fees), other receivables relating to advance payments for employees' social contributions charges for Euro 416 thousand, partially offset by the decrease in VAT receivables for Euro 1,914 thousand and the decrease in receivables for gas and electricity excise duties for Euro 939 thousand.

11. Current financial assets

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

(Thousands of Euro)	30.06.2017	31.12.2016
Other financial current assets	460	0
Current financial assets	460	0

Current financial assets show receivables amounting to Euro 460 thousand from the jointly-controlled company ASM Set S.r.l. relating to the intra-group cash pooling agreement.

12. Tax receivables

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Receivables related to IRAP	637		637	655
Receivables related to IRES	679	640	39	0
Other tax receivables	494	142	352	352
Tax receivables	1,810	782	1,028	1,007

Tax receivables increased from Euro 1,007 thousand to Euro 1,810 thousand and, net of the change in the scope of consolidation, are unchanged since 31st December 2016. The item includes the residual credit, minus the taxes for the first half of 2017, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

13. Cash and cash equivalents

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Bank and post office deposits	38,042	1,340	36,702	8,803
Cash and cash equivalents on hand	21	4	17	19
Cash and cash equivalents	38,063	1,344	36,719	8,822

Cash and cash equivalents increased from Euro 8,822 thousand to Euro 38,063 thousand and, net of the change in the scope of consolidation, increased by Euro 27,897 thousand and they mainly refer to the bank accounting balance and to the company funds.

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

Net financial position

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Cash and cash equivalents	38,063	1,344	36,719	8,822
Current financial assets	460	0	460	0
Current financial liabilities	(127)	0	(127)	(3,552)
Payables due to banks and financing institutions	(75,846)		(75,846)	(64,397)
	(72)		(72)	(93)
Net short-term financial position	(37,522)	1,344	(38,866)	(59,220)
Medium- and long-term bank loans	(29,273)		(29,273)	(34,541)
Non-current financial liabilities	(315)		(315)	(357)
Net medium and long-term financial position	(29,588)	0	(29,588)	(34,899)
Net financial position	(67,109)	1,344	(68,454)	(94,119)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of the first half of financial year 2017" and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

14. Current assets from derivative financial instruments

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

(Thousands of Euro)	30.06.2017	31.12.2016
Assets from derivative for raw materials	342	1,304
Current assets from derivative financial instruments	342	1,304

Assets from derivatives are represented by the fair value of the following commodity derivatives existing as of 30th June 2017, whose cash flow effect will be distributed 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	Gas TTF Month Ahead	22-mar-16	1-set-17	31-ott-17	Long/Buy	3.720 MWh	7
2	19513462	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	14-apr-16	1-ott-17	30-giu-18	Long/Buy	180.912 MWh	319
3	374160156	UniCredit	Commodity Swap	Gas TTF Month Ahead	14-apr-16	1-ott-16	30-set-17	Long/Buy	183.507 MWh	17
Totali									368.139	342

Consolidated shareholders' equity

15. Net shareholders' equity

Ascopiave S.p.A.'s share capital as of 30th June 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)	30.06.2017	31.12.2016
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(17,521)	(17,521)
Reserves	133,338	120,648
Group's Net Result	29,193	53,635
Net equity of the Group	426,303	438,055
Net equity of Others	3,142	2,847
Third parties Net Result	1,466	3,307
Net equity of Others	4,608	6,154
Total Net equity	430,911	444,209

In the first half of 2017, the changes in the consolidated net equity, excluding the result achieved in the period, have concerned the distribution of dividends for Euro 42,869 thousand, a negative variation for Euro 1,466 thousand related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 30th June 2017, the recognition of actuarial values on employee severance indemnity (TFR) and incentive plans for a total amount of Euro 379 thousand, as better illustrated in the statement of changes in shareholders' equity of this interim financial report.

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

(Thousands of Euro)	
Opening balance	1592
Effectiveness gained during the period	(1,980)
Effectively released in the income statement during the period	514
Closing balance	126

The value of the cash flow hedge reserve as of 30th June 2017 refers to the expected supply flows which will be recognised at cost (and therefore with effects on the income statement) in the second half of 2017 (totalling Euro 92 thousand) and in 2018 (to the tune of Euro 68 thousand).

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) at 30th June 2017, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 874 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. and 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>	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Provisions for pension for gas sector employees	1,383		1,383	1,089
Other reserves for risks and charges	5,574	235	5,339	5,903
Reserves for risks and charges	6,958	235	6,722	6,992

Reserves for risks and charges decreased from Euro 6,992 thousand to Euro 6,958 thousand. Net of the change in the scope of consolidation, they decreased by Euro 270 thousand. The variation is mainly explained by the decrease in the provisions for risks related to Sinergie Italiane S.r.l. in liquidation.

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

<i>(Thousands of Euro)</i>	
Reserves for risks and charges as of 1 st January 2017	6,992
Reserves for risks and charges from acquisitions	235
Provisions for risks hedging losses of associates with the equity method	(564)
Provisions for risks and charges	401
Use of provisions for risks and charges	(107)
Provisions for risks and charges as of 30th June 2017	6,958

During the period 1st April – 30th June 2017, the risks and charges recognised by the newly acquired companies increased by Euro 15 thousand.

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

(Thousands of Euro)	30.06.2017	31.12.2016
Cover losses associated companies	3,632	4,196
Risks on litigation with dealers	235	
Risks of litigation with suppliers	232	232
Funds on just working causes	1,475	1,475
Retirement fund and similar obligations	1,384	1,089
Provisions for risks and charges	6,958	6,992

17. Severance indemnity

Severance indemnity increases from Euro 4,077 thousand as of 1st January 2017 to Euro 4,831 thousand as of 30th June 2017, with an increase equal to Euro 37 thousand net of the change in the scope of consolidation.

(Thousands of Euro)	
Severance indemnity as of 1 st January 2017	4,077
Values of new companies acquired	791
Retirement allowance	(523)
Payments for current services and work	740
Actuarial loss/(profits) of the period (*)	(254)
Severance indemnity as of 30th June 2017	4,831

* including the interest cost booked in the income statement.

During the period 1st April – 30th June 2017, the balance of employee severance indemnity (TFR) recorded by the newly acquired companies increased by Euro 18 thousand.

18. Medium- and long-term loans

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Loans from Prealpi	648		648	684
Loans from European Investment Bank	28,625		28,625	31,000
Loans from Unicredit S.p.A.	(0)		(0)	2,857
Medium- and long-term bank loans	29,273		29,273	34,541
Current portion of medium and long-term loans	9,912		9,912	9,287
Medium and long-term loans	39,185		39,185	43,828

Medium and long term loans, mainly represented as of 30th June 2017 by the payables of the Parent Company to the European Investment Bank for Euro 32,750 thousand and Unicredit for Euro 5,714 thousand, decrease from Euro 43,828 thousand to Euro 39,185 thousand, marking a decrease of Euro 4,643 thousand, explained by the payment of the loan instalments during the first six months of the year.

Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 30th June 2017 is equal to Euro 32,750 thousand, with Euro 4,125 thousand classified in due to banks and short-term loans, and it envisages the fulfilment of some covenants to be checked twice a year applied to consolidated data prepared in accordance with IFRS, which as of 30th June 2017 were respected.

