



Interim Report
as of 30th September 2017

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Annexes:

In-Company Control:

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

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

| Name | Office | Duration of office | From | To |
|--------------------|---|---------------------------|-------------|-------------------------|
| Zugno Fulvio | Chairman of the Board of Directors and CEO* | 2014-2017 | 24/04/2014 | 28/04/2017 |
| Coin Dimitri | Independent Director | 2014-2017 | 24/04/2014 | 28/04/2017 |
| Pietrobon Greta | Independent Director | 2014-2017 | 24/04/2014 | 28/04/2017 |
| Paron Claudio | Independent Director | 2014-2017 | 19/06/2014 | 28/04/2017 |
| Quarello Enrico | Independent Director | 2014-2017 | 24/04/2014 | 28/04/2017 |
| Ceconato 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 |
| Schiavo 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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Fax: +39 0438 82096
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e-mail: info@ascopiave.it

Investor relations

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

Main economic and financial data of the Ascopiave Group

Economic figures

| | Third quarter 2017 | % of revenues | Third quarter 2016 | % of revenues |
|----------------------------|--------------------|---------------|--------------------|---------------|
| <i>(Thousands of Euro)</i> | | | | |
| Revenues | 377,344 | 100.0% | 353,337 | 100.0% |
| Gross operative margin | 58,906 | 15.6% | 61,477 | 17.4% |
| Operating result | 41,595 | 11.0% | 44,959 | 12.7% |
| Net result for the period | 33,610 | 8.9% | 34,359 | 9.7% |

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

Assets figures

| <i>(Thousands of Euro)</i> | 30.09.2017 | 31.12.2016 | 30.09.2016 |
|---|------------------|------------------|------------------|
| Net working capital | 26,045 | 63,905 | 12,320 |
| Fixed assets and other non current assets | 548,720 | 522,574 | 516,805 |
| Non-current liabilities (excluding loans) | (50,456) | (48,151) | (46,661) |
| Net invested capital | 524,309 | 538,328 | 482,464 |
| Net financial position | (90,315) | (94,119) | (62,985) |
| Total Net equity | (433,994) | (444,209) | (419,479) |
| Total financing sources | (524,309) | (538,328) | (482,464) |

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

Monetary flow data

| <i>(thousands of Euro)</i> | Third quarter 2017 | Third quarter 2016 |
|--|--------------------|--------------------|
| Net income of the Group | 32,200 | 32,621 |
| Cash flows generated (used) by operating activities | 72,251 | 94,611 |
| Cash flows generated/(used) by investments | (24,133) | (13,971) |
| Cash flows generated (used) by financial activities | (12,268) | (97,128) |
| Variations in cash | 35,851 | (16,487) |
| Cash and cash equivalents at the beginning of the period | 8,822 | 28,301 |
| Cash and cash equivalents at the end of the period | 44,672 | 11,814 |

REPORT ON MANAGEMENT

FOREWORD

The Ascopiave Group closed the first nine months of 2017 with a net consolidated profit of Euro 33.6 million (Euro 34.4 million as of 30th September 2016), with a decrease of Euro 0.7 million, -2.2% % as compared to the same period in the previous year.

The consolidated net assets as of 30th September 2017 amounted to Euro 434.0 million, (Euro 444.2 million as of 31st December 2016) and the net capital invested to Euro 524.3 million (Euro 538.3 million as of 31st December 2016).

During the first nine months of 2017, the Group accomplished investments for Euro 14.7 million (Euro 14.3 million as of 30th September 2016), mainly in the development, maintenance and modernisation of the networks and plant of gas distribution and the installation of electronic metres.

Activities

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

The Group currently holds concessions and direct assignments for the supply of the service in 230 municipalities, (208 municipalities as of 31st December 2016) and has a distribution network extending for over 9,780 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 606 million cu.m¹ of gas sold in the first nine months of 2017 (614 million cu.m as of 30th September 2016).

Strategic objective

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

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

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

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

Management trend

The volumes of gas sold in the first nine months of 2017 amounted to 606.1 million cubic metres², marking a decrease of 1.3% as compared to the same period in the previous year.

The volumes of electrical energy sold were 332.9 GWh², marking an increase of 15.5% % as compared to the same period in the previous year.

As to the activity of gas distribution, the volumes distributed through the networks managed by the Group were 640.5 million cubic metres, marking an increase of 11.1% as compared to the same period in 2016. The distribution network as of 30th September 2017 has an extension of 9,787 km² (8,365 km as of 30th September 2016).

Economic results and financial situation

The consolidated revenues of the Ascopiave Group in the first nine months of 2017 amounted to Euro 377.4 million, compared to Euro 353.4 million recorded in the same period in 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 +16.7 million), revenues on gas sale (Euro +4.2 million) and the extension of the scope of consolidation (Euro 9.3 million).

The Operating Result of the Group equals Euro 41.6 million, marking a decrease of Euro 3.4 million as compared to the first nine months of the previous year. The decline in natural gas sale margins was partially offset by better management of energy efficiency certificates and the extension of the scope of consolidation.

The Net Result of the Group equals Euro 33.6 million, marking a decrease of Euro 749 thousand as compared to Euro 34.4 million in the first nine months of 2016. Lower income taxes have in fact largely offset the reduction in the pre-tax result.

The Group's Net Financial Position as of 30th September 2017 amounted to Euro 90.3 million, with an improvement of Euro 3.8 million as compared to Euro 94.1 million on 31st December 2016, (on 30th September 2016 the Net Financial Position amounted to Euro 63.0 million).

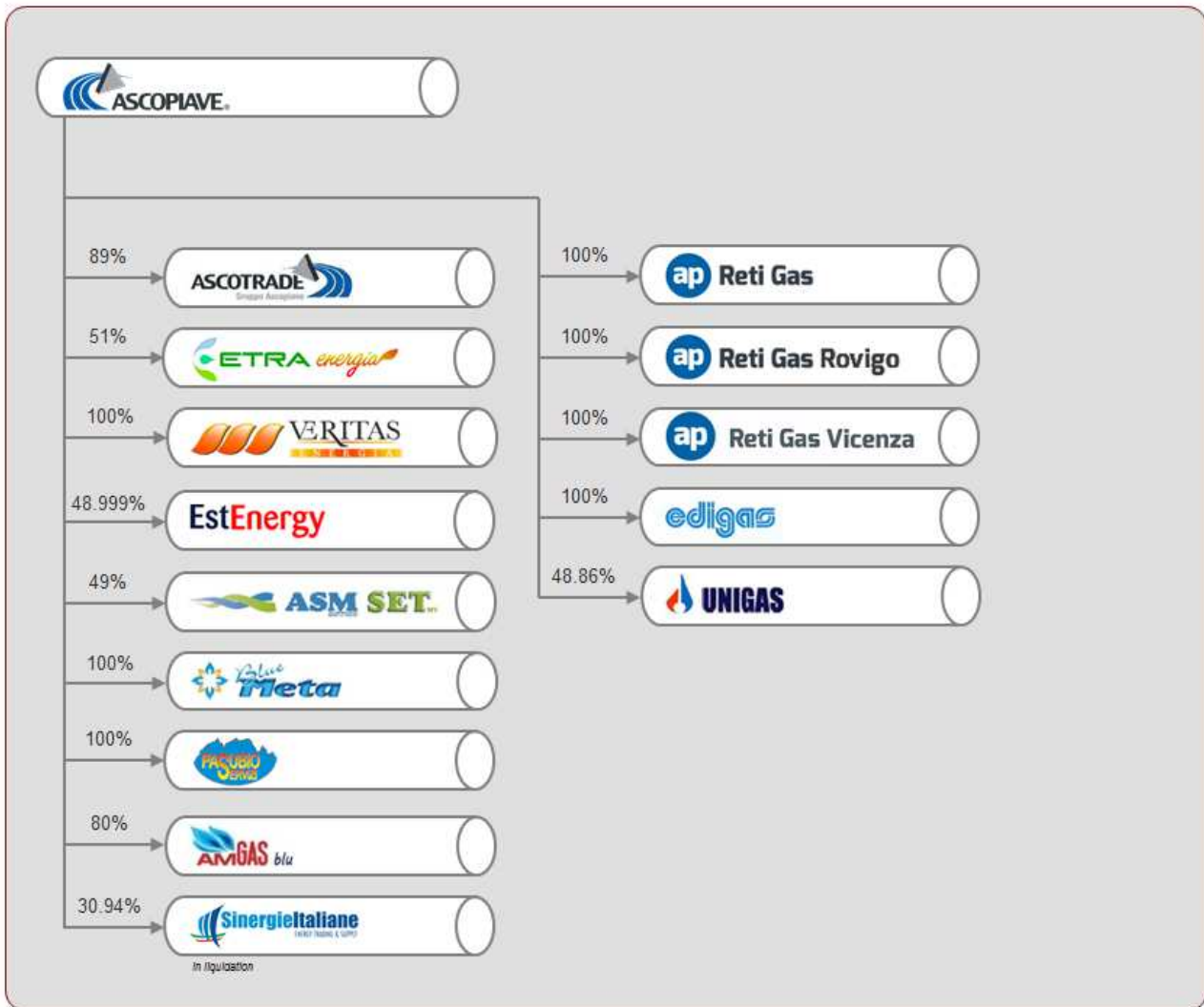
The reduction in financial indebtedness is determined by the cash flow of the period (Euro +50.9 million, given by the sum of the net result, provisions, amortisations and depreciations) and by the management of current assets, which has generated financial resources for Euro 21.3 million. The investment activity has absorbed financial resources for Euro 31.0 million, whereas the management of the working capital (distribution of dividends and dividends received by the companies consolidated using the equity method) has absorbed resources for Euro 37.5 million.

The ratio between Net financial position and Net equity as of 30th September 2017 amounted to 0.21 (0.15 as of 30th September 2016).

² The data specified as regards the length of the distribution network and the volumes of gas and electricity 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

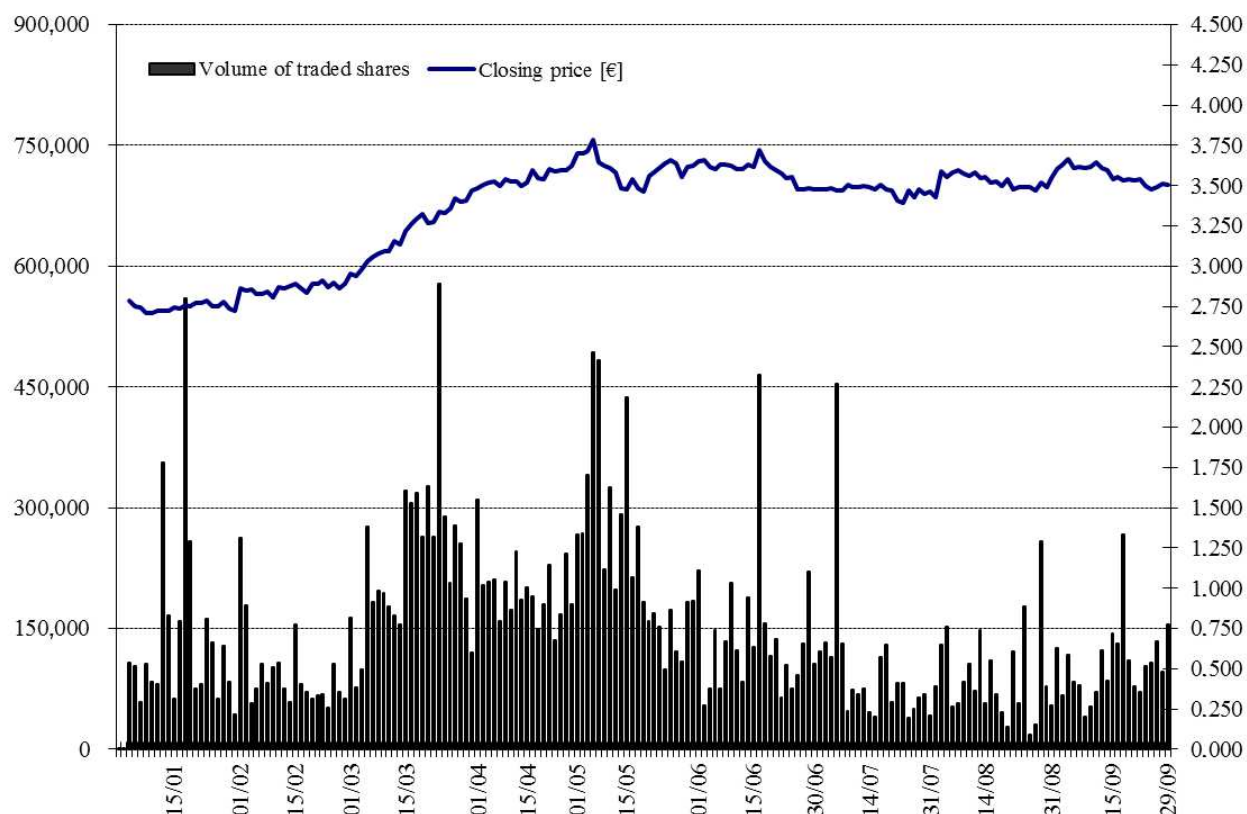
The table below shows the company structure of the Ascopiave Group as of 30th September 2017.



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

As of 29th September 2017 the Ascopiave share registered a quotation of Euro 3.506 per share, with an increase of 26.8 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).

Market capitalisation as of 29th September 2017 was equal to Euro 818.53 million³ (Euro 638.10 million as of 30th December 2016).



During the first nine months of 2017 the quotation of the share showed a positive performance (+26.8%), higher than the industry index FTSE Italia Servizi di Pubblica Utilità (+17.0%) and FTSE Italia All-Share (+17.5%), but lower than the index FTSE Italia Star (+35.6%).

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 29th September 2017 equalled Euro 14.2 billion. Source: Borsa Italiana website (www.borsaitaliana.it).