As a guarantee of the fulfilment of the obligations associated with the loan agreement, the Parent Company has sold to the European Investment Bank a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions of the 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. The original amount of the loan was Euro 40,000 thousand. It has an outstanding debt as of 30th June 2017 amounting to Euro 5,714 thousand, classified in due to banks and short-term loans, and envisages the fulfilment of some financial covenants to be checked yearly on the *pro-forma* consolidated data based on the sum of the consolidated financial statements and the pro-rata share of the jointly controlled companies. As of 31st December 2016 these parameters were respected.

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

Chart of medium- and long-term loans deadlines:

(Thousands of Euro)	30.06.2017
Year 2017	4,644
Year 2018	7,681
Year 2019	4,826
Year 2020	4,828
After 31 st December 2020	17,207
Medium and long-term loans	39,185

19. Other non-current liabilities

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Security deposits	11,898	219	11,678	12,052
Multi-annual passive prepayments	10,260	956	9,305	8,215
Other non-current liabilities	22,158	1,175	20,983	20,267

Other non-current liabilities increased from Euro 20,267 thousand to Euro 22,158 thousand, with an increase, net of the change in the scope of consolidation, of Euro 716 thousand.

Security deposits refer to deposits of gas and electricity users.

Long-term deferred income was recognised against revenues on connections to the gas network and related to the useful

life of the gas distribution plants and against revenues on contributions for the construction of distribution network. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

20. Non-current financial liabilities

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

(Thousands of Euro)	30.06.2017	31.12.2016
Payables due to leasing companies (over 12 months)	315	357
Non-current financial liabilities	315	357

Non-current financial liabilities decreased from Euro 357 thousand as of 31st December 2016 to Euro 315 thousand, marking a decrease of Euro 42 thousand, and mainly include payables to leasing companies due after 12 months; the relating current portion amounting to Euro 21 thousand is classified in Current financial liabilities.

21. Deferred tax payables

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Deferred tax payables	16,329		16,329	16,814
Deferred tax payables	16,329		16,329	16,814

Payables for deferred taxation decrease from Euro 16,814 thousand to Euro 16,329 thousand, marking a decrease of Euro 485 thousand, mainly due to the dynamics of amortisations in the client lists and amortisation 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 30th June 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 items are broken down for each period considered:

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Payables due to banks	65,934		65,934	55,110
Current portion of medium-long-term loans	9,912		9,912	9,287
Payables due to banks and financing institutions	75,846		75,846	64,397

Payables to banks increase from Euro 64,397 thousand to Euro 75,846 thousand, marking an increase of Euro 11,449 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

23. Trade payables

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Payables to suppliers	6,279	97	6,182	25,100
Payables to suppliers for invoices not yet received	69,201	10,231	58,970	77,952
Trade payables	75,480	10,328	65,152	103,052

Trade payables decrease from Euro 103,052 thousand to Euro 75,480 thousand, marking a decrease, net of the change in the scope of consolidation, of Euro 37,900 thousand. The change is mainly explained by the scheduling of natural gas purchasing and payment which, due to the seasonality of the business cycle, during this period of the year significantly affects the balances of payables to suppliers of the raw material natural gas.

24. Payables to tax authorities

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
IRAP payables	524	43	480	1,029
IRES payables	196	95	101	202
Tax payables	720	139	581	1,231

Tax payables decrease from Euro 1,231 thousand to Euro 720 thousand, marking a decrease, net of the change in the scope of consolidation, of Euro 650 thousand and include payables accrued at the end of the first half of 2017 for IRAP, and the IRES payable related to the companies which do not adhere to Asco Holding S.p.A.'s tax consolidation system.

25. Other current liabilities

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

(Thousands of Euro)	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	31.12.2016
Advance payments from customers	3,114	93	3,021	2,519
Amounts due to parent companies for tax consolidation	17,526	(0)	17,526	6,382
Amounts due to social security institutions	1,192	118	1,074	1,451
Amounts due to employees	6,092	239	5,854	4,679
VAT payables	11,751	89	11,662	2,650
Payables to revenue office for withholding tax	477	72	405	936
Annual passive prepayments	643	310	334	627
Annual passive accruals	452	8	445	368
UTF and Provincial/Regional Additional Tax payables	27,703		27,703	6,500
Other payables	13,392	1,137	12,255	7,579
Other current liabilities	82,342	2,064	80,278	33,691

Other current liabilities increased from Euro 33,691 thousand to Euro 82,342 thousand, marking an increase, net of the change in the scope of consolidation, of Euro 46,587 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of the end of the financial period as of 30th June 2017.

Tax consolidation payables

This heading includes the accrued payables to the parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES payables accrued for taxation up to 30th June 2017 with an increase of Euro 10,968 thousand as compared to 31st December 2016.

Amounts due to employees

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 30th June 2017 but not paid out on that date. The increase net of the change in the scope of consolidation is Euro 1,174 thousand, mainly due to the payables accrued as of 30th June 2017 due to the incentive plans.

VAT payables

VAT payables increased, net of the change in the scope of consolidation, by Euro 9,012 thousand as compared to 31st 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.

Annual deferred income

Annual deferred income is mainly related to revenues from cogeneration and heat supply.

Annual accrued liabilities

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

UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company with reference to the previous year. As of 30th June 2017 the Group's total amount of payables is Euro 27,703 thousand, as compared to Euro 27,380 thousand in the first half of 2016.

Other payables

These figures increase by Euro 4,676 thousand and mainly include payables to the Authority for Electricity and Gas and

Water regarding the new tariff components of transport by vector companies (Euro +3,318 thousand), payables from unpaid employee obligations accrued as of 30th June 2017 (Euro +178 thousand) and payables to the Tax Authority for the introduction of the Rai television license fee in the electricity bill (Euro +329 thousand).

Benefits based on financial instruments

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

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

26. Current financial liabilities

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

<u>(Thousands of Euro)</u>	30.06.2017	31.12.2016
Financial payables within 12 months	127	3,552
Payables to leasing companies within 12 months	72	93
Current financial liabilities	199	3,645

Current financial liabilities decreased from Euro 3,645 thousand to Euro 199 thousand, marking a decrease of Euro 3,446 thousand mainly due to the bank account balance for the joint control subsidiary ASM SET S.r.l.. The company, as of 31st December 2016, recorded payables for Euro 3,412 thousand, whereas as of 30th June 2017 it recognised receivables for Euro 460 thousand entered in current financial assets.

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 Interim Financial Report.

27. Current liabilities from derivative financial instruments

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

<u>(Thousands of Euro)</u>	30.06.2017	31.12.2016
Liabilities from derivative for raw materials	216	29
Current liabilities from derivative financial instruments	216	29

Liabilities on derivatives are represented by the fair value of the following commodity derivatives as of 30th June 2017, which will have financial manifestation between 1st July 2017 and 30th September 2018:

#	Ref.	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	22454461	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	29-mar-17	1-mag-17	31-ago-17	Long/Buy	36.840 MWh	13
2	22531817	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	10-apr-17	1-ott-17	31-mar-18	Long/Buy	17.040 MWh	15
3	22540592	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	11-apr-17	1-ott-17	30-set-18	Long/Buy	41.520 MWh	31
4	22743649	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	12-mag-17	1-gen-18	30-set-18	Long/Buy	39.168 MWh	19
5	22753473	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	15-mag-17	1-ott-17	30-set-18	Long/Buy	63.912 MWh	41
6	22765507	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	16-mag-17	1-ott-17	31-ott-17	Long/Buy	14.880 MWh	10
7	396355849	UniCredit	Commodity Swap	Gas TTF Quarter Ahead	16-mag-17	1-ott-17	31-dic-17	Long/Buy	50.508 MWh	32
8	22795284	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-mag-17	1-gen-18	30-set-18	Long/Buy	11.616 MWh	9
9	22795714	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	19-mag-17	1-gen-18	30-set-18	Long/Buy	9.420 MWh	7
10	22843947	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	26-mag-17	1-ott-17	30-set-18	Long/Buy	43.668 MWh	27
11	22922437	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	8-giu-17	1-lug-17	31-lug-17	Long/Buy	14.880 MWh	3
12	22922520	Intesa Sanpaolo	Commodity Swap	Gas TTF Month Ahead	8-giu-17	1-lug-17	31-lug-17	Long/Buy	11.160 MWh	3
13	21422501	BNP Paribas	Commodity Swap	Gas TTF Quarter Ahead	16-mag-17	1-ott-17	1-apr-18	Long/Buy	14.566 MWh	10
Totale									369.178	216

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

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

<i>(Thousands of Euro)</i>	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Revenues from gas transportation	17,630	2,828	14,802	16,730
Revenues from gas sale	223,405		223,405	209,203
Revenues from electricity sale	27,447		27,447	27,496
Revenues from connections	133	22	111	71
Revenues from heat supply	28		28	66
Revenues from distribution services	3,399	601	2,798	2,112
Revenues from services supplied to Group companies	696	(0)	696	519
Revenues from AEEGSI contributions	21,139	1,142	19,997	6,923
Other revenues	3,622	710	2,912	2,692
Revenues	297,500	5,303	292,197	265,811

At the end of the period considered, the Ascopiave Group's revenues, on a comparable consolidation basis, amounted to Euro 292,197 thousand, with an increase of Euro 26,386 thousand as compared to the same period in the previous year. The change is mainly due to higher revenues from the sale of natural gas (Euro +14,203 thousand) and higher revenues from AEEG contributions (Euro +13,074 thousand).

The revenues from natural gas sale, equalling Euro 223,405 thousand, record an increase of Euro 14,203 thousand as compared to the same period of the previous financial year. The increase is mainly explained by higher volumes of natural gas sold to the end market; during the first half of the year, 544.1 million cubic meters were sold as compared to 540.7 million in the same period in the previous year.

At the end of the first half of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 27,965 thousand (Euro 24,313 thousand as of June 2016). 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 14,802 thousand, with a decrease of Euro 1,928 thousand as compared to the first half of the previous year, involving the transport of 531.7 million cubic meters (491.3 million in the first half of 2016). The Restriction on total revenues is determined, year after year, on the basis of the number of redelivery points the Company actually served during the reference period, as well as on the reference price, whose values are established and published by the Authority for Electricity and Gas by 15th December of the year before that in which the price becomes effective.

At the end of the period, the revenues from electricity sales amounted to Euro 27,447 thousand, basically unchanged as compared to the same period in the previous year (Euro 27,496 thousand). The KWhs sold in the period considered amount to 319.7 million (285.1 million in the first half of 2016).

The revenues from connection services to the distribution network, on a comparable consolidation basis, are equal to Euro 111 thousand, up Euro 40 thousand as compared to the first half of 2016. The revenues from the distribution companies of the Group are fully recognised among the non-current liabilities and posted to the profit and loss

statement based on the useful life of the plants built.

On a comparable consolidation basis, the revenues derived from services provided by distributors, being equal to Euro 2,798 thousand, show an increase of Euro 686 thousand as compared to the first half of 2016.

The revenues from contributions made by the Authority for Electricity, Gas and Water amount to Euro 21,139 thousand recording an increase, on a comparable consolidation basis, of Euro 13,074 thousand as compared to the previous year.

The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the obligated distributors.

The contributions recognised as of 30th June 2017 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2017 target (regulatory period June 2017 - May 2018). The unit contribution used for the economic quantification of the fulfilment of the obligation is equal to the fair value of the forecast contribution announced by GSE for the 2016 target (regulatory period June 2016 - May 2017) measured at 30th June 2017 and amounting to Euro 239.67 (source: STX; Euro 119.6 at 30th June 2016; source GSE).

The item "Other revenues" increased from Euro 2,692 thousand in the first half of 2016, to Euro 3,622 thousand in the period considered, showing an increase, on a comparable consolidation basis, of Euro 220 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 689 thousand was allocated by CSEA during the first half of 2017.

Costs

29. Purchase costs for raw material (gas)

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

(Thousands of Euro)	1 st Half 2017	1 st Half 2016
Purchase costs for raw material (gas)	146,193	134,728
Purchase costs for raw material (gas)	146,193	134,728

At the end of the first half of the year, the costs for natural gas procurement amounted to Euro 146,193 thousand, showing an increase of Euro 11,465 thousand compared to the first half of 2016. The increase in costs incurred 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 544.1 million cubic metres.

In the period considered, gas inventories amount to Euro 1,287 thousand, as compared to Euro 1,945 thousand as of 31st December 2016.

The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of lower costs totalling Euro 538 thousand (higher costs for Euro 283 thousand as of 30th June 2016).

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

30. Purchase cost of other raw materials

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Purchase of electricity	9,177		9,177	7,316
Purchase of other raw material	812	150	663	979
Purchase costs for other raw materials	9,989	150	9,840	8,295

At the end of the first half of 2017, the costs incurred for the purchase of other raw materials registered an increase equal to Euro 1,544 thousand, mainly explained by the higher costs incurred to procure electricity.

The costs incurred for the purchase of electricity showed an increase of Euro 1,861 thousand, from Euro 7,316 thousand, to Euro 9,177 thousand in the reference period. The increase is mainly explained by the average purchase price trend. GWhs sold increased by 34.6 GWh, from 285.1 GWh in the first half of 2016 to 319.7 in the period considered.

The costs incurred for the purchase of other materials register a decrease equal to Euro 167 thousand, from Euro 979 thousand in the first half of 2016, to Euro 812 thousand in the period considered, whereas on a comparable consolidation basis the decrease is equal to Euro 316 thousand. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

31. Costs for services

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Costs of conveyance on secondary networks	40,200		40,200	36,370
Costs for counting meters reading	331	37	293	339
Costs for mailing bills	832		832	217
Mailing and telegraph costs	340	0	340	817
Maintenance and repairs	1,499	70	1,430	1,145
Consulting services	2,200	113	2,088	2,756
Commercial services and advertisement	1,659		1,659	1,188
Sundry suppliers	512	51	460	748
Directors' and Statutory Auditors' fees	621	32	589	547
Insurances	344	19	325	427
Personnel costs	505	8	497	510
Other managing expenses	3,318	17	3,301	3,107
Costs for use of third-party assets	6,835	1,794	5,041	5,014
Storage services	297		297	293
Costs for services	59,494	2,142	57,352	53,478

The costs for services incurred during the first six months of the year amount to Euro 59,494 thousand, thus recording an increase, on a comparable consolidation basis, of Euro 3,874 thousand as compared to the same period in the previous year.

This variation is mainly explained by the higher costs for gas carriage and electricity transportation (Euro +3,830 thousand), the increase in costs incurred for marketing and advertising services (Euro +470 thousand) and the net growth of mail and telegraph expenses and costs for sending bills (Euro +138 thousand). They are partially offset by the lower costs for consultancy services (Euro -669 thousand).