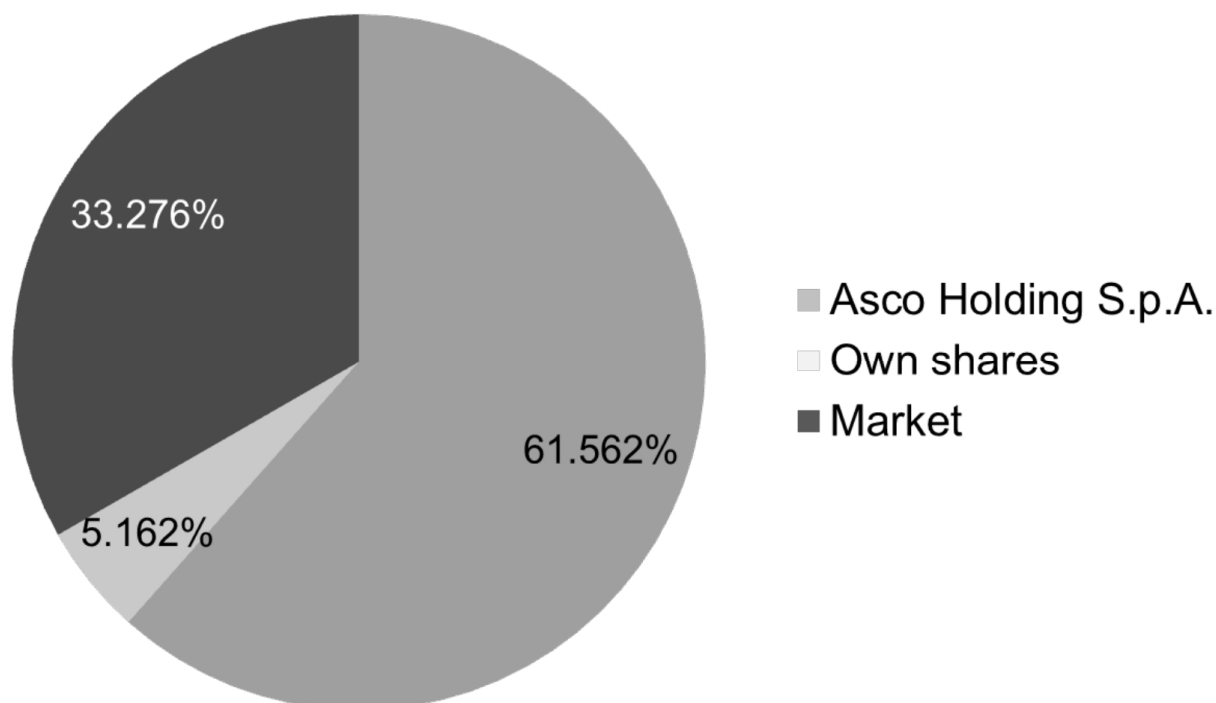
In the following table we report the main shares and stock-exchange data as of 30th September 2017:

| Share and stock-exchange data | 30th September 2017 | 30th September 2016 |
|--|---------------------------------------|---------------------------------------|
| Earning per share (Euro) | 0.15 | 0.15 |
| Net equity per share (Euro) | 1.85 | 1.79 |
| Placement price (Euro) | 1.800 | 1.800 |
| Closing price (Euro) | 3.506 | 2.690 |
| Max. annual price (Euro) | 3.782 | 2.910 |
| Min. annual price (Euro) | 2.710 | 2.010 |
| Stock-exchange capitalization (Millions of Euro) | 818.53 | 623.31 |
| 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 September 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 by the shareholders, 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 nine months of 2017, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Board of Directors of the Company. In particular, the audit activities included in the above-mentioned activity plan, based on the prioritisation of the main risks, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

Appointed Manager

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

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

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

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

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

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

Transactions with related and affiliated parties

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

- ✓ Purchase of IT services from 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. in liquidation;
- ✓ Credit transactions in favour of ASM Set S.r.l., jointly controlled company;
- ✓ Administrative services for ASM Set S.r.l., jointly controlled company;
- ✓ Purchase of gas from the affiliate company Sinergie Italiane S.r.l., in liquidation;
- ✓ Administrative services and staff services from Unigas Distribuzione S.r.l., jointly controlled company;
- ✓ 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. in liquidation;
- ✓ Sale of electricity to ASM Set S.r.l., jointly controlled company.
- ✓ Administrative services and staff services from Ascopiave S.p.A. to the parent company Asco Holding S.p.A.;
- ✓ 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 joined 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. | | 1,971 | | 267 | 0 | 0 | 34 | 0 | 53 | 0 |
| Total parent company | 0 | 1,971 | 0 | 267 | 0 | 0 | 34 | 0 | 53 | 0 |
| <i>Affiliated companies</i> | | | | | | | | | | |
| ASCO TLC S.P.A. | 80 | 0 | 107 | 0 | 0 | 421 | 0 | 195 | 92 | 39 |
| SEVEN CENTER S.R.L. in liquidazione | 18 | 0 | 7 | 0 | 0 | 107 | 1 | 0 | 34 | 0 |
| Total affiliated companies | 98 | 0 | 114 | 0 | 0 | 529 | 1 | 195 | 126 | 39 |
| <i>Subsidiary companies</i> | | | | | | | | | | |
| Estenergy S.p.A. | 6 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASM SET S.R.L. | 811 | 21 | 7 | 2,071 | 0 | 178 | 4 | 4,679 | 376 | 58 |
| Unigas Distribuzione S.r.l. | 22 | 0 | 565 | 0 | 0 | 5,712 | 0 | 71 | 74 | 3,060 |
| SINERGIE ITALIANE S.R.L. in liquidazione | 0 | 7,510 | 7 | 0 | 41,505 | 49 | 0 | 0 | 42 | 0 |
| Total subsidiary companies | 827 | 7,531 | 589 | 2,071 | 41,505 | 5,940 | 4 | 4,750 | 492 | 3,118 |
| Total | 925 | 9,502 | 475 | 2,338 | 41,505 | 6,468 | 39 | 4,945 | 671 | 3,157 |

Significant events during the first nine months 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%) was paid subsequent to the determination of the price adjustment envisaged in the agreement and based on the change in the net financial position from 31st December 2015 to the share transfer date.

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

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

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

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.

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.

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..

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

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

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

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

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

On 2nd August 2017, the Parent Company signed with BNL a 12-year long-term fixed-rate loan, amounting to € 3,000 thousand, repayable every six months through constant instalments for the capital portion.

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

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

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

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

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

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

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

With deed dated 18th January 2016 Ascopiave had filed an appeal before the Council of State, 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 merit hearing be scheduled as soon as possible (the aim of the pre-trial hearing was to quicken the proceeding as much as possible).

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

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

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

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

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

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

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

Efficiency and energy saving

As far as 2015 is concerned, the Group's fully-consolidated distribution companies received a communication by the GSE that stated that a total of 98,487 white certificates were required to be handed in within 31st May 2016. This obligation was fulfilled to the extent of 71%. In May 2017, 23% of the 2015 target was cancelled and around 73% of the 2016 target, which totalled 120,551 certificates, was submitted. The targets set for 2017 are quantified in 85,274 energy efficiency certificates.

As regards the company consolidated with the equity method, the 2015 target was quantified by GSE in 19,116 energy efficiency certificates, 61% of which were submitted by 31st May 2016. In 2016 the company had an obligation of 22,737 energy efficiency certificates. This obligation was fulfilled to the extent of just over 60%. The 2017 target was quantified in 15,334 energy efficiency certificates.

Subscription, with the Municipalities involved, of a convention for the adoption of a shared procedure aimed at the agreed quantification of the “Residual Industrial Value” of the networks

The regulatory amendments which replaced each other over the past years and in particular the legislation which provided for the selection of the operator of the distribution service through the so-called “territorial calls for tenders” tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

Normally, in relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely:

- the early redemption (normally governed with reference to Royal Decree no. 2578/1925) and
- the reimbursement from the (natural) expiration of the concession.

The eventuality of a “force of law” expiration, preceding the effective date of the “contractual” expiration, (as a rule) was not envisaged (and therefore governed) in the concession deeds.

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the Body) and in other ways similar to the expiration of the concession term (which however has not expired).

At least until Ministerial Decree 226/2011, there were no legislative and/or regulatory norms which precisely defined the methods and criteria to determine the R.I.V. of the plants and which could therefore complement the contractual clauses, often deficient.

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2014, merely referred to Royal Decree 2578/1925 which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. Just consider that the lack of such agreements in the past has often led to administrative and civil/arbitral litigations.

The situation of the Municipalities partners of Asco Holding S.p.A. was even more peculiar in the sense that, with the latter, there is not a real concession deed in “canonical” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned partner Municipalities, Ascopiave has signed a convention which implied hiring a renowned independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29th August 2011.

The expert has written a report (made available on 15th November 2011) on the “Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently serviced by Ascopiave S.p.A.” which was approved on 2nd December 2011 by Ascopiave’s Board of Directors and then by all 92 Local Bodies by City Council Resolution.

In 2013, Ascopiave submitted the state of consistency and the appreciation of the plants determined applying the criteria set in the Report, offering at the same time its willingness to perform the cross-examination with the Municipalities, aimed at analysing the documents.

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 31st December 2016) have approved the residual value.

As part of the above process, the reciprocal relations mostly connected to the management of the service were governed as well, since both the payment of “one-off” amounts (2010 – signature of supplementary deeds) for Euro 3,869, and (since 2011) real fees for variable amounts and equal to the difference, if positive, between 30% of the “restriction on revenues” 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.

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 September 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 12th December 2015, appealed the Award dated 25-26 May 2015. At the hearing held on 19th May 2016, the Court scheduled the pre-trial hearing for 7th March 2019. The Arbitration Commission ordered the Municipality to pay the sum of Euro 3,473 thousand, in addition to the interests at the date of filing the Award.

LITIGATIONS ON THE VALUE OF PLANTS – ARBITRATIONS

As of 30th September 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 1st 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 September 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.

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 annulment, subject to protective orders, of the temporary award of the tender to Ascopiave S.p.A., or the call for tenders and all subsequent acts, requesting that the tender be awarded to the appellant or, subordinately, be republished.

The Administrative Court of Veneto (hearing dated 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 September 2017, the following litigations are pending:

ASCOPIAVE – CORPO 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.

With Judgment no. 2007/2017, the Court accepted the application submitted by Ascopiave S.p.A., ordering the design firm (F.lli Bandiera) and the construction company (Ing. R. Paccagnella Lavori Speciali SRL) to pay damages, amounting to approximately Euro 208 thousand, and to reimburse the costs of the proceedings (estimated at approximately Euro 17 thousand). Furthermore, the debtors’ obligation to assume joint and several liability was ratified. The project management (and consequently the insurance company) was found to be extraneous to the damage, with a right to obtain compensation for the costs of the proceedings, amounting to about Euro 16 thousand.

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 31st March 2017. 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 S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and Unigas Distribuzione S.r.l.).

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 S.p.A. / AP Reti Gas S.p.A.:

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

Between 30 and 40 procedures for which legal action is likely to be taken are expected every year for all Group companies (including Unigas Distribuzione S.r.l.). The procedure and the consequent actions undertaken in the preliminarily phase have resulted in a significant reduction in legal actions, compared to the extent originally envisaged. As of 30th September 2017, the total legal fees (including taxes), for Ascopiave S.p.A. / Ap Reti Gas S.p.A.'s

procedures forwarded to the Legal Office, amount to approximately Euro 160 thousand. For the other companies of the Group these costs amount approximately to Euro 90 thousand (including Unigas Distribuzione S.r.l.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 S.r.l., Unigas Distribuzione S.r.l., Ascopiave S.p.A, Edigas DG S.p.A., Blue Meta S.p.A. and Edigas Due S.p.A. 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.

The Tax Commissions, which at the reporting date had rejected the appeal filed, sentenced some Group companies to pay the costs of the proceedings for a total amount of Euro 42 thousand.

In 2017, the Treviso Tax Authority conducted a tax audit on the company for the 2014 financial year as regards the Ires, Irap and Iva sectors. The auditing activities ended on 6th April 2017, with the issuance of a Formal notice of assessment that highlighted irregularities as concerns Ires and Irap for the year 2014 for generic adjustments of deductible costs for

a total amount of Euro 263 thousand.

In August 2017, the company fully defined the claim by paying the sums due, equal to Euro 238 thousand, including reduced penalties and interest.

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.

On this date, AP Reti Gas S.p.A. submitted the bid for the tender for awarding the natural gas distribution service. At the reporting date, the tendering procedures are suspended due to a precautionary measure by the Regional Administrative Court of Veneto which decided on the appeal filed by one of the competitors.

The Law dated 4th August 2017 no. 124 (Annual Market and Competition Act) introduced some legislative innovations aimed at simplifying the obligations of the parties involved in the auditing activities to be conducted before the publication of the invitations to tender.

In particular, Article 15, paragraph 5 of Legislative Decree 164/2000 has been further amended in order to exclude the obligation to verify the reimbursement values of the plants by the AEEGSI, if the Local Authority can certify that: i) the reimbursement value has been determined by applying the ministerial “Guidelines”; ii) at the territorial aggregate level, the gap between the reimbursement value and the value of the tariff capital does not exceed 8%; iii) at the individual municipality level, the gap does not exceed 20%.

Finally, the law requires the AEEGSI to take measures in order to define simplified procedures for the evaluation of invitations to tender, applicable where the tenders have been drawn up in accordance with the template invitation to tender, the template specifications and the template service contract.

With reference to the maximum scores for the tender criteria and sub-criteria set out in Decree 226/2011, the tender documents must respect them, except within the limits set by the same Decree.

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 September 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 delivery. To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 15.6% (22.9% as of 30th September 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 September 2017 are associated with contracts for natural gas supply.

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

As of 31st September 2017, with the acquisition of the companies of the Pasubio Group, the Ascopiave Group holds a portfolio of 230 (208 as of 31st December 2016) natural gas distribution concessions located throughout the country. In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 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.

Evolution of the adjustment sessions of natural gas allocations

During 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. The adjustment sessions of natural gas allocations are still suspended in compliance with the provisions of the Authority for Electricity, Gas and Water contained in Resolution 276/2015/R/GAS dated 9th June 2015. Regarding this, during 2016 the Authority initiated a simplification process of gas settlement via documents 12/2016/R/gas, and subsequently 570/2016/R/GA. In these documents, the Authority clarified its outlook on possible modifications and integration of existing regulations,

specifically regarding procedures of execution of balancing and adjustment sessions. The Authority also suggested that the adjustment sessions should be repeated, using algorithms other than those used in current sessions. On 3rd August 2017, the Authority presented, with DCO 590/2017, the final guidelines on possible amendments and additions to the regulations in force governing Settlement, aimed at simplifying the doctrine and overcoming some of the issues emerged.

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

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

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

Given the current regulations, the Group is exposed to the positive and negative economic effects arising from the probable modification of the allocated volumes and the volumetric differences that are naturally formed in different parts of the network where natural gas is measured.

It is noted that, thanks to the high percentage of meter reading collected during the period being recalculated by Snam Rete Gas S.p.A., the Management is confident that the estimate of the purchase costs of natural gas in the period is accurate. Should the regulation evolve and require an adjustment in the estimated values, increasing significantly purchases costs, the Group will evaluate possible actions to preserve its interests.