On a comparable consolidation basis the costs incurred for the transportation of natural gas on the secondary and primary networks increase from Euro 18,885 thousand in the first half of 2017, to Euro 24,581 thousand in the reference period, showing an increase of Euro 5,696 thousand. The increase is mainly due to higher volumes of natural gas injected into the network of distribution companies owned or managed by companies not belonging to the Group. Costs incurred for transportation of electricity decreased by Euro 1,866 thousand, from Euro 17,485 thousand in the first half of 2016 to Euro 15,619 thousand in the reference period. Energy traded during the reference period increased by 34.6 GWh, from 285.1 GWh in the first half of 2016, to 319.7 GWh in the first half of 2017.

The decrease in costs incurred for consultancy services is mainly explained by the higher costs entered in the first half of 2016 or the establishment of the company AP Reti Gas S.p.A..

At the end of the first six months of the year, the costs incurred for marketing and advertising services increased by Euro 470 thousand, from Euro 1,188 thousand in the first half of 2016 to Euro 1,659 thousand in the first half of 2017.

On a comparable consolidation basis, other operating costs increased by Euro 194 thousand, mainly explained by the higher costs incurred for bank and postal fees (Euro +73 thousand), the increase in costs incurred for services provided by distributors (Euro +55 thousand) and the increase in costs for front-office services (Euro +81 thousand).

32. Costs for personnel

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Wages and salaries	11,033	387	10,646	9,627
Social security contributions	3,300	121	3,179	3,291
Severance indemnity	773	34	740	762
Other costs	5		5	22
Total personnel costs	15,111	542	14,568	13,702
Capitalized personnel costs	(2,099)		(2,099)	(2,389)
Personnel costs	13,012	542	12,469	11,313

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

Costs for staff increase from Euro 11,313 thousand in the first half of 2016 to Euro 13,012 thousand in the reference period, showing an increase, on a comparable consolidation basis, of Euro 1,156 thousand.

The capitalised staff cost shows a decrease equal to Euro 290 thousand, from Euro 2,389 thousand in the first half of 2016, to Euro 2,099 thousand in the first half of 2017.

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

Description	30.06.2017	Values of newly acquired companies	Net values of newly acquired companies	30.06.2016	Variation
Managers (average)	17	0	17	18	(1)
Office workers (average)	389	26	363	362	28
Manual workers (average)	122	20	102	103	19
No. of personal employed	528	46	482	483	46

33. Other management costs

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Provision for risks on credits	1,086		1,086	1,151
Other provisions	15	15		
Membership and AEEGSI fees	452	31	421	482
Capital losses	1		1	607
Extraordinary losses	330		330	118
Other taxes	417	3	414	514
Other costs	385	11	373	339
Costs of contracts	153	0	153	241
Energy efficiency certificates	18,471	1,453	17,018	6,886
Other management costs	21,311	1,514	19,797	10,338

Other operating costs, increasing from Euro 10,338 thousand in the first half of 2016, to Euro 21,311 thousand in the reference period, show an increase of Euro 9,459 thousand, net of the extension of the consolidation scope, mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +10,132 thousand), partially offset by lower allowances for doubtful accounts (Euro -65 thousand) made possible thanks to the appropriate capacity of the bad debt provision.

Capital losses booked in the first half of 2016 included the net book value of fixed assets that were disposed of during the period (natural gas metering equipment and distribution facilities).

The costs recognised as of 30th June 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 2017 - May 2018). The unit cost is the fair value of the prices recorded in the relevant market, calculated on 30th June 2017 and amounting to Euro 268.00 (source STX; Euro 205.9 as of 31st March 2017).

34. Other income

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Other income	640	605	35	123
Other income	640	605	35	123

At the end of the reference period, the item “other operating income” equalled Euro 640 thousand, showing an increase of Euro 517 thousand as compared to the same period in the previous year. The change is mainly explained by the extension of the consolidation scope. The surplus value amounting to Euro 373 thousand and deriving from the acquisition of Ap Reti gas Vicenza S.p.A. is recognised among the values of the newly acquired companies. For further information, please see the section “Business combinations” of this interim financial report.

35. Amortisation, depreciation and write-downs

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Intangible fixed assets	9,377	342	9,035	8,867
Tangible fixed assets	1,220	20	1,200	1,233
Amortization and depreciation	10,597	362	10,235	10,076

Amortisation and depreciation are equal to Euro 10,597 thousand, recording an increase, net of the change in the scope of consolidation, of Euro 159 thousand.

Financial income and expense

36. Financial income and expense

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
Interest income on bank and post office accounts	1		1	9
Other interest income	223	11	212	115
Other financial income	3	0	3	2
Financial income	227	11	216	126
Interest expense on banks	4	0	4	86
Interest expense on loans	208	41	166	225
Other financial expenses	206	79	127	100
Financial charges	418	121	297	411
Evaluation of subsidiary companies with net equity method	564		564	545
Result quota from jointly controlled companies	3,984		3,984	3,626
Evaluation of subsidiary companies with the net equity method	4,548		4,548	4,171
Total net financial expenses	4,358	109	4,467	3,886

At the end of the first half of 2017, the balance between financial income and expenses showed a loss of Euro 191 thousand, a decrease from the same period in the previous year of Euro 94 thousand.

The item “Evaluation of associated companies using the equity method” amounts to Euro 564 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 an increase as compared to the same period in the previous year equal to Euro 19 thousand.

The item “Result quota from jointly controlled companies” includes the net results achieved by the jointly controlled companies in the reference period; they have increased by Euro 358 thousand, totalling Euro 3,984 thousand.

Taxes

37. Taxes for the period

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

(Thousands of Euro)	1 st Half 2017	Values of newly acquired companies	Net values of newly acquired companies	1 st Half 2016
IRES current taxes	10,304	147	10,157	10,761
IRAP current taxes	1,712	28	1,683	1,627
(Advance)/Deferred taxes	(772)	(16)	(756)	(37)
Taxes for the period	11,244	159	11,084	12,351

Taxes decrease from Euro 12,351 thousand in the first half of 2016 to Euro 11,244 thousand in the reference period, thus registering a decrease, on a comparable consolidation basis, of Euro 1,267 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 tax base generated in the reference period and the initial recognition of Euro 201 thousand relating to tax adjustments from the previous years.

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

(Thousands of Euro)	1 st Half 2017	1 st Half 2016
Earnings before tax	41,902	41,591
Taxes for the period	11,244	12,351
Percentage of income before taxes	26.8%	29.7%

The tax-rate as of 30th June 2017 is equal to 26.8% with a decrease of 2.9% as compared to the same period in the previous year. This is mainly explained by the drop in the IRES rate.

Non-recurrent components

In accordance with CONSOB communication 15519/2005, we report that there were no non-recurring economic components reported in the interim financial statements as of 30th June 2017.

Transactions deriving from unusual and/or atypical operations

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

Business combinations

Purchase of the companies Pasubio Group S.p.A. (now AP Reti Gas Vicenza S.p.A.), Pasubio Distribuzione Gas S.r.l. and Pasubio Rete gas S.r.l.

On 3rd April 2017, Ascopiave S.p.A. acquired 100% of Pasubio Group S.p.A (now AP Reti Gas Vicenza S.p.A.). 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 and controls 100% of the shares of Pasubio Distribuzione Gas S.r.l., which in turn controls 100% of the shares of Pasubio rete Gas S.r.l.