Additional information

Seasonal nature of operations

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

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

Comments on the economic and financial results of the first nine months of 2017**General operational performance and indicators**

| NATURAL GAS DISTRIBUTION | 9M 2017 | 9M 2016 | Var. | Var. % |
|--|----------------|----------------|-------------|---------------|
| Companies consolidated with full consolidation method | | | | |
| Number of concessions | 198 | 176 | 22 | 12.5% |
| Length of distribution network (km) | 9,248 | 7,826 | 1,422 | 18.2% |
| Volumes of gas distributed (cm/mln) | 593.7 | 529.7 | 64.0 | 12.1% |
| Companies consolidated with net equity consolidation method | | | | |
| Number of concessions | 32 | 32 | 0 | 0.0% |
| Length of distribution network (km) | 1,103 | 1,103 | 0 | 0.0% |
| Volumes of gas distributed (cm/mln) | 95.7 | 95.2 | 0.5 | 0.5% |
| Ascopiave Group* | | | | |
| Number of concessions | 214 | 192 | 22 | 11.5% |
| Length of distribution network (km) | 9,787 | 8,365 | 1,422 | 17.0% |
| Volumes of gas distributed (cm/mln) | 640.5 | 576.3 | 64.2 | 11.1% |

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

| NATURAL GAS SALES TO FINAL MARKET | 9M 2017 | 9M 2016 | Var. | Var. % |
|--|----------------|----------------|-------------|---------------|
| Companies consolidated with full consolidation method | | | | |
| Volumes of gas sold (cm/mln) | 520.9 | 529.2 | -8.3 | -1.6% |
| Companies consolidated with net equity consolidation method | | | | |
| Volumes of gas sold (cm/mln) | 173.8 | 173.3 | 0.5 | 0.3% |
| Ascopiave Group* | | | | |
| Volumes of gas sold (cm/mln) | 606.1 | 614.1 | -8.0 | -1.3% |

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

| SALE OF ELECTRIC POWER | 9M 2017 | 9M 2016 | Var. | Var. % |
|--|----------------|----------------|-------------|---------------|
| Companies consolidated with full consolidation method | | | | |
| Volumes of electric power sold (GWh) | 290.2 | 248.9 | 41.3 | 16.6% |
| Companies consolidated with net equity consolidation method | | | | |
| Volumes of electric power sold (GWh) | 87.3 | 80.2 | 7.1 | 8.9% |
| Ascopiave Group* | | | | |
| Volumes of electric power sold (GWh) | 332.9 | 288.2 | 44.8 | 15.5% |

* 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 nine months of 2017, the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 593.7 million cubic metres, increasing by 12.1% 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 and third quarter of the year, in fact, the volumes distributed by the company Ap Reti gas Vicenza S.p.A. amounted to 43.4 million cubic metres.

The company Unigas Distribuzione S.r.l., consolidated through the net equity method, distributed 95.7 million cubic metres, an increase of 0.5% as compared to the same period in 2016.

In the first nine months of 2017, the volume of gas sold by the fully consolidated companies amounted to 520.9 million cubic metres, marking a decrease of 1.6% as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 173.8 million cubic metres of gas (+0.3% % as compared to the same period in the previous year).

In the first nine months of 2017, the volume of electricity sold by the fully consolidated companies was equal to 290.2 GWh, marking an increase of 16.6% % as compared to the same period in the previous year. The companies consolidated through the equity method (Estenergy S.p.A. and ASM Set S.r.l.) globally sold 87.3 GWh of electricity (+8.9% % as compared to the same period in the previous year).

General operational performance - The Group's economic results

| (Thousands of Euro) | 3 rd Quarter 2017 | % of revenues | 3 rd Quarter 2016 | % of revenues |
|---|------------------------------|---------------|------------------------------|---------------|
| Revenues | 377,344 | 100.0% | 353,337 | 100.0% |
| Total operating costs | 318,438 | 84.4% | 291,860 | 82.6% |
| Gross operative margin | 58,906 | 15.6% | 61,477 | 17.4% |
| Amortization and depreciation | 16,176 | 4.3% | 15,140 | 4.3% |
| Provision for risks on credits | 1,134 | 0.3% | 1,379 | 0.4% |
| Operating result | 41,595 | 11.0% | 44,959 | 12.7% |
| Financial income | 253 | 0.1% | 196 | 0.1% |
| Financial charges | 503 | 0.1% | 658 | 0.2% |
| Evaluation of subsidiary companies with the net equity method | 4,962 | 1.3% | 4,571 | 1.3% |
| Earnings before tax | 46,307 | 12.3% | 49,067 | 13.9% |
| Taxes for the period | 12,698 | 3.4% | 14,708 | 4.2% |
| Net result for the period | 33,610 | 8.9% | 34,359 | 9.7% |
| Group's Net Result | 32,200 | 8.5% | 32,621 | 9.2% |
| Third parties Net Result | 1,410 | 0.4% | 1,738 | 0.5% |

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

In the first nine months of 2017, the Group income amounts to Euro 377,344 thousand, increasing by 6.8% as compared to the same period in the previous year. The following table reports the details of income.

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|---|------------------------------|------------------------------------|--|------------------------------|
| Revenues from gas transportation | 22,389 | 5,667 | 16,722 | 21,347 |
| Revenues from gas sale | 270,764 | | 270,764 | 266,587 |
| Revenues from electricity sale | 43,263 | | 43,263 | 44,542 |
| Revenues from connections | 194 | 22 | 172 | 107 |
| Revenues from heat supply | 32 | | 32 | 66 |
| Revenues from distribution services | 4,535 | 135 | 4,400 | 3,821 |
| Revenues from services supplied to Group compan | 1,315 | | 1,315 | 830 |
| Revenues from AEEGSI contributions | 30,938 | 2,931 | 28,007 | 11,285 |
| Revenues for forward sales of raw materials | (55) | | (55) | |
| Other revenues | 3,968 | 554 | 3,414 | 4,753 |
| Revenues | 377,344 | 9,310 | 368,034 | 353,337 |

The **revenues from gas sale** increased from Euro 266,587 thousand to Euro 270,764 thousand, marking an increase of Euro 4,177 thousand (+1.6%). The increase is mainly due to the higher revenues for sales at the virtual trading point, while natural gas sales to the end market declined due to the smaller quantities of natural gas marketed.

The **revenues from electricity sales** decreased from Euro 43,263 thousand to Euro 44,542 thousand, marking a decrease of Euro 1,279 thousand (-2.9%), mainly due to lower unit margins.

The **operating result** for the first nine months of 2017 amounts to Euro 41,595 thousand, marking a decrease of Euro 3,364 thousand (-7.5%) 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 1,552 thousand, partially offsetting the decrease recorded with the same consolidation scope, which amounted to Euro 4,916 thousand (-10.9%).

The decrease is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 5,061 thousand (of which Euro 5,667 thousand due to the extension of the consolidation scope);
- decrease in the first margin on the activity of gas sales, equal to Euro 5,457 thousand;
- increase in the first margin on the activity of electricity sale, equal to Euro 34 thousand;
- negative change in other items of cost and revenues, equal to Euro 3,002 thousand (of which Euro 4,115 thousand due to the extension of the consolidation scope);

The increase in the **revenues from tariffs in the gas distribution activity** (increasing from Euro 46,198 thousand to Euro 51,259 thousand) is mainly explained by the extension of the consolidation scope which determined the recognition of higher revenues for 5,667 thousand. Furthermore, the first nine months of 2016 had benefitted from the recognition of the positive difference between the temporary and the definitive equalisation rates in 2015, thus determining an increase in revenues totalling Euro 1,174 thousand.

The decrease in the **first margin on the activity of gas sale** (from Euro 46,761 thousand to Euro 41,304 thousand), is mainly due to a decrease in average unit sale prices and a decline in the volume of gas sold.

The **first margin** resulting from **gas trading** at the end of the period was Euro 52 thousand. In September, sales and purchase contracts were signed for the Italian PSV and Austrian VTP markets, as well as the transport and export capacity from the Austrian raw material market.

Contractual commitments relate to physical deliveries for the period October 2017 – April 2018 for the raw material, while the transport service is for the period October 2017 – September 2018 (2017/18 thermal year).

Since this is a forward transaction, at the reporting date, the various revenue and cost components have been valued at current value.

The increase **in the first margin on the activity of electricity sales**, from Euro 4,739 thousand to Euro 4,773 thousand is mainly explained by the higher volumes of electricity sold. They have been partially offset by the decrease in unit margins.

The negative variation in the item **other costs and revenues**, amounting to Euro 3,002 thousand, is due to:

- extension of the consolidation scope: negative change amounting to Euro 4,115 thousand;

- higher other revenues for Euro 16,423 thousand;
- higher material and service costs and other charges equalling Euro 13,238 thousand;
- higher personnel cost for Euro 2,073 thousand;
- higher amortisation of fixed assets for Euro 242 thousand;
- lower bad debts provisions for Euro 244 thousand;

The **net consolidated profit** for the first nine months of 2017 amounts to Euro 33,610 thousand, thus recording a decrease of Euro 749 thousand (-2.2%) % 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 1,191 thousand;
- a decrease in the operating result, as previously stated, for Euro 4,916 thousand;
- higher result of companies consolidated through the equity method for Euro 391 thousand;
- an increase in financial revenues for Euro 58 thousand;
- a decrease in financial charges for Euro 155 thousand;
- a decrease in taxes for Euro 2,271 thousand, due to the decrease in IRES rates for the year 2017, which decreased taxation from 27.5% to 24%, and a lower taxable income;

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method, decreases from 33.1% to 30.7%.

General operational performance – Financial situation

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 | 30.09.2016 |
|---|-----------------|--|---|-----------------|-----------------|
| A Cash and cash equivalents on hand | 19 | 19 | 19 | 19 | 17 |
| B Bank and post office deposits | 44,654 | 44,654 | 44,654 | 8,803 | 11,797 |
| D Liquid assets (A) + (B) + (C) | 44,672 | 44,672 | 44,672 | 8,822 | 11,814 |
| E Current financial assets | 0 | 0 | 0 | 0 | 90 |
| F Payables due to banks | (65,021) | (65,021) | (65,021) | (55,110) | (18,141) |
| G Current portion of medium-long-term loans | (13,039) | (13,039) | (13,039) | (9,287) | (9,369) |
| H Current financial liabilities | (2,271) | (2,271) | (2,271) | (3,645) | (9,617) |
| I Current financial indebtedness (F) + (G) + (H) | (80,331) | (80,331) | (80,331) | (68,042) | (37,127) |
| J Net current financial indebtedness (I) - (E) - (D) | (35,659) | (35,659) | (35,659) | (59,220) | (25,223) |
| K Medium- and long-term bank loans | (54,360) | (54,360) | (54,360) | (34,541) | (37,399) |
| M Non-current financial liabilities | (296) | (296) | (296) | (357) | (364) |
| N Non-current financial indebtedness (K) + (L) + (M) | (54,656) | (54,656) | (54,656) | (34,899) | (37,762) |
| O Net financial indebtedness (J) + (N) | (90,315) | (90,315) | (90,315) | (94,119) | (62,985) |

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 94,119 thousand as of 31st December 2016 to Euro 90,315 thousand as of 30th September 2017, reporting an improvement of Euro 3,805 thousand.

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

| (Thousands of Euro) | 30.09.2017 | 30.09.2016 |
|---|-----------------|-----------------|
| Group's net income | 33,610 | 34,359 |
| Amortizations | 16,176 | 15,140 |
| Bad debt provisions | 1,134 | 1,379 |
| (a) Auto-financing | 50,920 | 50,877 |
| (b) Adjustment to reconcile net income with the variation in financial position generated by operating management: | 21,331 | 43,734 |
| (c) Variation in financial position generated by operating activities = (a)+ (b) | 72,251 | 94,611 |
| (d) Variation in financial position generated by investments | (30,990) | (13,660) |
| (e) Other variation in financial position | (37,456) | (29,899) |
| Net variation in financial position = (c) + (d) + (e) | 3,805 | 51,052 |

The cash flow generated by the operating management (letters a + b), equal to Euro 72,251 thousand, was mainly due to self-financing for Euro 50,920 thousand and other financial positive variations amounting to Euro 21,331 thousand, mainly related to the management of the net circulating capital for Euro 26,293 thousand and to the assessment of companies consolidated through the equity method for Euro -4,962 thousand.

The management of net circulating capital has generated financial resources amounting to Euro 26,293 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 5,353 thousand, by the variation in VAT allocation, which has generated financial resources for Euro 3,345 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 1,425 thousand. The variation in the net operating capital has generated financial resources for Euro 16,369 thousand.

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

| (Thousands of Euro) | 30.09.2017 | 30.09.2016 |
|--------------------------------------|---------------|---------------|
| Inventories | (927) | (2,163) |
| Trade receivables and payables | 34,603 | 39,155 |
| Operating receivables and payables | (17,307) | (22,410) |
| Severance pay fund and other found | 612 | 979 |
| Current taxes | 12,698 | 16,631 |
| Taxes paid | (14,517) | (1,695) |
| Tax receivables and payables | 11,132 | 17,809 |
| Change in net working capital | 26,293 | 69,929 |

Investment activities have generated a cash requirement of Euro 30,990 thousand. Euro 14,690 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 43,252 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 nine months of 2017:

| (Thousands of Euro) | 30.09.2017 | 30.09.2016 |
|--|-----------------|-----------------|
| Dividends distributed to Ascopiave S.p.A. shareholders' | (40,016) | (33,347) |
| Dividends distributed to other shareholders | (3,237) | (2,222) |
| Dividends / (loss coverage) associated or jointly controlled companies | 6,706 | 5,980 |
| Other movements in equity | 212 | (310) |
| expansion of the consolidation perimeter | (1,121) | 0 |
| Other changes in financial position | (37,456) | (29,899) |

General operational performance – Investments

In the first nine months of 2017, the Group made investment for an amount of Euro 14,692 thousand, an increase as compared to the same period in the previous year of Euro 391 thousand, mainly due to the extension of the consolidation scope. With the same consolidation scope, investments decreased by Euro 1,582 thousand due to the lower costs incurred for the construction of gas distribution facilities (Euro -1,070 thousand) and a decrease in other investments (Euro -511 thousand).

With the same consolidation scope, the costs incurred for the construction of infrastructures for the distribution of natural gas, amounting to Euro 11,739 thousand, related to the construction and maintenance of natural gas network and distribution systems for Euro 3,309 thousand, the creation of connections for Euro 2,802 thousand, and the installation of metres for Euro 5,628 thousand.