Following the acquisition of control, with the interim financial statements as of 30th June 2017, the companies were fully consolidated by the Ascopiave Group: the Directors, also based on the nature of the agreements existing prior to the finalisation of the exchange of shares, have seen fit to represent the acquisition of control commencing 1st April 2017.

With the transaction, Ascopiave paid the shareholders which sold the company's entire share capital, at the closing date, 90% of the price agreed for the sale of the shares, amounting to Euro 14,670 thousand, whereas the balance (10%), will be paid subsequent to the determination of the price adjustment envisaged in the agreement and based on the change in the net financial position from 31st December 2015 to the share transfer date. As of 30th June 2017, the price balance deriving from the comparison between the net financial position at 31st December 2015 and the net financial position at 31st March 2017 is equal to Euro 1,630 thousand, i.e. 10%, as the differences found are below the threshold envisaged for any adjustments.

The purchase costs, pursuant to "IFRS 3 Revised - Business Combinations" are entered in the consolidated profit and loss statement to the amount of Euro 100 thousand.

The quotas of stakes purchased were externally evaluated by an independent subject in order to determine the allocation of the lower value of Euro 373 thousand paid with respect to the accounting values of the shareholders' equity as of 31st March 2017, that the Directors have conservatively recognised in other revenues in Ascopiave Group's profit and loss statement.

The business combination was temporarily recognised on 30th June 2017 pursuant to the international accounting standard IFRS 3.62.

In particular, the fair values attributed to identifiable assets and liabilities of Veritas Pasubio Group S.p.A. (now AP Reti Gas Vicenza S.p.A.), Pasubio Distribuzione Gas S.r.l. and Pasubio Rete gas S.r.l. at purchase date are as follows:

Values detected at 31st March 2017									
(Thousands of Euro)	Accounting values				Equal values found in the acquisition				
	Pasubio Group S.p.A.	Pasubio Distribuzione S.r.l.	Pasubio Rete S.r.l.	aggregate	Pasubio Group S.p.A.	Pasubio Distribuzione S.r.l.	Pasubio Rete S.r.l.	aggregate	
	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other intangible assets	20,383	7,048	0	27,431	20,383	7,048	0	27,431	
Tangible assets	2,090	0	86	2,176	2,090	0	86	2,176	
Shareholdings	56	1,375	0	1,431	6	0	0	6	
Other non-current assets	8	2	0	10	8	2	0	10	
Advance tax receivables	1,058	108	20	1,186	1,058	108	20	1,186	
Non-current assets	23,595	8,533	106	32,234	23,545	7,158	106	30,809	
Inventories	0	0	172	172	0	0	172	172	
Trade receivables	1,532	3,713	2,410	7,655	1,532	3,713	2,112	7,357	
Other current assets	784	6,352	25	7,161	784	4,947	13	5,744	
Tax receivables	773	20	41	834	773	20	41	834	
Cash and cash equivalents	4,816	1,825	5	6,646	4,816	1,825	5	6,646	
Current assets	7,904	11,911	2,653	22,468	7,904	10,506	2,344	20,754	
Assets	31,499	20,444	2,759	54,702	31,449	17,664	2,450	51,563	
Provisions for risks and charges	220	0	0	220	220	0	0	220	
Severance indemnity	248	0	525	773	248	0	525	773	
Medium- and long-term bank loans	3,441	0	0	3,441	3,441	0	0	3,441	
Other non-current liabilities	472	529	0	1,001	472	529	0	1,001	
Non-current liabilities	4,381	529	525	5,434	4,381	529	525	5,434	
Payables due to banks and financing institutions	4,326	0	0	4,326	4,326	0	0	4,326	
Trade payables	913	17,461	543	18,917	913	17,461	543	18,917	
Tax payables	15	0	0	15	15	0	0	15	
Other current liabilities	5,096	5,908	408	11,412	2,198	3,586	414	6,198	
Current liabilities	10,350	23,369	950	34,670	7,452	21,047	957	29,456	
Liabilities	14,731	23,898	1,475	40,104	11,833	21,576	1,481	34,890	
Total assets/liabilities of acquired companies	16,768	3,454	1,284	14,598	19,617	3,912	968	16,673	
Difference between the assets and the price of the acquisition								373	
Total cost of acquisition								16,300	
Net liquidity of companies								6,646	
Payments								14,670	
Net liquidity absorbed by the acquisition as of 30th June 2017								8,024	
Price to be paid								1,630	

The lower value of Euro 373 thousand was recognised in other revenues. For further details on the acquisition, please see the section “Significant events during the first half of 2017” of these interim financial statements.

OTHER COMMENTS ON THE INTERIM FINANCIAL STATEMENTS AS OF 30TH JUNE 2017**Commitments and risks****Bank guarantees**

As of 30th June 2017, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	30 th June 2017	31 st December 2016
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)	2,205	3,414
On agreements for transport of gas (letter of comfort)	9,399	12,841
On agreements for transport of electricity (letter of comfort)	17,751	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
Total	45,711	47,290

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

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

(Thousands of Euro)	30 th June 2017	31 st December 2016
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)	865	1,128
On active agreements of gas administration (letter of comfort)	200	216
On leases agreements	111	114
Total	29,520	29,801

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation amount as of 30th June 2017 to Euro 26,665 thousand (Euro 34,333 thousand as of 30th June 2016).

Risk and uncertainty factors

Information on agreements not disclosed in the balance sheet

Pursuant to art. 2427, first paragraph, point 22-ter, Italian Civil Code, introduced by Legislative Decree 173 on 23rd November 2008, it is noted that the company has not entered into agreements not disclosed in the balance sheet.

Management of financial risk: objectives and criteria

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

The operating activity, on the contrary, put the Group on the position of possible receivable risks with the counterparts. The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

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

Interest rate risks

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

Furthermore, the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 30th June 2017 of Euro 39,185 thousand and due dates between 1st July 2017 and 5th February 2026.

The medium - long term loans are mainly represented by the loan granted in August 2013 by the European Investment Bank with an outstanding debt of Euro 32,750 thousand, as of 30th June 2017, and by the loan granted in 2011 by Unicredit S.p.A. with an outstanding debt of Euro 5,714 thousand, subject to a securitisation operation by the lender. Both are subject to covenants which are met.

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

Sensitivity analysis of the interest rate risk

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

	January	February	March	April	May	June	
Net Financial Position 2017	(98,975)	(71,302)	(55,735)	(15,272)	(67,980)	(67,109)	
Positive average rate	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	
Negative average rate	0.32%	0.31%	0.29%	0.29%	0.28%	0.27%	
Positive average rate increased of 200 basis point	2.01%	2.01%	2.01%	2.01%	2.02%	2.01%	
Negative average rate increased of 200 basis point	2.32%	2.31%	2.29%	2.29%	2.28%	2.27%	
Positive average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Negative average rate decreased of 50 basis point	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Net Financial Position recalculated with increase of 200 basis point	(99,143)	(71,416)	(55,830)	(15,297)	(68,095)	(67,219)	
Net Financial Position recalculated with decrease of 50 basis point	(98,933)	(71,274)	(55,712)	(15,266)	(67,951)	(67,081)	Total
Effect to income before taxes with increase of 200 basis point	(168)	(113)	(95)	(25)	(115)	(110)	(627)
Effect to income before taxes with decrease of 50 basis point	42	28	24	6	29	28	157

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group

equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 627 thousand (2016: Euro 730 thousand) or positive for Euro 157 thousand (2016: Euro 183 thousand).

Receivable risk

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

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

Liquidity risk

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

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

Risk of prices of raw materials

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

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

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

Risk management and control policy

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

In accordance with the provisions of the Policies, the Group will be able to resort to derivatives for hedging purposes, in order to reduce or mitigate those risks, following the “Compliance with EMIR Regulation” Procedure, which defines

the criteria and rules through which the Ascopiave Group fulfils its obligations under the EU Regulation no. 648/2012 – European Market Infrastructure Regulation, concerning the risk mitigation techniques associated with the use of derivative hedging instruments, required to make these operations as transparent as possible to the market.

Price risk management and methods of accounting presentation

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

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

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

As of 30th June 2017, the existing derivative instruments, detailed in sections no. 6 “*Non-current assets from derivative financial instruments*”, no. 14 “*Current assets from derivative financial instruments*” and no. 27 “*Current liabilities from derivative financial instruments*” whose mark to market totals Euro +127 thousand, are prospectively and retrospectively effective.

Specific risks in the business sectors in which the Group operates

Regulations

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

Management of Capital

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

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

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

(Thousands of Euro)	30.06.2017	31.12.2016	30.06.2016
Financial position in the short term	(37,522)	(59,220)	(7,073)
financial position in the medium-long term	(29,588)	(34,899)	(39,566)
Financial gross debt	67,109	94,119	46,639
Share capital	234,412	234,412	234,412
Own shares	(17,521)	(17,521)	(17,521)
Reserves	184,828	173,684	170,388
Undistributed net profit	29,193	53,635	27,510
Total Net equity	430,911	444,209	414,788
Total capital and gross debt	498,020	538,328	461,428
Debt/Net assets ratio	0.16	0.21	0.11

The debt/net equity ratio as of 30th June 2017 is 0.16, a decrease as compared to 31st December 2016, equal to 0.21.

The decrease in this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 27,010 thousand in the first half of 2017, and the Shareholders' equity, which decreased by Euro 13,298 thousand as compared to 31st 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 30th June 2017 and 31st December 2016 is as follows:

(Thousands of Euro)	30.06.2017						Total	Fair value
	A	B	C	D	E	F		
Other non-current assets				12,905			12,905	12,905
Trade receivables and Other current assets				138,733			138,733	138,733
Current financial assets				460			460	460
Cash and cash equivalents				38,063			38,063	38,063
Current assets from derivative financial instruments		342					342	342
Medium- and long-term bank loans						29,273	29,273	29,273
Other non-current liabilities						11,898	11,898	11,898
Non-current financial liabilities						315	315	315
Payables due to banks and financing institutions						75,846	75,846	75,846
Trade payables and Other current liabilities						154,065	154,065	154,065
Current financial liabilities						199	199	199
Current liabilities from derivative financial instruments		216					216	216

	31.12.2016							Total	Fair value
(Thousands of Euro)	A	B	C	D	E	F			
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 recognised in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognised in Equity (including hedging derivatives)
- C - Investments held to maturity
- D - Assets for granted loans and receivables (including cash equivalents)
- E - Assets available for sale
- F - Financial liabilities recognised at amortised cost and payables

Business segment reporting

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

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

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

The following tables show the information on revenues concerning the business segments of the Group for the first half of 2017 and the first half of 2016.

1 st H 2017 (Thousands of Euro)	30.06.2017						
	Gas distribution	Gas sale	Electricity sale	Other	values from new companies acquisitions	Cancellations and adjustments	Total
Net revenues of third-party customers	28,667	235,071	27,575	873	5,303	0	297,500
Intra-group revenues among the segments	25,028	2,682	16,084	5,767	427	(49,988)	0
Segment revenues	53,705	237,753	43,659	6,641	5,730	(49,988)	297,500
Result before taxes	16,059	24,648	3,137	(3,031)	1,089	0	41,902

1 st H 2016 (Thousands of Euro)	Gas distribution	Gas sale	Electricity sale	Other	30.06.2016 values from new companies acquisitions	Cancellations and adjustments	Total
Net revenues of third-party customers	13,420	224,749	27,642	0	0	0	265,811
Intra-group revenues among the segments	31,524	2,849	15,404	0	0	(49,776)	0
Segment revenues	44,944	227,597	43,046	0	0	(49,776)	265,811
Result before taxes	8,745	29,574	3,272	0	0	0	41,591

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

Transactions with related parties

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

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Costs			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
ASCO HOLDING S.P.A.	0	4,925	0	17,945	0	0	9,687	0	28	63
Total parent company	0	4,925	0	17,945	0	0	9,687	0	28	63
<i>Affiliated companies</i>										
ASCO TLC S.P.A.	23	0	2	0	0	231	0	0	55	149
SEVEN CENTER S.R.L.	18	0	14	0	1	77	0	0	11	0
Total affiliated companies	41	0	16	0	1	308	0	0	67	149
<i>Subsidiary companies</i>										
Estenergy S.p.A.	10	0	2	0	0	0	0	0	0	0
ASM SET S.R.L.	608	482	4	0	0	97	2	3,292	231	26
Unigas Distribuzione S.r.l.	9	0	520	0	0	5,186	0	48	30	3,060
SINERGIE ITALIANE S.R.L. in liquidation	6	7,510	0	0	27,736	27	0	0	31	0
Total subsidiary companies	633	7,992	526	0	27,736	5,311	2	3,340	293	3,086
Total	674	12,917	542	17,945	27,737	5,619	9,690	3,340	387	3,297

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

As far as the jointly controlled companies are concerned:

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

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

The revenues recorded vis-à-vis the parent company Asco Holding S.p.A. pertain mainly to administration, treasury management and staff services.

Tax charges or revenues recorded due to participation in the Italian Tax Consolidation Agreement with the parent company Asco Holding S.p.A. are respectively recognised in other costs or other revenues.

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

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

It is also noted that the letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount to Euro 26,665 thousand as of 30th June 2017 (Euro 34,333 thousand as of 30th June 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;
- with reference to the provisions of art. 150, paragraph 1 of Legislative Decree no. 58 of 24th February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