Due to the extension of the consolidation scope, the investments made in the second and third quarter by AP Reti Gas Vicenza S.p.A. were recognised; as of 30th September 2017, they amounted to Euro 1,972 thousand.

| INVESTMENTS (thousands of Euro) | 9M 2017 | 9M 2016 |
|---|----------------|----------------|
| Connecting a gas users | 2,802 | 3,527 |
| Expansions, reclamations and network upgrades | 2,316 | 4,084 |
| Flowmeters | 5,628 | 4,391 |
| Maintenance | 992 | 807 |
| Investments of new companies acquired | 1,960 | 0 |
| Raw material (gas) investments | 13,699 | 12,809 |
| Land and buildings | 517 | 554 |
| Industrial and commercial equipment | 23 | 14 |
| Forniture | 17 | 17 |
| Vehicles | 89 | 318 |
| Hardware e Software | 164 | 134 |
| Other assets | 171 | 457 |
| Investments of new companies acquired | 12 | 0 |
| Other investments | 993 | 1,492 |
| Investments | 14,692 | 14,302 |

Ascopiave Group

Interim financial statements

as of 30th September 2017

Consolidated assets and liabilities statement

| (Thousands of Euro) | | 30.09.2017 | 31.12.2016 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | (1) | 80,758 | 80,758 |
| Other intangible assets | (2) | 343,979 | 316,905 |
| Tangible assets | (3) | 33,411 | 32,364 |
| Shareholdings | (4) | 66,402 | 68,738 |
| Other non-current assets | (5) | 12,984 | 13,566 |
| Non-current assets from derivative financial instruments | (6) | | 485 |
| Advance tax receivables | (7) | 11,185 | 9,758 |
| Non-current assets | | 548,720 | 522,574 |
| Current assets | | | |
| Inventories | (8) | 5,410 | 4,311 |
| Trade receivables | (9) | 59,940 | 148,079 |
| Other current assets | (10) | 66,849 | 47,207 |
| Tax receivables | (11) | 1,490 | 1,007 |
| Cash and cash equivalents | (12) | 44,672 | 8,822 |
| Current assets from derivative financial instruments | (13) | 816 | 1,304 |
| Current assets | | 179,177 | 210,730 |
| ASSETS | | 727,897 | 733,304 |
| Net equity and liabilities | | | |
| Total Net equity | | | |
| Share capital | | 234,412 | 234,412 |
| Own shares | | 17,521 | 17,521 |
| Reserves | | 212,866 | 221,164 |
| Net equity of the Group | | 429,756 | 438,055 |
| Net equity of Others | | 4,239 | 6,154 |
| Total Net equity | (14) | 433,994 | 444,209 |
| Non-current liabilities | | | |
| Provisions for risks and charges | (15) | 7,083 | 6,992 |
| Severance indemnity | (16) | 4,991 | 4,077 |
| Medium- and long-term bank loans | (17) | 54,360 | 34,541 |
| Other non-current liabilities | (18) | 22,405 | 20,267 |
| Non-current financial liabilities | (19) | 296 | 357 |
| Deferred tax payables | (20) | 15,978 | 16,814 |
| Non-current liabilities | | 105,112 | 83,050 |
| Current liabilities | | | |
| Payables due to banks and financing institutions | (21) | 78,060 | 64,397 |
| Trade payables | (22) | 62,210 | 103,052 |
| Tax payables | (23) | 905 | 1,231 |
| Other current liabilities | (24) | 45,338 | 33,691 |
| Current financial liabilities | (25) | 2,271 | 3,645 |
| Current liabilities from derivative financial instruments | (26) | 7 | 29 |
| Current liabilities | | 188,790 | 206,045 |
| Liabilities | | 293,903 | 289,095 |
| Net equity and liabilities | | 727,897 | 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

Income statement and comprehensive consolidated income statement

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

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.

Statement of changes in consolidated 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 | | | | | | 32,200 | 32,200 | 1,410 | 33,610 |
| Other operations | | | | | (695) | | (695) | (88) | (784) |
| IAS 19 TFR actualization for the period | | | | 3 | | | 3 | (0) | 3 |
| Total result of overall income statement | | | | 3 | (695) | 32,200 | 31,507 | 1,321 | 32,829 |
| Allocation of 2016 result | | | | | 53,635 | (53,635) | (0) | | (0) |
| Dividends distributed to Ascopiave S.p.A. shareholders' | | | | | (40,016) | | (40,016) | | (40,016) |
| Dividends distributed to third parties shareholders | | | | | | | (0) | (3,237) | (3,237) |
| Long-term incentive plans | | | (0) | | 210 | | 210 | | 210 |
| Balance as of 30th September 2017 | 234,412 | 46,882 | (17,521) | (106) | 133,890 | 32,200 | 429,756 | 4,239 | 433,994 |

| (thousands of Euro) | Share capital | Legal reserve | Own shares | Reserves IAS 19 actuarial differences | Other reserves | Net result for the period | Group's net equity | Net result and net equity of others | Total net equity |
|---|----------------|---------------|-----------------|---------------------------------------|----------------|---------------------------|--------------------|-------------------------------------|------------------|
| Balance as of 1st January 2016 | 234,412 | 46,882 | (17,521) | (99) | 108,578 | 43,014 | 415,264 | 4,873 | 420,137 |
| Result for the period | | | | | | 32,621 | 32,621 | 1,738 | 34,359 |
| Other operations | | | | | 768 | | 768 | 95 | 863 |
| IAS 19 TFR actualization for the period | | | | (302) | | | (302) | (8) | (310) |
| Total result of overall income statement | | | | (302) | 768 | 32,621 | 33,086 | 1,825 | 34,912 |
| Allocation of 2015 result | | | | | 43,014 | (43,014) | 0 | | 0 |
| Dividends distributed to Ascopiave S.p.A. shareholders' | | | | | (33,347) | | (33,347) | | (33,347) |
| Dividends distributed to third parties shareholders | | | | | | | 0 | (2,222) | (2,222) |
| Balance as of 30th September 2016 | 234,412 | 46,882 | (17,521) | (401) | 119,013 | 32,621 | 415,003 | 4,476 | 419,479 |

Consolidated financial statements

| (thousands of Euro) | Third quarter 2017 | Third quarter 2016 |
|--|--------------------|--------------------|
| Net income of the Group | 32,200 | 32,621 |
| Cash flows generated (used) by operating activities | | |
| Adjustments to reconcile net income to net cash | | |
| Third-parties operating result | 1,410 | 1,738 |
| Amortization | 16,176 | 15,140 |
| Bad debt provisions | 1,134 | 1,379 |
| Variations in severance indemnity | 141 | 569 |
| Current assets / liabilities on financial instruments | 951 | (897) |
| Net variation of other funds | 471 | 411 |
| Evaluation of subsidiaries with the net equity method | (4,962) | (4,571) |
| Impairment losses / (gains) on shareholdings | (373) | 0 |
| Interests paid | (403) | (555) |
| Taxes paid | (14,517) | (1,695) |
| Interest expense for the year | 410 | 599 |
| Taxes for the year | 12,698 | 14,708 |
| Variations in assets and liabilities | | |
| Inventories | (927) | (2,163) |
| Accounts payable | 94,363 | 108,709 |
| Other current assets | (13,890) | 6,754 |
| Trade payables | (59,760) | (69,555) |
| Other current liabilities | 5,400 | (12,504) |
| Other non-current assets | 592 | 1,800 |
| Other non-current liabilities | 1,137 | 2,124 |
| Total adjustments and variations | 40,051 | 61,991 |
| Cash flows generated (used) by operating activities | 72,251 | 94,611 |
| Cash flows generated (used) by investments | | |
| Investments in intangible assets | (14,010) | (13,498) |
| Realisable value of intangible assets | 2 | 640 |
| Investments in tangible assets | (682) | (804) |
| Realisable value of tangible assets | (0) | 2 |
| Disposals / (Acquisition) of investments and advances | (9,655) | 0 |
| Other net equity operations | 212 | (310) |
| Cash flows generated/(used) by investments | (24,133) | (13,971) |
| Cash flows generated (used) by financial activities | | |
| Net changes in debts due to other financiers | (61) | (58) |
| Net changes in short-term bank borrowings | (7,856) | (45,287) |
| Net variation in current financial assets and liabilities | (1,374) | 9,306 |
| Ignitions loans and mortgages | 300,000 | 76,000 |
| Redemptions loans and mortgages | (266,430) | (107,500) |
| Dividends distributed to Ascopiave S.p.A. shareholders' | (40,016) | (33,347) |
| Dividends distributed to other shareholders | (3,237) | (2,222) |
| Dividends distributed from subsidiary companies | 6,706 | 5,980 |
| Cash flows generated (used) by financial activities | (12,268) | (97,128) |
| Variations in cash | 35,851 | (16,487) |
| Cash and cash equivalents at the beginning of the p | 8,822 | 28,301 |
| Cash and cash equivalents at the end of the period | 44,672 | 11,814 |

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

EXPLANATORY NOTES

Company information

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

As of 30th September 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, Italy.

The publication of the Interim financial report as of 30th September 2017 of the Ascopiave Group was authorised by resolution of the Board of Directors on 7th November 2017.

General drawing-up criteria and accounting principles adopted

The Group Financial Statements as of 30th September 2017 and of the periods considered as a comparison, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) adopted by the European Commission and in force as of the date of drawing-up of this report.

The accounting standards used to draw up this interim report are the same as those used to prepare the consolidated financial statements of the Ascopiave Group as of 31st December 2016 and were applied consistently for all the periods considered.

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

Use of estimates

The drawing-up of the consolidated interim financial statements as of 30th September 2017 requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the information disclosure of contingent assets and liabilities as of the date of the report.

If, in the future, such estimates and assumptions, which are based on the management’s best assessment, differ from the actual circumstances, they shall be modified 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.

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 September 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 nine 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 September 2017 and consolidated through the line-by-line or equity method are the following:

| Company name | Registered offices | Paid-up capital | Group interest | Direct controlling interest | Indirect controlling interest |
|--|----------------------|-----------------|----------------|-----------------------------|-------------------------------|
| Parent company | | | | | |
| Ascopiave S.p.A. | Pieve di Soligo (TV) | 234,411,575 | | | |
| 100% consolidated companies | | | | | |
| Ascotrade S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 89.00% | 89% | 0% |
| AP Reti Gas S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 100.00% | 100% | 0% |
| Etra Energia S.r.l. | Cittadella (PD) | 100.000 | 51.00% | 51% | 0% |
| AP Reti Gas Rovigo S.r.l. | Rovigo (RO) | 7.000.000 | 100.00% | 100% | 0% |
| Edigas Esercizio Distribuzione Gas S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 100.00% | 100% | 0% |
| Amgas Blu S.r.l. | Foggia (FG) | 10.000 | 80.00% | 80% | 0% |
| Blue Meta S.p.A. | Pieve di Soligo (TV) | 606.123 | 100.00% | 100% | 0% |
| Pasubio Servizi S.r.l. | Schio (VI) | 250.000 | 100.00% | 100% | 0% |
| AP Reti Gas Vicenza S.p.A. | Pieve di Soligo (TV) | 10.000.000 | 100.00% | 100% | 0% |
| Veritas Energia S.p.A. | Pieve di Soligo (TV) | 1.000.000 | 100.00% | 100% | 0% |
| Companies under joint control consolidated with net equity method | | | | | |
| ASM Set S.r.l. | (1) Rovigo (RO) | 200.000 | 49% | 49% | 0% |
| Estenergy S.p.A. | (2) Trieste (TS) | 1.718.096 | 48.999% | 49% | 0% |
| Unigas Distribuzione S.r.l. | (3) Nembro (BG) | 3.700.000 | 48.86% | 49% | 0% |
| Subsidiary companies consolidated with net equity method | | | | | |
| Sinergie Italiane S.r.l. in liquidazione | Milano (MI) | 1.000.000 | 30.94% | 30.94% | 0% |

- (1) Joint control with ASM Rovigo S.p.A.;
- (2) Joint control with AcegasApsAmga S.p.A.;
- (3) Joint control with Anita S.p.A..

As compared to the financial statements closed at 31st December 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.

On 26th July 2017, by notary deed signed in Treviso, Ref. No. 111617, Vol. no. 34831, filed at the Chambers of commerce of Vicenza and Treviso on 31st July 2017, the companies Pasubio Rete Gas S.r.l. Unipersonale and Pasubio Distribuzione Gas S.r.l. Unipersonale were merged into the company AP Reti Gas Vicenza S.p.A. with legal effect commencing 1st September 2017.

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 September 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. | 13,100 | 1,064 | 1,330 | (1,599) | Ita Gaap |
| AP Reti Gas S.p.A. | 70,927 | 13,690 | 312,406 | (23,195) | IFRS |
| Ascopiave S.p.A. | 8,605 | 44,974 | 399,204 | 138,908 | IFRS |
| Ascotrade S.p.A. | 205,231 | 9,924 | 24,784 | (18,518) | IFRS |
| Blue Meta S.p.A. | 44,128 | 3,226 | 8,067 | (9,742) | Ita Gaap |
| Edigas Esercizio Distribuzione Gas S.p.A. | 3,818 | 886 | 11,192 | (1,491) | Ita Gaap |
| Estenergy S.p.A. | 85,741 | 6,842 | 20,388 | (23,389) | IFRS |
| Etra Energia S.r.l. | 5,148 | 307 | 992 | (1,384) | Ita Gaap |
| AP Reti Gas Vicenza S.p.A. | 15,604 | 508 | 17,491 | 15,580 | Ita Gaap |
| Pasubio Servizi S.r.l. | 22,787 | 1,913 | 4,793 | (7,920) | Ita Gaap |
| AP Reti Gas Rovigo S.r.l. | 3,297 | 1,023 | 15,079 | (1,846) | Ita Gaap |
| ASM Set S.r.l. | 17,720 | 1,265 | 1,534 | (2,596) | Ita Gaap |
| Unigas Distribuzione S.r.l. | 14,702 | 1,516 | 40,889 | 1,905 | Ita Gaap |
| Veritas Energia S.p.A. | 57,220 | 2,103 | 4,041 | 1,152 | Ita Gaap |

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

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEMS

Non-current assets

1. Goodwill

Goodwill, equal to Euro 80,758 thousand as of 30th September 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 | 30.09.2017 |
|-----------------------------|---------------|----------|----------|---------------|
| 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 September 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) | 30.09.2017 | | | 31.12.2016 | | |
|---|----------------|--------------------------|----------------|----------------|--------------------------|----------------|
| | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| Industrial patent and intellectual property rights | 5,982 | (5,726) | 256 | 4,910 | (4,524) | 386 |
| Concessions, licences, trademarks and similar rights | 15,257 | (8,007) | 7,249 | 9,933 | (4,835) | 5,098 |
| Other intangible assets | 25,632 | (18,871) | 6,761 | 25,632 | (17,300) | 8,332 |
| Tangible assets under IFRIC 12 concession | 590,183 | (269,201) | 320,982 | 544,096 | (243,789) | 300,307 |
| Intangible assets in progress under IFRIC 12 concession | 8,732 | 0 | 8,732 | 2,783 | 0 | 2,783 |
| Other intangible assets | 645,786 | (301,806) | 344,979 | 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 | | | | 30.09.2017 | | |
|---|----------------|------------------------------------|-----------------------|-----------|---------------------------------|---------------|----------------|
| | Net value | Values of newly acquired companies | Change for the period | Decrease | Amortizations during the period | Depreciations | Net value |
| <i>(Thousands of Euro)</i> | | | | | | | |
| Industrial patent and intellectual property rights | 386 | 0 | 0 | 0 | 130 | 0 | 256 |
| Concessions, licences, trademarks and similar rights | 5,098 | 2,706 | 0 | 0 | 555 | 0 | 7,249 |
| Other intangible assets | 8,332 | 0 | 3 | 13 | 1,561 | 0 | 6,761 |
| Tangible assets under IFRIC 12 concession | 300,307 | 25,612 | 6,429 | 0 | 11,366 | 0 | 320,982 |
| Intangible assets in progress under IFRIC 12 concession | 2,783 | 319 | 5,632 | 2 | 0 | 0 | 8,732 |
| Other intangible assets | 316,905 | 28,637 | 12,064 | 16 | 13,611 | 0 | 343,979 |