Financial statements representation pursuant to Consob resolution 15519/2006

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

Consolidated assets and liabilities statement

(Thousands of Euro)	30.06.2017	Of which related parties						31.12.2016	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Goodwill (1)	80,758							80,758						
Other intangible assets (2)	344,874							316,905						
Tangible assets (3)	33,867							32,364						
Shareholdings (4)	66,048			66,041		66,041	100.0%	68,738	68,737			68,737	100.0%	
Other non-current assets (5)	12,905			7,510		7,510	58.2%	13,566	8,193			8,193	60.4%	
Non-current assets from derivative financial instruments (6)	0							485						
Advance tax receivables (7)	11,163							9,758						
Non-current assets	549,616			73,551		73,551	13.4%	522,574	76,930			76,930	14.7%	
Current assets														
Inventories (8)	3,970							4,311						
Trade receivables (9)	78,862		41	633		674	0.9%	148,079	36	150	1,739	1,925	1.3%	
Other current assets (10)	72,454	4,925				4,925	6.8%	47,207	4,925			4,925	10.4%	
Current financial assets (11)	460			460		460	100.0%	0						
Tax receivables (12)	1,810							1,007						
Cash and cash equivalents (13)	38,063							8,822						
Current assets from derivative financial instruments (14)	342							1,304						
Current assets	195,961	4,925	41	1,094		6,060	3.1%	210,730	4,961	150	1,739	6,850	3.3%	
ASSETS	745,577	4,925	41	74,645		79,611	10.7%	733,304	4,961	150	78,669	83,780	11.4%	
Net equity and liabilities														
Total Net equity														
Share capital	234,412							234,412						
Own shares	(17,521)							(17,521)						
Reserves	209,413							221,164						
Net equity of the Group	426,303							438,055						
Net equity of Others	4,608							6,154						
Total Net equity (15)	430,911							444,209						
Non-current liabilities														
Provisions for risks and charges (16)	6,958							6,992						
Severance indemnity (17)	4,831							4,077						
Medium- and long-term bank loans (18)	29,273							34,541						
Other non-current liabilities (19)	22,158							20,267						
Non-current financial liabilities (20)	315							357						
Deferred tax payables (21)	16,329							16,814						
Non-current liabilities	79,862							83,050						
Current liabilities														
Payables due to banks and financing institutions (22)	75,846							64,397						
Trade payables (23)	75,480		16	526		542	0.7%	103,052	69	2,627		2,696	2.6%	
Tax payables (24)	720							1,231						
Other current liabilities (25)	82,342	17,945				17,945	21.8%	33,691	7,738			7,738	23.0%	
Current financial liabilities (26)	199							3,645		3,412		3,412	93.6%	
Current liabilities from derivative financial instruments (27)	216							29						
Current liabilities	234,804	17,945	16	526		18,487	7.9%	206,045	7,738	69	6,039	13,846	6.7%	
Liabilities	314,666	17,945	16	526		18,487	5.9%	7,738	69	6,039		13,846	4.8%	
Net equity and liabilities	745,577	17,945	16	526		18,487	2.5%	289,095	7,738	69	6,039	13,846	1.9%	

Legend for the Related parties column heading:

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

Comprehensive consolidated income statement

(Thousands of Euro)	Note	1 st Half		Of which related parties						1 st Half		Of which related parties					
		2017		A	B	C	D	Total	%	2016		A	B	C	D	Total	%
Revenues	(28)	297,500		28	215	6,719		6,962	2.3%	265,811		31	239	3,756		4,026	1.5%
Total operating costs		249,358		309	33,046	974		34,329	13.8%	218,029		358	30,783	885		32,026	14.7%
Purchase costs for raw material (gas)	(29)	146,193				27,736		27,736	19.0%	134,728				25,313		25,313	18.8%
Purchase costs for other raw materials	(30)	9,989			1			1	0.0%	8,295			1	6		7	0.1%
Costs for services	(31)	59,494			308	5,311	284	5,902	9.9%	53,478		355	5,464	284	6,103	11.4%	
Costs for personnel	(32)	13,012					690	690	5.3%	11,313					601	601	5.3%
Other management costs	(33)	21,311								10,338		3				3	0.0%
Other income	(34)	640								123							
Amortization and depreciation	(35)	10,597								10,076							
Operating result		37,545		28	(94)	(26,328)	(974)	(27,367)	-72.9%	37,705		31	120	27,026	885	28,000	-74.3%
Financial income	(36)	227				0		0	0.1%	126				2		2	1.5%
Financial charges	(36)	418				2		2	0.6%	411				7		7	1.6%
Evaluation of subsidiary companies with the net equity method	(36)	4,548			2	(0)		2	0.0%	4,171			(1)			(1)	0.0%
Earnings before tax		41,902		28	(91)	(26,330)	(974)	(27,367)	-65.3%	41,591		31	120	27,031	885	28,005	-67.3%
Taxes for the period	(37)	11,244			9,625			9,625	85.6%	12,351		10,385				10,385	84.1%
Result for the period		30,658		(9,597)	(91)	(26,330)	(974)	(36,992)	-120.7%	29,240		10,354	120	27,031	885	38,390	-131.3%
Net result for the period		30,658		(9,597)	(91)	(26,330)	(974)	(36,992)	-120.7%	29,240		10,354	120	27,031	885	38,390	-131.3%
Group's Net Result		29,193								27,510							
Third parties Net Result		1,466								1,730							
Consolidated statement of comprehensive income																	
1. Components that can be reclassified to the income statement																	
Fair value of derivatives, changes in the period net of tax		(1,466)								1,290							
2. Components that can not be reclassified to the income statement																	
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		239								(310)		(14)			(14)	4.5%	
Total comprehensive income		29,432		(9,597)	(91)	(26,330)	(974)	(36,992)	-125.7%	30,221		10,367	120	27,031	885	38,404	-127.1%
Group's overall net result		28,125		(9,597)	(91)	(26,330)	(974)	(36,992)	-131.5%	28,356		(10,349)	(102)	(27,013)	(867)	(38,386)	-135.4%
Third parties' overall net result		1,307								1,864		(18)	(18)	(18)	(18)	(18)	-1.0%
Base income per share		0.131								0.124							
Diluted net income per share		0.131								0.124							

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated financial statements

(thousands of Euro)	Of which related parties							Of which related parties						
	First Half 2017	A	B	C	D	Total	%	First Half 2016	A	B	C	D	Total	%
Net income of the Group	29,193							27,510						
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash														
Third-parties operating result	1,466					0	0%	1,730					0	0%
Amortization	10,597					0	0%	10,076					0	0%
Bad debt provisions	1,086					0	0%	1,151					0	0%
Variations in severance indemnity	(20)					0	0%	506					0	0%
Current assets / liabilities on financial instruments	1,634					0	0%	(1,350)					0	0%
Net variation of other funds	309					0	0%	415					0	0%
Evaluation of subsidiaries with the net equity method	(4,548)	0		(4,010)		(4,010)	88%	(4,171)	0	(3,627)	0	0	(3,627)	87%
Impairment losses / (gains) on shareholdings	(373)					0	0%	0					0	0%
Interests paid	(277)					0	0%	(385)					0	0%
Taxes paid	(2,745)					0	0%	(1,695)					0	0%
Interest expense for the year	303					0	0%	362					0	0%
Taxes for the year	11,244					0	0%	12,351					0	0%
Variations in assets and liabilities														
Inventories	514					0	0%	(2,396)					0	0%
Accounts payable	75,489	36	109	1,106	0	1,251	2%	94,917	40	164	536	0	740	1%
Other current assets	(19,495)	0	0	0	0	0	0%	13,220	2,370	(52)	0	0	2,318	18%
Trade payables	(46,489)	0	(53)	(2,101)	0	(2,154)	5%	(63,439)	0	11	2,070	0	2,081	-3%
Other current liabilities	29,626	10,207	0	0	0	10,207	34%	15,746	3,737	0	0	0	3,737	24%
Other non-current assets	671	0	0	683	0	683	102%	546	0	0	0	0	0	0%
Other non-current liabilities	890	0	0	0	0	0	0%	1,131					0	0%
Total adjustments and variations	59,882	10,243	56	(4,323)	0	5,976	10%	78,716	6,147	(3,504)	2,607	0	5,250	7%
Cash flows generated (used) by operating activities	89,074	10,243	56	(4,323)	0	5,976	7%	106,226	6,147	(3,504)	2,607	0	5,250	5%
Cash flows generated (used) by investments														
Investments in intangible assets	(9,943)					0	0%	(8,832)					0	0%
Realisable value of intangible assets	2					0	0%	640					0	0%
Investments in tangible assets	(521)					0	0%	(738)					0	0%
Realisable value of tangible assets	(0)					0	0%	2					0	0%
Disposals / (Acquisition) of investments and advances	(8,025)					0	0%	0					0	0%
Other net equity operations	353					0	0%	(311)					0	0%
Cash flows generated/ (used) by investments	(18,134)	0	0	0	0	0	0%	(9,239)	0	0	0	0	0	0%
Cash flows generated (used) by financial activities														
Net changes in debts due to other financiers	(43)	0	0	0	0	0	0%	(40)					0	0%
Net changes in short-term bank borrowings	(11,587)					0	0%	(118,549)					0	0%
Net variation in current financial assets and liabilities	(3,906)	0	0	(3,872)	0	(3,872)	99%	1,877	0	0	3,246	0	3,246	173%
Ignitions loans and mortgages	210,000					0	0%	77,500					0	0%
Redemptions loans and mortgages	(200,000)					0	0%	(41,000)					0	0%
Dividends distributed to Ascopiave S.p.A. shareholders'	(40,016)					0	0%	(33,347)					0	0%
Dividends distributed to other shareholders	(2,853)					0	0%	(2,222)					0	0%
Dividends distributed from subsidiary companies	6,706			6,706		6,706	100%	5,980		5,980			5,980	100%
Cash flows generated (used) by financial activities	(41,698)	0	0	2,834	0	2,834	-7%	(109,801)	0	5,980	3,246	0	9,225	-8%
Variations in cash	29,242					0	0%	(12,815)					0	0%
Cash and cash equivalents at the beginning of the period	8,822					0	0%	28,301					0	0%
Cash and cash equivalents at the end of the period	38,063					0	0%	15,486					0	0%