The investments made during the first nine months of 2017 are equal to Euro 12,064 thousand and they mainly refer to costs incurred for the realisation 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 28,637 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 nine 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 nine months of the financial year, the investments amounted to Euro 20,675 thousand mainly explained by the extension of the consolidation scope. Investments total Euro 6,429 thousand, including the reclassifications of assets under construction, whereas depreciation in the period amounted to Euro 11,266 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 5.632 thousand (Euro 1,960 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) | 30.09.2017 | | | 31.12.2016 | | |
|--|---------------|--------------------------|---------------|---------------|--------------------------|---------------|
| | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| Lands and buildings | 40,108 | (11,477) | 28,631 | 37,169 | (9,708) | 27,461 |
| Plant and machinery | 2,838 | (1,455) | 1,384 | 2,599 | (1,129) | 1,470 |
| Industrial and commercial equipment | 3,412 | (2,919) | 500 | 3,192 | (2,673) | 519 |
| Other tangible assets | 16,762 | (14,507) | 2,255 | 15,871 | (13,195) | 2,676 |
| Tangible assets in progress and advance payments | 641 | 0 | 641 | 238 | 0 | 238 |
| Other tangible assets | 63,762 | (30,351) | 33,411 | 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 | | Change for the period | Decrease | Amortizations during the period | Depreciations | 30.09.2017 | |
|--|---------------|------------------------------------|-----------------------|----------|---------------------------------|---------------|------------|---------------|
| | Net value | Values of newly acquired companies | | | | | Net value | Net value |
| Lands and buildings | 27,461 | 2,010 | 40 | | 880 | | | 28,631 |
| Plant and machinery | 1,470 | 24 | 0 | | 110 | | | 1,384 |
| Industrial and commercial equipment | 519 | 15 | 26 | | 60 | | | 500 |
| Other tangible assets | 2,676 | 85 | 215 | | 721 | | | 2,255 |
| Tangible assets in progress and advance payments | 238 | 0 | 403 | | | | | 641 |
| Other tangible assets | 32,364 | 2,134 | 683 | 0 | 1,771 | 0 | | 33,411 |

At the end of the first nine months of the reporting period, tangible fixed assets amounted to Euro 33,411 thousand. The change is mainly explained by the amortisation and depreciation of the period and the extension of the consolidation scope.

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 40 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 26

thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for measurement activity.

Other assets

The investments made during the first nine months of financial year 2017, equal to Euro 215 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 nine months of the year, the item changed by Euro 403 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 | | | 30.09.2017 |
|---|---------------|--------------|--------------|---------------|
| | Net value | Increase | Decrease | Net value |
| <i>(Thousands of Euro)</i> | | | | |
| Shareholdings in jointly controlled companies | 68,737 | 4,338 | 6,680 | 66,395 |
| Shareholdings in other companies | 1 | 6 | | 7 |
| Shareholdings | 68,738 | 4,345 | 6,680 | 66,402 |

Shareholdings in joint companies

Shareholdings in joint companies decrease from Euro 68,738 thousand to Euro 66,402 thousand marking a decrease of Euro 2,336 thousand. In particular, the decrease is 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, partially offset by the results achieved in the first nine months of 2017 for Euro 4,361 thousand of which Estenergy S.p.A. Euro 2,912 thousand, ASM Set S.r.l. Euro 568 thousand and Unigas Distribuzione S.r.l. Euro 881 thousand.

The evaluation of the shareholdings in jointly controlled companies with the net equity method and their profit and loss statement and balance sheet figures are shown in the section “Synthesis data as of 30th September 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 19th December 2016 and on preliminary operating data of financial year 2016-2016 restated in accordance with international accounting principles, considering the associate on a going concern basis, the accumulated capital deficit amounts to Euro 11,620 thousand, of which Euro 3,595 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 601 thousand, with a positive impact on the profit and loss statement (Euro 805 thousand as of 30th September 2016).

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

| (Values referred to pro-rata participation in Million of Euro) | Balance as of | First quarter as of | Balance as of |
|---|---------------|---------------------|---------------|
| | 30/09/2017 | 31/12/2016 | 30/09/2016 |
| Non-current assets | 2.14 | 2.62 | 2.67 |
| Current assets | 7.59 | 9.01 | 6.72 |
| Net equity | (3.44) | (4.03) | (4.35) |
| Non-current liabilities | 0.00 | 0.00 | 0.00 |
| Current liabilities | 12.20 | 14.63 | 12.72 |
| Revenues | 59.17 | 15.36 | 53.32 |
| Costs | (57.22) | (14.82) | (51.38) |
| Gross operative margin | 1.95 | 0.54 | 1.94 |
| Amortization and depreciation | (1.01) | (0.20) | (0.80) |
| Operating result | 0.95 | 0.34 | 1.14 |
| Net result | 0.91 | 0.32 | 1.08 |
| NFP | 2.93 | 2.45 | 2.09 |

Other investments

Other equity investments relate to Banca di Credito Cooperativo delle Prealpi - Soc. Coop. for Euro 1 thousand and the newly acquired companies, 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) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---------------------------------|---------------|------------------------------------|--|---------------|
| Security deposits | 8,856 | 11 | 8,846 | 9,438 |
| Other receivables | 4,128 | | 4,128 | 4,128 |
| Other non-current assets | 12,984 | 11 | 12,974 | 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 12,984 thousand, marking a decrease of Euro 582 thousand (Euro 592 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 September 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) | 30.09.2017 | 31.12.2016 |
|---|------------|------------|
| Non-current assets from derivative financial instruments | 0 | 485 |
| Non-current assets from derivative financial instruments | 0 | 485 |

7. Advance tax receivables

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|--------------------------------|---------------|------------------------------------|--|--------------|
| Advance tax receivables | 11,185 | 1,226 | 9,959 | 9,758 |
| Advance tax receivables | 11,185 | 1,226 | 9,959 | 9,758 |

Advance taxes increase from Euro 9,758 thousand to Euro 11,185 thousand, marking an increase of Euro 1,427 thousand (Euro 201 thousand with the same consolidation scope).

In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 30th September 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:

| (Thousands of Euro) | 30.09.2017 | | | 31.12.2016 | | |
|--------------------------------------|--------------|--------------------|--------------|--------------|--------------------|--------------|
| | Gross value | Bad debt provision | Net value | Gross value | Bad debt provision | Net value |
| Gas stockage | 2,035 | (22) | 2,013 | 1,945 | 0 | 1,945 |
| Fuels and warehouse materials | 3,213 | (33) | 3,180 | 2,399 | (33) | 2,366 |
| Values of newly acquired companies | 286 | (69) | 217 | 0 | 0 | 0 |
| Fuels and warehouse materials | 5,534 | (124) | 5,410 | 4,344 | (33) | 4,311 |

At the end of the first nine months of 2017, inventories are equal to Euro 5,410 thousand and show an overall increase equal to Euro 1,099 thousand as compared to 31st December 2016, mainly explained by the increase in the amount of natural gas stored (Euro +68 thousand), the increase in goods in stock (Euro +814 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 124 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 September 2017, that is 18.80 €/MWh, source MGS; 31st December 2016 equal to 20.55 €/MWh, source MGS). At the end of the period, a depreciation of stocked gas price was necessary as the market value was higher than the book value of the stocked natural gas for Euro 22 thousand.

9. Trade receivables

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---------------------------------------|---------------|------------------------------------|--|----------------|
| Receivables from customers | 38,503 | 1,614 | 36,889 | 66,882 |
| Receivables for invoices to be issued | 27,438 | 73 | 27,364 | 88,345 |
| Bad debt provisions | (6,001) | (295) | (5,706) | (7,148) |
| Trade receivables | 59,940 | 1,392 | 58,547 | 148,079 |

Trade receivables decreased from Euro 148,079 thousand to Euro 59,940 thousand, marking a decrease of Euro 89,532 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 1,442 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 nine 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) | 30.09.2017 | 31.12.2016 |
|---------------------------------------|--------------|--------------|
| Bad debt provisions | 7,148 | 12,052 |
| Bad debt provisions from acquisitions | 295 | (0) |
| Provisions | 1,134 | 2,891 |
| Use | (2,576) | (7,796) |
| Final bad debt provision | 6,001 | 7,148 |

The following table highlights the composition of accounts receivables for invoices issued based on ageing,

highlighting the capacity of the allowance for doubtful accounts as compared to receivables with higher ageing:

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|---------------|---------------|
| Gross trade receivables for invoices issued | 38,503 | 66,882 |
| - allowance for doubtful accounts | (6,001) | (7,148) |
| Net trade receivables for invoices issued | 32,502 | 59,734 |

Aging of trade receivables for invoices issued:

| | | |
|-------------------------------|--------|--------|
| - to expire | 25,066 | 51,710 |
| - expired within 6 months | 6,648 | 6,574 |
| - overdue by 6 to 12 months | 1,572 | 3,047 |
| - expired more than 12 months | 5,217 | 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) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|--|---------------|------------------------------------|--|---------------|
| Tax consolidation receivables | 1,971 | | 1,971 | 4,777 |
| Annual pre-paid expenses | 1,384 | 592 | 792 | 275 |
| Advance payments to suppliers | 9,654 | 1,685 | 7,969 | 9,837 |
| annual accrued income | 2 | 0 | 2 | 0 |
| Receivables due from CSEA | 47,798 | 7,592 | 40,206 | 25,819 |
| VAT Receivables | 4,812 | 2,247 | 2,565 | 4,096 |
| UTF and Provincial/Regional Additional Tax receivables | 432 | | 432 | 2,353 |
| Assets for forward sales | 107 | | 107 | |
| Other receivables | 691 | 302 | 389 | 50 |
| Other current assets | 66,849 | 12,418 | 54,431 | 47,207 |

Other current assets increased from Euro 47,207 thousand to Euro 66,849 thousand, marking an increase of Euro 19,642 thousand. The change is largely explained by the extension of the scope of consolidation, whereas on a comparable consolidation basis the increase is equal to Euro 7,224 thousand.

The change, on a comparable consolidation basis, is mainly explained by the increase in receivables from Cassa per i Servizi Energetici e Ambientali for Euro 14,387 thousand, prepaid expenses for Euro 517 thousand (mainly software support fees), other receivables relating to advance payments for employees' social contributions charges for Euro 339 thousand partially offset by the decrease in VAT receivables for Euro 1,531 thousand and the decrease in receivables for gas and electricity excise duties for Euro 1,921 thousand

11. Tax receivables

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|-----------------------------|--------------|------------------------------------|--|--------------|
| Receivables related to IRAP | 654 | | 654 | 655 |
| Receivables related to IRES | 450 | 419 | 31 | 0 |
| Other tax receivables | 386 | 142 | 244 | 352 |
| Tax receivables | 1,490 | 561 | 929 | 1,007 |

Tax receivables increased from Euro 1,007 thousand to Euro 1,490 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 nine months of 2017, of the IRAP advances paid and the IRES advances for the companies that do not adhere to the Group tax consolidation system.

12. Cash and cash equivalents

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|-----------------------------------|---------------|------------------------------------|--|--------------|
| Bank and post office deposits | 44,654 | 774 | 43,880 | 8,803 |
| Cash and cash equivalents on hand | 19 | 1 | 18 | 19 |
| Cash and cash equivalents | 44,672 | 774 | 43,898 | 8,822 |

Cash and cash equivalents increased from Euro 8,822 thousand to Euro 44,672 thousand and, net of the change in the scope of consolidation, increased by Euro 35,076 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the variations of cash flows in the first nine months of 2017, please refer to the consolidated financial statement.

Net financial position

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|--|-----------------|------------------------------------|--|-----------------|
| Cash and cash equivalents | 44,672 | 774 | 43,898 | 8,822 |
| Current financial assets | 0 | | 0 | 0 |
| Current financial liabilities | (2,198) | 0 | (2,198) | (3,552) |
| Payables due to banks and financing institutions | (78,060) | | (78,060) | (64,397) |
| | (73) | | (73) | (93) |
| Net short-term financial position | (35,659) | 774 | (36,433) | (59,220) |
| Medium- and long-term bank loans | (54,360) | | (54,360) | (34,541) |
| Non-current financial liabilities | (296) | | (296) | (357) |
| Net medium and long-term financial position | (54,656) | 0 | (54,656) | (34,899) |
| Net financial position | (90,315) | 774 | (91,089) | (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 nine months of 2017" of the report on management and under the paragraph "Medium- and long-term loans" of these Interim financial statements.

13. Current assets from derivative financial instruments

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

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|---|------------|--------------|
| Current assets from derivative financial instruments | 816 | 1,304 |
| Current assets from derivative financial instruments | 816 | 1,304 |

Assets from derivatives are represented by the fair value of the following commodity derivatives as of 30th September 2017, which will have financial manifestation over the next 12 months:

| # | Ref. | Counterparty | Type of Instrument | Underlying Commodity | Trade date | Effective date | Expiry date | Position | Notional | MtM (€/000) |
|--------------|-----------|-----------------|--------------------|-----------------------|------------|----------------|-------------|----------|----------------|-------------|
| 1 | 19355250 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 22-Mar-16 | 1-Oct-17 | 31-Oct-17 | Long/Buy | 3.720 MWh | 13 |
| 2 | 19513482 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 14-Apr-18 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 180.912 MWh | 549 |
| 3 | 22531817 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 10-Apr-17 | 1-Oct-17 | 31-Mar-18 | Long/Buy | 17.040 MWh | 7 |
| 4 | 22540592 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 11-Apr-17 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 41.520 MWh | 14 |
| 5 | 22743949 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 12-May-17 | 1-Jan-18 | 30-Sep-18 | Long/Buy | 39.198 MWh | 21 |
| 8 | 22753473 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 15-May-17 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 83.912 MWh | 29 |
| 7 | 22765507 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 18-May-17 | 1-Oct-17 | 31-Oct-17 | Long/Buy | 14.880 MWh | 15 |
| 8 | 22795284 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 19-May-17 | 1-Jan-18 | 30-Sep-18 | Long/Buy | 11.818 MWh | 3 |
| 9 | 22795714 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 19-May-17 | 1-Jan-18 | 30-Sep-18 | Long/Buy | 9.420 MWh | 2 |
| 10 | 22843947 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 28-May-17 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 43.898 MWh | 22 |
| 11 | 399474425 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 4-Jul-17 | 1-Nov-17 | 31-Dec-17 | Long/Buy | 14.780 MWh | 4 |
| 12 | 399474825 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 4-Jul-17 | 1-Feb-18 | 31-Mar-18 | Long/Buy | 18.220 MWh | 18 |
| 13 | 23067709 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 4-Jul-17 | 1-Apr-18 | 30-Sep-18 | Long/Buy | 33.490 MWh | 21 |
| 14 | 23117551 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 7-Jul-17 | 1-Nov-17 | 30-Nov-17 | Long/Buy | 7.200 MWh | 8 |
| 15 | 23145778 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 12-Jul-17 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 20.018 MWh | 27 |
| 18 | 23170149 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 17-Apr-17 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 9.084 MWh | 7 |
| 17 | 23197788 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 20-Jul-17 | 1-Oct-17 | 30-Sep-18 | Long/Buy | 7.284 MWh | 9 |
| 18 | 23302958 | Intesa Sanpaolo | Commodity Swap | Gas TTF Month Ahead | 1-Aug-17 | 1-Oct-17 | 31-Dec-17 | Long/Buy | 22.080 MWh | 35 |
| 19 | 21422501 | BNP Paribas | Commodity Swap | Gas TTF Quarter Ahead | 18-May-17 | 1-Oct-17 | 31-Mar-18 | Long/Buy | 14.598 MWh | 2 |
| 20 | 21625708 | BNP Paribas | Commodity Swap | Gas TTF Month Ahead | 7-Jul-17 | 1-Oct-17 | 30-Apr-18 | Long/Buy | 12.284 MWh | 14 |
| Total | | | | | | | | | 664,820 | 816 |

Consolidated shareholders' equity

14. Shareholders' equity

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

| <i>(Thousands of Euro)</i> | 30.09.2017 | 31.12.2016 |
|--------------------------------|-------------------|-------------------|
| Share capital | 234,412 | 234,412 |
| Legal reserve | 46,882 | 46,882 |
| Own shares | (17,521) | (17,521) |
| Reserves | 133,783 | 120,648 |
| Group's Net Result | 32,200 | 53,635 |
| Net equity of the Group | 429,756 | 438,055 |
| Net equity of Others | 2,829 | 2,847 |
| Third parties Net Result | 1,410 | 3,307 |
| Net equity of Others | 4,239 | 6,154 |
| Total Net equity | 433,994 | 444,209 |

In the first nine months of 2017, the variations in the consolidated net equity, excluding the result achieved in the period, were due to the distribution of dividends by the Parent company for Euro 42,869 thousand, a negative variation for Euro 784 thousand related to a Cash Flow Hedge reserve against the valuation at fair value of derivatives as of 30th September 2017, partially offset by the recognition of actuarial values on employee severance indemnity (TFR) and incentive plans for a total amount of Euro 212 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:

| <i>(Thousands of Euro)</i> | |
|--|------------|
| Opening balance | 1,592 |
| Effectiveness gained during the period | (1,325) |
| Effectively released in the income statement during the period | 541 |
| Closing balance | 809 |

The value of the cash flow hedge reserve as of 30th September 2017 refers to the expected supply flows which will be recognised at cost (and therefore with effects on the income statement) over the next 12 months.

Assuming a 10% change in the future quotes of natural gas (i.e. TTF Month Ahead) at 30th September 2017, upward and downward, there would be, respectively, an improvement and a worsening of approximately Euro 1,090 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*15. Reserves for risks and charges*

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---|--------------|------------------------------------|--|--------------|
| Provisions for pension for gas sector employees | 1,530 | | 1,530 | 1,089 |
| Other reserves for risks and charges | 5,553 | 251 | 5,302 | 5,903 |
| Reserves for risks and charges | 7,083 | 251 | 6,832 | 6,992 |

Reserves for risks and charges increased from Euro 6,992 thousand to Euro 7,083 thousand. Net of the change in the scope of consolidation, they decreased by Euro 160 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:

| (Thousands of Euro) | |
|--|--------------|
| Reserves for risks and charges as of 1 st January 2017 | 6,992 |
| Reserves for risks and charges from acquisitions | 251 |
| Provisions for risks hedging losses of associates with the equity method | (601) |
| Provisions for risks and charges | 417 |
| Use of provisions for risks and charges | 23 |
| Provisions for risks and charges as of 30th September 2017 | 7,083 |

During the period 1st April – 30th September 2017, the risks and charges recognised by the newly acquired companies increased by Euro 31 thousand.

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

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|---|--------------|--------------|
| Cover losses associated companies | 3,595 | 4,196 |
| Risks on litigation with dealers | 251 | |
| Risks of litigation with suppliers | 232 | 232 |
| Funds on just working causes | 1,475 | 1,475 |
| Retirement fund and similar obligations | 1,530 | 1,089 |
| Provisions for risks and charges | 7,083 | 6,992 |

16. Severance indemnity

Severance indemnity increases from Euro 4,077 thousand as of 1st January 2017 to Euro 4,991 thousand as of 30th September 2017, with an increase equal to Euro 59 thousand.

| (Thousands of Euro) | |
|---|--------------|
| Severance indemnity as of 1 st January 2017 | 4,077 |
| Values of new companies acquired | 655 |
| Retirement allowance | (850) |
| Payments for current services and work | 1,109 |
| Severance indemnity as of 30th September 2017 | 4,991 |

17. Medium- and long-term loans

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---|-------------------|---|---|-------------------|
| Loans from Prealpi | 610 | | 610 | 684 |
| Loans from European Investment Bank | 26,250 | | 26,250 | 31,000 |
| Loans from Unicredit S.p.A. | | | | 2,857 |
| Loans from BNL | 27,500 | | 27,500 | |
| Medium- and long-term bank loans | 54,360 | | 54,360 | 34,541 |
| Current portion of medium and long-term loans | 13,039 | | 13,039 | 9,287 |
| Medium and long-term loans | 67,399 | | 67,399 | 43,828 |

Medium and long term loans, mainly represented as of 30th September 2017 by the payables of the Parent Company to the European Investment Bank for Euro 31,000 thousand, to BNL for Euro 30,000 thousand and Unicredit for Euro 5,714 thousand, increase from Euro 43,828 thousand to Euro 67,399 thousand, marking an increase of Euro 23,571 thousand, explained by a new 12-year loan taken out in August 2017 with BNL and the payment of the instalments in the first nine months of 2017.

Concerning the loan issued by the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, its outstanding debt as of 30th September 2017 is equal to Euro 31,000 thousand, with Euro 4,750 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 September 2017 were respected.

As a guarantee of the fulfilment of the obligations associated with the loan agreement, the subsidiary AP Reti Gas S.p.A. has transferred to the Bank a share of future receivables arising from the reimbursement of the value of assets related to its gas distribution concessions, as per agreement integration signed in December 2016.

In August 2017, the Parent Company signed with BNL S.p.A. a 12-year loan, amounting to Euro 30,000 thousand, repayable every six months through constant instalments for the capital portion and interest calculated by applying a fixed rate equal to 1.92%. As a guarantee of the fulfilment of the obligations associated with the loan agreement, the subsidiary AP Reti Gas S.p.A. has transferred to the Bank a share of future receivables arising from the reimbursement of the value of assets related to its gas distribution concessions.

The agreement envisages compliance with the following financial covenants calculated every six months on consolidated data: Net financial position/Ebitda ratio $\leq 3.5x$ and RAB \geq Euro 300,000 thousand.

As of 30th September 2017, the outstanding debt amounted to Euro 30,000 thousand, and Euro 2,500 thousand were recognised in due to banks and short-term loans.

The medium long-term loan with Unicredit S.p.A. was signed by the Parent Company in 2011, to finance important company aggregation operations. The original amount of the loan was Euro 40,000 thousand. It has an outstanding debt as of 30th September 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 with Unicredit, the Parent Company has transferred to the Bank share of future receivables arising from the reimbursement of the value of assets related to the gas distribution concessions.

Chart of medium- and long-term loans deadlines:

| (Thousands of Euro) | 30.09.2017 |
|---|-------------------|
| Financial year 2017 | 2,857 |
| Financial year 2018 | 10,181 |
| Financial year 2019 | 7,326 |
| Financial year 2020 | 7,328 |
| After 31 st December 2020 | 39,707 |
| Total medium and long-term loans | 67,399 |

18. Other non-current liabilities

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|--------------------------------------|---------------|------------------------------------|--|---------------|
| Security deposits | 11,791 | 223 | 11,568 | 12,052 |
| Multi-annual passive prepayments | 10,614 | 977 | 9,638 | 8,215 |
| Other non-current liabilities | 22,405 | 1,200 | 21,205 | 20,267 |

Other non-current liabilities increased from Euro 20,267 thousand to Euro 22,405 thousand with an increase, net of the change in the scope of consolidation, of Euro 938 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.

19. *Non-current financial liabilities*

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

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|------------|------------|
| Payables due to leasing companies (over 12 months) | 296 | 357 |
| Non-current financial liabilities | 296 | 357 |

Non-current financial liabilities decreased from Euro 357 thousand as of 31st December 2016 to Euro 296 thousand, marking a decrease of Euro 61 thousand, and mainly include payables to leasing companies due after 12 months; the relating current portion is classified in Current financial liabilities.

20. *Deferred tax payables*

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|------------------------------|---------------|---------------------------------------|---|---------------|
| Deferred tax payables | 15,978 | | 15,978 | 16,814 |
| Deferred tax payables | 15,978 | | 15,978 | 16,814 |

Payables for deferred taxation decrease from Euro 16,814 thousand to Euro 15,978 thousand, marking a decrease of Euro 836 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 September 2017 and at the time when it is estimated that any temporary differences will be carried forward.

Current liabilities

21. *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) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---|---------------|---------------------------------------|---|---------------|
| Payables due to banks | 65,021 | | 65,021 | 55,110 |
| Current portion of medium-long-term loans | 13,039 | | 13,039 | 9,287 |
| Payables due to banks and financing institutions | 78,060 | | 78,060 | 64,397 |

Payables to banks increase from Euro 64,397 thousand to Euro 78,060 thousand, marking an increase of Euro 13,663 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

22. *Trade payables*

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---|---------------|------------------------------------|--|----------------|
| Payables to suppliers | 373 | (313) | 686 | 25,100 |
| Payables to suppliers for invoices not yet received | 61,837 | 9,680 | 52,157 | 77,952 |
| Trade payables | 62,210 | 9,367 | 52,843 | 103,052 |

Trade payables decrease from Euro 103,052 thousand to Euro 62,210 thousand, marking a decrease, net of the change in the scope of consolidation, of Euro 50,209 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.

23. Payables to tax authorities

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---------------------|------------|------------------------------------|--|--------------|
| IRAP payables | 846 | 41 | 804 | 1,029 |
| IRES payables | 59 | | 59 | 202 |
| Tax payables | 905 | 41 | 864 | 1,231 |

Tax payables decreased from Euro 1,231 thousand to Euro 905 thousand, marking a decrease, net of the change in the scope of consolidation, of Euro 367 thousand and include payables accrued at the end of the first nine months 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.

24. Other current liabilities

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

| (Thousands of Euro) | 30.09.2017 | Values of newly acquired companies | Net values of newly acquired companies | 31.12.2016 |
|---|---------------|------------------------------------|--|---------------|
| Advance payments from customers | 3,360 | 114 | 3,246 | 2,519 |
| Amounts due to parent companies for tax consolidation | 4,255 | 299 | 3,956 | 6,382 |
| Amounts due to social security institutions | 1,079 | 58 | 1,021 | 1,451 |
| Amounts due to employees | 5,502 | 286 | 5,216 | 4,679 |
| VAT payables | 7,194 | | 7,194 | 2,650 |
| Payables to revenue office for withholding tax | 368 | 65 | 303 | 936 |
| Annual passive prepayments | 729 | 354 | 375 | 627 |
| Annual passive accruals | 233 | 1 | 233 | 368 |
| UTF and Provincial/Regional Additional Tax payables | 8,739 | | 8,739 | 6,500 |
| Liabilities for short-term purchase commitments | 55 | | 55 | |
| Other payables | 13,824 | 429 | 13,395 | 7,579 |
| Other current liabilities | 45,338 | 1,604 | 43,733 | 33,691 |

Other current liabilities increased from Euro 33,691 thousand to Euro 45,338 thousand, marking an increase, net of the change in the scope of consolidation, of Euro 10,042 thousand.

Advances from clients

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

Tax consolidation payables

This heading includes the accrued payables to parent company Asco Holding S.p.A., as part of the National Consolidation regime contracts signed by the Group companies with Asco Holding S.p.A.. The balance corresponds to the IRES payables accrued for taxation up to 30th September 2017 and has decreased, net of the change in the scope of consolidation, by Euro 2,426 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 September 2017 but not paid out on that date.

VAT payables

VAT payables increased by Euro 4,544 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

The change in the item is mainly related to the reclassification from other payables of deferred income on revenues from co-generation/heat supply.

Annual accrued liabilities

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

UTF payables and Additional Regional/Provincial Tax

They relate to amounts payable to the technical department of finance and to the payment of excise duty and additional taxes on natural gas. The balance is explained by the different timing of billing gas consumption to users, in contrast with the monthly payments carried out by the sales company with reference to the previous period. As of 30th September 2017, the Group's total amount of payables is Euro 8,739 thousand as compared to Euro 12,505 thousand in the first nine months of the previous year.

Other payables

These figures increase by Euro 5,816 thousand, net of the change in the scope of consolidation. The increase is mainly related to higher payables to Cassa per i Servizi Energetici e Ambientali concerning the tariff components of natural gas transport for Euro 5,166 thousand, and higher payables to the Tax Authority for the introduction of the Rai television license fee in the electricity bill for Euro 540 thousand.

The item also includes payables for staff charges accrued as of 30th September 2017.

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.

25. Current financial liabilities

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

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|--------------|--------------|
| Financial payables within 12 months | 2,198 | 3,552 |
| Payables to leasing companies within 12 months | 73 | 93 |
| Current financial liabilities | 2,271 | 3,645 |

Current financial liabilities decreased from Euro 3,645 thousand to Euro 2,271 thousand, marking a decrease of Euro 1,374 thousand mainly due to the bank account balance for the joint control subsidiary ASM Set S.r.l. for Euro 2,071 thousand.

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.