Legend for the Related parties column heading:

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

Consolidated net debt

(migliaia di Euro)	Of which related parties							Of which related parties						
	30.06.2017	A	B	C	D	Total	%	31.12.2016	A	B	C	D	Total	%
A Cash and cash equivalents on hand	21							19						
B Bank and post office deposits	38,042							8,803						
D Liquid assets (A) + (B) + (C)	38,063							8,822						
E Current financial assets	460			460	460	100.0%		0						
F Payables due to banks	(65,934)					0	0%	(55,110)					0	0%
G Current portion of medium-long-term loans	(9,912)					0	0%	(9,287)					0	0%
H Current financial liabilities	(199)					0	0%	(3,645)	(3,412)		(3,412)		93.6%	
I Current financial indebtedness (F) + (G) + (H)	(76,045)							(68,042)	(3,412)		(3,412)		5.0%	
J Net current financial indebtedness (I) - (E) - (D)	(37,522)					460	-1.2%	(59,220)	(3,412)		(3,412)		5.8%	
K Medium- and long-term bank loans	(29,273)					0	0%	(34,541)					0	0%
M Non-current financial liabilities	(315)					0	0%	(357)					0	0%
N Non-current financial indebtedness (K) + (L) + (M)	(29,588)							(34,899)						
O Net financial indebtedness (J) + (N)	(67,109)					460	-0.7%	(94,119)	(3,412)		(3,412)		3.6%	

Legend for the Related parties column heading:

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

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

Group A – Parent companies:

- Asco Holding S.p.A.

Group B – Associates and jointly controlled companies:

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

Group C – Affiliates:

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

Group D – other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events subsequent to the end of the period

On 27th July 2017, Acopiave S.p.A. settled the balance (Euro 1.6 million) of the amount relating to the stake purchased in Pasubio Group, subsequent to the determination of the price adjustment envisaged in the agreement.

Synthesis data as of 30th June 2017 of jointly controlled companies consolidated through the net equity method

Estenergy S.p.A.

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

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

Balance sheet - summary data

(Thousands of Euro)	30.06.2017	31.12.2016
Current assets	46,916	56,707
of which		
Cash and cash equivalents	20,979	4,014
Non-current assets	70,430	71,240
Current liabilities	25,822	31,905
of which		
Current financial liabilities	0	11
Non - current liabilities	4,931	5,280
	86,594	90,762
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	42,430	44,472

Income Statement - summary data

(Thousands of Euro)	First Half 2017	First Half 2016
Revenues	71,018	70,308
Total operating costs	62,012	61,977
Gross operative margin	9,006	8,332
Amortization and depreciation	854	904
Operating result	8,152	7,428
Financial income	89	145
Financial charges	4	8
Earnings before tax	8,237	7,566
Taxes of the period	2,446	2,522
Result of the period	5,791	5,043
Group inteterest	48.999%	48.999%
Net profit for the period attributable of the Group	2,838	2,471

Unigas Distribuzione S.r.l.

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

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

Balance sheet - summary data

(Thousands of Euro)	30.06.2017	31.12.2016
Current assets	13,157	18,467
of which		
Cash and cash equivalents	691	4,335
Non-current assets	46,852	46,993
Current liabilities	16,956	21,933
of which		
Current financial liabilities	0	0
Non - current liabilities	1,241	1,070
	41,812	42,457
Group interest	48.86%	48.86%
Net profit for the period attributable of the Group	20,429	20,745

Income Statement - summary data

(Thousands of Euro)	First Half 2017	First Half 2016
Revenues	9,183	8,111
Total operating costs	6,420	5,201
Gross operative margin	2,763	2,910
Amortization and depreciation	1,211	1,173
Operating result	1,552	1,737
Financial income	4	3
Financial charges	17	43
Earnings before tax	1,539	1,697
Taxes of the period	426	624
Result of the period	1,113	1,074
Group interest	48.86%	48.86%
Net profit for the period attributable of the Group	544	525

Asm Set S.r.l.

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

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

Balance sheet - summary data

(Thousands of Euro)	30.06.2017	31.12.2016
Current assets	7,896	10,084
of which		
Cash and cash equivalents	1,038	1,006
Non-current assets	5,200	5,319
Current liabilities	5,663	7,263
of which		
Current financial liabilities	460	0
Non - current liabilities	939	957
	6,494	7,183
Group inteterest	49%	49%
Net profit for the period attributable of the Group	3,182	3,520

Income Statement - summary data

(Thousands of Euro)	First Half 2017	First Half 2016
Revenues	15,201	14,355
Total operating costs	13,364	12,366
Gross operative margin	1,837	1,990
Amortization and depreciation	101	103
Operating result	1,736	1,887
Financial income	9	17
Financial charges	6	5
Earnings before tax	1,739	1,898
Taxes of the period	510	612
Result of the period	1,229	1,287
Group inteterest	49%	49%
Net profit for the period attributable of the Group	602	631

Goals and policies of the group

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

As for the segment of gas sale, the Group intends to implement the necessary actions to safeguard the current levels of profitability in an ever-changing market, through a trade policy focused on the proposition of differential pricing formulas and improvement of the quality of service. In this segment, the Group intends to pursue the objectives of increasing its market share by direct acquisition of new customers, and through extraordinary company mergers and/or partnerships.

Pieve di Soligo, 31st July 2017

Chairman of the Board of Director
Nicola Ceconato

DECLARATION

(Translation from the original in Italian)

Certification of the Half Year Report as of 30th June 2017

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

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

- the appropriateness of the Financial Statements with respect to the characteristics of the company
- and
- the effective adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2017 –30th June 2017

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

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

Pieve di Soligo – 31st July 2017

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



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Ascopiave SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Ascopiave SpA and its subsidiaries (the Ascopiave Group) as of 30 June 2017, comprising the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cashflow and related explanatory notes. The directors of Ascopiave SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Ascopiave Group as of 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 1 August 2017

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

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

PricewaterhouseCoopers SpA

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