26. Current liabilities from derivative financial instruments

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

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|------------|------------|
| Current liabilities from derivative financial instruments | 7 | 29 |
| Current liabilities from derivative financial instruments | 7 | 29 |

Liabilities from derivatives are represented by the fair value of the following commodity derivatives as of 30th September 2017, which will have financial manifestation between 1st October 2017 and 31st December 2017:

| # | Ref. | Counterparty | Type of Instrument | Underlying Commodity | Trade date | Effective date | Expiry date | Position | Notional | MtdM (€/000) |
|--------------|-----------|--------------|--------------------|-----------------------|------------|----------------|-------------|----------|---------------|--------------|
| 1 | 398355849 | UniCredit | Commodity Swap | Gas TTF Quarter Ahead | 18-May-17 | 1-Oct-17 | 31-Dec-17 | Long/Buy | 50,508 MWh | 7 |
| Total | | | | | | | | | 50,508 | 7 |

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues*27. Revenues*

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

| <i>(Thousands of Euro)</i> | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|---|------------------------------|--|---|------------------------------|
| Revenues from gas transportation | 22,389 | 5,667 | 16,722 | 21,347 |
| Revenues from gas sale | 270,764 | | 270,764 | 266,587 |
| Revenues from electricity sale | 43,263 | | 43,263 | 44,542 |
| Revenues from connections | 194 | 22 | 172 | 107 |
| Revenues from heat supply | 32 | | 32 | 66 |
| Revenues from distribution services | 4,535 | 135 | 4,400 | 3,821 |
| Revenues from services supplied to Group compan | 1,315 | | 1,315 | 830 |
| Revenues from AEEGSI contributions | 30,938 | 2,931 | 28,007 | 11,285 |
| Revenues for forward sales of raw materials | (55) | | (55) | |
| Other revenues | 3,968 | 554 | 3,414 | 4,753 |
| Revenues | 377,344 | 9,310 | 368,034 | 353,337 |

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 377,344 thousand, as compared to Euro 353,377 thousand of the same period in the previous year, but, on a comparable consolidation basis, revenues amounted to Euro 368,034, with an increase of Euro 14,697.

The change is mainly due to higher revenues from the sale of natural gas (Euro +4,177 thousand) and higher revenues from AEEGSI contributions (Euro +16,722 thousand), partially offset by the decline in revenues from gas transportation (Euro -4,625) and the decrease in the item other revenues (Euro -1,340 thousand).

The revenues from natural gas sale, equalling Euro 270,764 thousand, record an increase of Euro 4,177 thousand as compared to the same period of the previous financial year. In the period considered, the volumes of natural gas sold were 520.9 million cubic meters as compared to 529.2 million in the same period in the previous year.

At the end of the first nine months of the year, the revenues deriving from the sale of natural gas to wholesalers or at the virtual trading point (so-called VTP) were booked totalling Euro 44,546 thousand (Euro 35,750 thousand in September 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 16,722 thousand, with a decrease of Euro 4,625 thousand as compared to the first nine months of the previous year, involving the transport of the portion of 640.5 million cubic meters distributed by sales companies not belonging to the Group (576.3 million as of 30th September 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, Gas and Water.

At the end of the period, the revenues from electricity sales amounted to Euro 43,263 thousand (Euro 44,542 thousand in 2016). The GWhs sold in the period considered amount to 332.9 million (288.2 million in the first nine months of the previous year).

The revenues from connection services to the distribution network, on a comparable consolidation basis, are equal to Euro 172 thousand, up Euro 65 thousand as compared to the first nine months 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 4,400 thousand, show an increase of Euro 579 thousand as compared to the same period in the previous year.

The revenues from contributions made by the Authority for Electricity, Gas and Water amount to Euro 30,938 thousand in the first nine months of the year, recording an increase of Euro 19,653 thousand as compared to the previous year.

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

The contributions recognised as of 30th September 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 September 2017 and amounting to Euro 281.73, source STX (Euro 239.67 as of 30th June 2017; source GSE).

In September 2017, forward contracts were signed at the virtual trading point of the “PSV” Italian market and the “VTP” Austrian market for physical deliveries of gas during the period October 2017 – April 2018. They were valued at the current amount calculated by comparing the relevant active market prices with contractually defined prices.

The item “Other revenues” decreased from Euro 4,753 thousand in the first nine months of 2016, to Euro 3,968 thousand in the period considered, showing a decrease of Euro 785 thousand. The decrease is mainly due to higher contingent assets recognised in the first nine months of 2016, at the end of which they were equal to Euro 3,591 thousand, whereas at the end of the reference period they amounted to Euro 565 thousand.

This decrease was partially offset by the contribution received 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 nine months of 2017.

Costs

28. Cost for gas purchase

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

| (Thousands of Euro) | 3 rd Quarter 2017 | 3 rd Quarter 2016 |
|--|------------------------------|------------------------------|
| Purchase costs for raw material (gas) | 172,400 | 169,292 |
| Purchase costs for raw material (gas) | 172,400 | 169,292 |

At the end of the first nine months of the reference year, the costs for natural gas procurement amounted to Euro 172,400 thousand, showing an increase, as compared to the same period in the previous year, of Euro 3,108 thousand. 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 520.9 million cubic metres.

In the period considered, gas inventories amount to Euro 2,013 thousand as compared to Euro 1,945 thousand as of 31st December 2016 (Euro 2,905 thousand as of 30th September 2016).

The item includes Euro 46 thousand related to the current value of forward contracts for the purchase of the raw

material in the VTP and PSV markets, for the physical delivery of gas during the period October 2017 – April 2018. The accounting of the economic effects of the hedging derivatives accrued during the period considered has determined the recognition of lower costs totalling Euro 546 thousand (higher costs for Euro 311 thousand as of 30th September 2017).

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..

29. Cost of other raw materials

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

| <i>(Thousands of Euro)</i> | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|---|------------------------------|------------------------------------|--|------------------------------|
| Purchase of electricity | 14,411 | | 14,411 | 13,421 |
| Purchase of other raw material | 1,265 | 82 | 1,184 | 1,296 |
| Purchase costs for other raw materials | 15,676 | 82 | 15,594 | 14,717 |

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 15,676, marking an increase of Euro 959 thousand as compared to the same period in the previous year. On a comparable consolidation basis, the costs incurred for the purchase of other raw materials registered an increase equal to Euro 877 thousand, mainly explained by the higher costs incurred to procure electricity.

The costs incurred for the purchase of electricity showed an increase of Euro 989 thousand, from Euro 14,411 thousand, to Euro 13,421 thousand in the reference period. The increase is mainly explained by the average purchase price trend. GWhs sold increased by 41.3 GWh, from 248.9 in the first nine months of 2016 to 290.2 in the reference period (+16.6%).

The costs incurred for the purchase of other materials register a decrease equal to Euro 30 thousand (on a comparable consolidation basis the decrease is equal to Euro 112 thousand), from Euro 1,296 thousand in 2016, to Euro 1,265 thousand in the period considered. This item mainly includes costs related to the purchase of materials for the construction of natural gas distribution plants.

30. Costs for services

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|--|------------------------------|------------------------------------|--|------------------------------|
| Costs of conveyance on secondary networks | 52,589 | | 52,589 | 52,142 |
| Costs for counting meters reading | 541 | 47 | 494 | 464 |
| Costs for mailing bills | 1,052 | | 1,052 | 485 |
| Mailing and telegraph costs | 412 | 1 | 411 | 1,048 |
| Maintenance and repairs | 2,211 | 64 | 2,146 | 1,859 |
| Consulting services | 3,612 | 163 | 3,449 | 3,590 |
| Commercial services and advertisement | 2,107 | | 2,107 | 1,780 |
| Sundry suppliers | 680 | 86 | 595 | 970 |
| Directors' and Statutory Auditors' fees | 901 | 7 | 894 | 871 |
| Insurances | 543 | 72 | 471 | 672 |
| Personnel costs | 794 | 27 | 767 | 765 |
| Other managing expenses | 5,699 | 2 | 5,696 | 4,984 |
| Costs for use of third-party assets | 11,234 | 3,751 | 7,483 | 7,521 |
| Storage services | 423 | | 423 | 460 |
| Forward costs for the transportation of raw material | (60) | | (60) | |
| Costs for services | 82,738 | 4,221 | 78,518 | 77,611 |

The costs for services incurred during the first nine months of 2017 increase from Euro 77,611 thousand in 2016 to Euro 82,738 thousand in 2017, showing an increase of Euro 5,127 thousand (on a comparable consolidation basis, Euro 906 thousand).

On a comparable consolidation basis, the variation is mainly explained by the increase in costs incurred for marketing and advertising services (Euro +327 thousand) and the increase in other working expenses (Euro + 712 thousand). They are partially offset by the lower costs for utilities (Euro – 376 thousand) and insurance (Euro – 201 thousand).

The costs incurred for the transportation of natural gas on the secondary and primary networks amount to Euro 27,704 thousand and refer to 640.5 million cubic metres of 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 amount to Euro 24,886 thousand and refer to amounts of electricity marketed during the reference period, which increased by 44.8 GWh, from 288.2 in 2016 to 332.9 in 2017.

At the end of the first nine months of the year, the costs incurred for consultancy amounted to Euro 3,612 thousand, an increase as compared to the same period in the previous year of Euro 22 thousand. The increase is mainly explained by the extension of the consolidation scope, which resulted in the recognition of Euro 163 thousand. The decrease recorded on a comparable consolidation basis, equal to Euro 141 thousand, is mainly due to the higher costs booked during the first nine months of 2016 for the establishment of the company AP Reti Gas S.p.A.. These costs were partially explained by the costs incurred during the period for participating in the territorial tender in the area of Belluno.

At the end of the first nine months of the year, the costs incurred for marketing and advertising services increased by Euro 327 thousand, from Euro 1,780 thousand in 2016 to Euro 1,780 thousand in 2017.

On a comparable consolidation basis, other operating costs increased by Euro 712 thousand, mainly explained by the higher costs incurred for collection of invoices (+Euro 212 thousand) and the increase in costs incurred for services provided by distributors (+Euro 374 thousand).

The forward costs for the transportation of the gas raw material are related to the current value of the contract, with duration equal to the thermal year 2017/18, governing the transport and export capacity from the Austrian network via the TAG pipeline.

31. Costs for staff

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|-------------------------------|------------------------------|------------------------------------|--|------------------------------|
| Wages and salaries | 16,094 | 735 | 15,359 | 13,806 |
| Social security contributions | 4,808 | 223 | 4,586 | 4,593 |
| Severance indemnity | 1,168 | 59 | 1,109 | 1,067 |
| Other costs | 18 | | 18 | 28 |
| Total personnel costs | 22,088 | 1,017 | 21,071 | 19,494 |
| Capitalized personnel costs | (3,938) | (983) | (2,954) | (3,451) |
| Personnel costs | 18,150 | 34 | 18,117 | 16,043 |

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 16,043 thousand in the first nine months of 2016 to Euro 18,150 thousand in the reference period, showing an increase of Euro 2,107 thousand. The effect, on a comparable consolidation basis, is an increase of Euro 2,073 thousand.

The capitalised staff cost shows a decrease equal to Euro 487 thousand, from Euro 3,451 thousand in the previous period, to Euro 3,938 thousand in the period considered.

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

| Type | 30.09.2017 | 30.09.2016 | Variation |
|---------------------------------|------------|------------|-----------|
| Executives (average) | 17 | 17 | 0 |
| Office workers (average) | 364 | 363 | 1 |
| Manual workers (average) | 102 | 103 | (1) |
| No. of personal employed | 483 | 484 | 0 |

32. Other operating cost

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|--------------------------------|------------------------------|------------------------------------|--|------------------------------|
| Provision for risks on credits | 1,134 | | 1,134 | 1,379 |
| Other provisions | 31 | 31 | | |
| Membership and AEEGSI fees | 573 | 49 | 523 | 614 |
| Capital losses | 2 | | 2 | 610 |
| Extraordinary losses | 278 | | 278 | 214 |
| Other taxes | 649 | 7 | 642 | 669 |
| Other costs | 609 | 19 | 590 | 539 |
| Costs of contracts | 100 | | 100 | 375 |
| Energy efficiency certificates | 27,894 | 3,070 | 24,824 | 11,330 |
| Other management costs | 31,271 | 3,176 | 28,095 | 15,729 |

Other operating costs increased from Euro 15,729 in the first nine months of 2016, to Euro 31,271 in the first nine

months of 2017 and, net of the extension of the consolidation scope, increase by Euro 12,365 thousand.

This change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +13,495 thousand), partially offset by lower allowances for doubtful accounts (Euro -244 thousand), made possible thanks to the appropriate capacity of the bad debt provision, and lower costs for contracts (Euro -274 thousand).

Capital losses booked in the first nine months 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 September 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 September 2017, and amounting to Euro 332.93 source STX (Euro 268.00 on 30th June 2017).

33. Other operating revenue

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|---------------------|------------------------------|------------------------------------|--|------------------------------|
| Other income | 662 | 548 | 114 | 155 |
| Other income | 662 | 548 | 114 | 155 |

At the end of the first nine months of 2017, on a comparable consolidation basis, the item “other operating income” shows a decrease of Euro 41 thousand, from Euro 155 thousand in 2016, to Euro 114 thousand. The surplus value amounting to Euro 373 thousand deriving from the acquisition of Ap Reti gas Vicenza S.p.A. is recognised among the values of the newly acquired companies.

34. Amortisation, depreciation and write-downs

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|--------------------------------------|------------------------------|------------------------------------|--|------------------------------|
| Intangible fixed assets | 14,365 | 754 | 13,611 | 13,362 |
| Tangible fixed assets | 1,812 | 40 | 1,771 | 1,801 |
| Amortization and depreciation | 16,176 | 794 | 15,382 | 15,140 |

Amortisation and depreciation increase by Euro 1,036 thousand, from Euro 15,140 thousand in the first nine months of 2016, to Euro 16,176 thousand in the reference period.

Financial income and expense

35. Financial income and expense

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|--|------------------------------|------------------------------------|--|------------------------------|
| Interest income on bank and post office accounts | 0 | 0 | 0 | 10 |
| Other interest income | 249 | 14 | 235 | 183 |
| Other financial income | 4 | 0 | 4 | 3 |
| Financial income | 253 | 14 | 239 | 196 |
| Interest expense on banks | 35 | 0 | 35 | 88 |
| Interest expense on loans | 343 | 34 | 309 | 422 |
| Other financial expenses | 125 | 80 | 45 | 148 |
| Financial charges | 503 | 114 | 389 | 658 |
| Evaluation of subsidiary companies with net equity method | 601 | | 601 | 805 |
| Result quota from jointly controlled companies | 4,361 | | 4,361 | 3,766 |
| Evaluation of subsidiary companies with the net equity method | 4,962 | | 4,962 | 4,571 |
| Total net financial expenses | 4,712 | 101 | 4,813 | 4,108 |

At the end of the first nine months of 2017, the balance between financial income and expenses showed a loss of Euro 756 thousand, a decrease from the same period in the previous year of Euro 98 thousand.

The item “Evaluation of associated companies using the equity method” amounts to Euro 601 thousand and includes the use of a portion of the bad debt provision for the coverage of the capital deficit of the affiliate company Sinergie Italiane S.r.l. in liquidation following the profit achieved during the period as detailed in the section “Shareholdings” of these explanatory notes. The item registers a decrease as compared to the same period in the previous year equal to Euro 205 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 decreased by Euro 595 thousand, totalling Euro 4,361 thousand.

Taxes

36. Taxes in the reference period

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

| (Thousands of Euro) | 3 rd Quarter 2017 | Values of newly acquired companies | Net values of newly acquired companies | 3 rd Quarter 2016 |
|-----------------------------|------------------------------|------------------------------------|--|------------------------------|
| IRES current taxes | 11,776 | 273 | 11,502 | 13,389 |
| IRAP current taxes | 1,999 | 26 | 1,973 | 1,553 |
| (Advance)/Deferred taxes | (1,077) | (40) | (1,038) | (234) |
| Taxes for the period | 12,698 | 260 | 12,438 | 14,708 |

Taxes, on a comparable consolidation basis, decrease from Euro 14,708 thousand in the first nine months of 2016 to Euro 12,698 thousand in the reference period, thus registering a decrease of Euro 2,011 thousand. This is mainly explained by the drop in IRES rates for the year 2017, which decreased taxation from 27.5% to 24%.

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

| (Thousands of Euro) | 3 rd Quarter 2017 | 3 rd Quarter 2016 |
|--|------------------------------|------------------------------|
| Earnings before tax | 46,307 | 49,067 |
| Taxes for the period | 12,698 | 14,708 |
| Percentage of income before taxes | 27.4% | 30.0% |

The tax-rate as of 30th September 2017 is equal to 27.4% decreasing by 2.6% as compared to 30th September 2016. This is mainly explained by the drop in the IRES rate.

Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005 it is noted that no non-recurrent economic components exist as of 30th September 2017 in this interim report.

Transactions deriving from unusual and/or atypical operations

In accordance with CONSOB communication no. DEM/6064296 dated 28th July 2006, we report that in the first nine months of 2017 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%), was paid subsequent to the determination of the price adjustment envisaged in the agreement and based on the change in the net financial position from 31st December 2015 to the share transfer date. Subsequent to the determination of the price on 27th July 2017, Ascopiave S.p.A. paid the balance of the price deriving from the comparison between the net financial position at 31st December 2015 and the net financial position at 31st March 2017, for an amount of 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 September 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% | |
| 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 | | | | | | | | 16,300 | |
| Net liquidity absorbed by the acquisition as of 30th September 2017 | | | | | | | | 9,655 | |

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 SEPTEMBER 2017**Commitments and risks****Guarantees given**

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

Guarantees to companies within the consolidation area:

| (Thousands of Euro) | 30 th September 2017 | 31 st December 2016 |
|---|---------------------------------|--------------------------------|
| On credit lines | 6,400 | 6,400 |
| Guarantees on credit lines (letter of comfort) | 127 | 231 |
| On execution of works (letter of comfort) | 953 | 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) | 8,699 | 12,841 |
| On purchase/sale of shares (letter of comfort) | 500 | 0 |
| 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) | 5,000 | 2,000 |
| On storage of natural gas service | 570 | 410 |
| On active agreements of gas administration (letter of comfort) | 4 | 0 |
| Total | 48,230 | 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 September 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 September 2017 to Euro 26,665 thousand (Euro 34,333 thousand as of 30th September 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.

Due to its operating activity, the Group faces possible receivable risks with the counterparts.

The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

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

Interest rate risks

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

Furthermore, the Group manages medium-long term financings at variable rates with primary bank institutions, with an outstanding debt as of 30th September 2017 of Euro 67,399 thousand and due dates between 1st October 2017 and 2nd August 2029.

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 31,000 thousand as of 30th September 2017, the 12-year fix-rate loan taken out in August 2017 with an outstanding debt of Euro 30,000 thousand as of 30th September 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. All the loans are subject to covenants which are met.

For further details, please see paragraph no. 18 “*Medium- long term loans*”.

Sensitivity analysis of the interest rate risk

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

| | January | February | March | April | May | June | July | August | September |
|--|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| Net Financial Position 2017 | (98,975) | (71,302) | (55,735) | (15,272) | (67,980) | (67,109) | (88,802) | (102,369) | (90,315) |
| Positive average rate | 0.01% | 0.01% | 0.01% | 0.01% | 0.02% | 0.01% | 0.01% | 0.01% | 0.01% |
| Negative average rate | 0.32% | 0.31% | 0.29% | 0.29% | 0.28% | 0.27% | 0.27% | 0.62% | 0.62% |
| Positive average rate increased of 200 basis point | 2.01% | 2.01% | 2.01% | 2.01% | 2.02% | 2.01% | 2.01% | 2.01% | 2.01% |
| Negative average rate increased of 200 basis point | 2.32% | 2.31% | 2.29% | 2.29% | 2.28% | 2.27% | 2.27% | 2.62% | 2.62% |
| Positive average rate decreased of 50 basis point | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Negative average rate decreased of 50 basis point | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.12% | 0.12% |
| Net Financial Position recalculated with increase of 200 basis point | (99,143) | (71,416) | (55,830) | (15,297) | (68,095) | (67,220) | (88,953) | (102,543) | (90,463) |
| Net Financial Position recalculated with decrease of 50 basis point | (98,933) | (71,274) | (55,712) | (15,266) | (67,951) | (67,082) | (88,764) | (102,326) | (90,277) |
| Effect to income before taxes with increase of 200 basis point | (168) | (113) | (95) | (25) | (115) | (110) | (151) | (174) | (148) |
| Effect to income before taxes with decrease of 50 basis point | 42 | 28 | 24 | 6 | 29 | 28 | 38 | 43 | 37 |
| | | | | | | | | | 275 |

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

equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 1,100 thousand (2016: Euro 1,082 thousand) or positive for Euro 275 thousand (2016: Euro 271 thousand).

Receivable risk

Due to its operating activity, the Group faces possible receivable risk caused by the missed respect of trading obligations between the counterparts.

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

Liquidity risk

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

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

Risk of prices of raw materials

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

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

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

Risk management and control policy

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

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

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

Price risk management and methods of accounting presentation

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

For the purpose of monitoring the risks arising from the raw material trend, two separate portfolios are identified, the Industrial Portfolio and the Trading Portfolio.

In particular, the Industrial Portfolio includes physical and financial contracts directly related to the Group's ordinary activities (sales segment), aimed at enhancing the wholesale and retail marketing production capacity of gas and electricity. The Trading Portfolio consists of physical and financial contracts aimed at obtaining an additional profit other than the one obtainable through the management of the Industrial Portfolio alone or not necessary for the management of the latter.

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

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

As of 30th September 2017, the existing derivative instruments, detailed in sections no. 14 "*Current assets from derivative financial instruments*" and no. 27 "*Current liabilities from derivative financial instruments*" whose mark to market totals Euro +809 thousand, are prospectively and retrospectively effective.

As concerns trading activities in the gas market, the result achieved and the prospective value of forward purchase and sales contracts that cannot be defined as hedging contracts pursuant to IAS 39, calculated using fair value, are recognised in the financial statements above the Gross Operating Margin.

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 equivalents.

| <i>(Thousands of Euro)</i> | 30.09.2017 | 31.12.2016 | 30.09.2016 |
|--|-------------------|-------------------|-------------------|
| Financial position in the short term | 35,659 | 59,220 | 25,223 |
| financial position in the medium-long term | 54,656 | 34,899 | 37,762 |
| Financial gross debt | 90,315 | 94,119 | 62,985 |
| Share capital | 234,412 | 234,412 | 234,412 |
| Own shares | (17,521) | (17,521) | (17,521) |
| Reserves | 184,904 | 173,684 | 169,968 |
| Undistributed net profit | 32,200 | 53,635 | 32,621 |
| Total Net equity | 433,994 | 444,209 | 419,479 |
| Total capital and gross debt | 524,309 | 538,328 | 482,464 |
| <i>Debt/Net assets ratio</i> | <i>0.21</i> | <i>0.21</i> | <i>0.15</i> |

The debt/net equity ratio as of 30th September 2017 is 0.21, in line with 31st December 2016, and increasing as compared to 30th September 2016, when it amounted to 0.15.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which improved by Euro 3,804 thousand in the first nine months of 2017, and the Shareholders' equity, which decreased by Euro 10,215 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 September 2017 and as of 31st December 2016 is as follows:

| | | | | | | | | 30.09.2017 | |
|---|---|-----|---|---------|---|---------|---------|------------|--|
| (Thousands of Euro) | A | B | C | D | E | F | Total | Fair value | |
| Other non-current assets | | | | 12,984 | | | 12,984 | 12,984 | |
| Trade receivables and Other current assets | | | | 115,751 | | | 115,751 | 115,751 | |
| Cash and cash equivalents | | | | 44,672 | | | 44,672 | 44,672 | |
| Current assets from derivative financial instruments | | 816 | | | | | 816 | 816 | |
| Medium- and long-term bank loans | | | | | | 54,360 | 54,360 | 54,360 | |
| Other non-current liabilities | | | | | | 11,791 | 11,791 | 11,791 | |
| Non-current financial liabilities | | | | | | 296 | 296 | 296 | |
| Payables due to banks and financing institutions | | | | | | 78,060 | 78,060 | 78,060 | |
| Trade payables and Other current liabilities | | | | | | 103,459 | 103,459 | 103,459 | |
| Current financial liabilities | | | | | | 2,271 | 2,271 | 2,271 | |
| Current liabilities from derivative financial instruments | | 7 | | | | | 7 | 7 | |

| | | | | | | | | 31.12.2016 | |
|---|---|-------|---|---------|---|---------|---------|------------|--|
| (Thousands of Euro) | A | B | C | D | E | F | Total | Fair value | |
| Other non-current assets | | | | 13,566 | | | 13,566 | 13,566 | |
| Non-current assets from derivative financial instruments | | 485 | | | | | 485 | 485 | |
| Trade receivables and Other current assets | | | | 185,174 | | | 185,174 | 185,174 | |
| Cash and cash equivalents | | | | 8,822 | | | 8,822 | 8,822 | |
| Current assets from derivative financial instruments | | 1,304 | | | | | 1,304 | 1,304 | |
| Medium- and long-term bank loans | | | | | | 34,541 | 34,541 | 34,541 | |
| Other non-current liabilities | | | | | | 12,052 | 12,052 | 12,052 | |
| Non-current financial liabilities | | | | | | 357 | 357 | 357 | |
| Payables due to banks and financing institutions | | | | | | 64,397 | 64,397 | 64,397 | |
| Trade payables and Other current liabilities | | | | | | 133,598 | 133,598 | 133,598 | |
| Current financial liabilities | | | | | | 3,645 | 3,645 | 3,645 | |
| Current liabilities from derivative financial instruments | | 29 | | | | | 29 | 29 | |

Legend

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

Business segment reporting

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

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

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

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

| 9M 2017 (Thousands of Euro) | Gas distribution | Gas sale | Trading | Electricity sale | Other | 30.09.2017 values from new companies acquisitions | Cancellations and adjustments | Total |
|---|---------------------|----------------|-------------|---------------------|----------------|--|----------------------------------|----------------|
| Net revenues of third-party customers | 47,839 | 275,696 | (55) | 43,263 | 1,291 | 9,310 | 0 | 377,344 |
| Intra-group revenues among the segments | 30,204 | 3,881 | 0 | 24,829 | 7,573 | 0 | (66,488) | 0 |
| Segment revenues | 78,043 | 279,577 | (55) | 68,092 | 8,865 | 9,310 | (66,488) | 377,344 |
| Result before taxes | 22,513 | 23,479 | 52 | 4,358 | (5,547) | 1,451 | 0 | 46,307 |

| 9M 2016 (Thousands of Euro) | Gas distribution | Gas sale | Trading | Electricity sale | Other | 30.09.2016 values from new companies acquisitions | Cancellations and adjustments | Total |
|---|---------------------|----------------|----------|---------------------|----------------|--|----------------------------------|----------------|
| Net revenues of third-party customers | 31,663 | 276,379 | 0 | 44,542 | 754 | 0 | 0 | 353,337 |
| Intra-group revenues among the segments | 35,025 | 3,518 | 0 | 21,062 | 11,727 | 0 | (71,333) | 0 |
| Segment revenues | 66,688 | 279,898 | 0 | 65,604 | 12,481 | 0 | (71,333) | 353,337 |
| Result before taxes | 17,566 | 29,105 | 0 | 4,668 | (2,272) | 0 | 0 | 49,067 |

Transactions with related parties

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

| (Thousands of Euro) | Trade receivables | Other receivables | Trade payables | Other payables | Costs | | | Revenues | | |
|--|----------------------|----------------------|-------------------|-------------------|---------------|--------------|-----------|--------------|------------|--------------|
| | | | | | Goods | Services | Other | Goods | Services | Other |
| <i>Parent company</i> | | | | | | | | | | |
| ASCO HOLDING S.P.A. | | 1,971 | | 267 | 0 | 0 | 34 | 0 | 53 | 0 |
| Total parent company | 0 | 1,971 | 0 | 267 | 0 | 0 | 34 | 0 | 53 | 0 |
| <i>Affiliated companies</i> | | | | | | | | | | |
| ASCO TLC S.P.A. | 80 | 0 | 107 | 0 | 0 | 421 | 0 | 195 | 92 | 39 |
| SEVEN CENTER S.R.L. in liquidazione | 18 | 0 | 7 | 0 | 0 | 107 | 1 | 0 | 34 | 0 |
| Total affiliated companies | 98 | 0 | 114 | 0 | 0 | 529 | 1 | 195 | 126 | 39 |
| <i>Subsidiary companies</i> | | | | | | | | | | |
| Estenergy S.p.A. | 6 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASM SET S.R.L. | 811 | 21 | 7 | 2,071 | 0 | 178 | 4 | 4,679 | 376 | 58 |
| Unigas Distribuzione S.r.l. | 22 | 0 | 565 | 0 | 0 | 5,712 | 0 | 71 | 74 | 3,060 |
| SINERGIE ITALIANE S.R.L. in liquidazione | 0 | 7,510 | 7 | 0 | 41,505 | 49 | 0 | 0 | 42 | 0 |
| Total subsidiary companies | 827 | 7,531 | 589 | 2,071 | 41,505 | 5,940 | 4 | 4,750 | 492 | 3,118 |
| Total | 925 | 9,502 | 475 | 2,338 | 41,505 | 6,468 | 39 | 4,945 | 671 | 3,157 |

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 by 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 the gas sale 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 September 2017 (Euro 34,333 thousand as of 30th September 2016).

Service costs to the parent company Asco Holding S.p.A. mainly relate to chargebacks of Group insurance services, whereas revenues for services relate to service contracts signed between the parties.

The costs for services for the subsidiary Seven Centre S.r.l. mainly refer to maintenance services for the natural gas

distribution network.

Furthermore:

- the economic relations between the companies of the Group and the subsidiary companies occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with correlated parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Legislative Decree no. 58 of 24th February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

Financial statements representation pursuant to Consob resolution 15519/2006

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

Consolidated assets and liabilities statement

| (Thousands of Euro) | 30.09.2017 | 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) | 343,979 | | | | | | | 316,905 | | | | | | |
| Tangible assets (3) | 33,411 | | | | | | | 32,364 | | | | | | |
| Shareholdings (4) | 66,402 | | | 66,395 | | 66,395 | 100.0% | 68,738 | | 68,737 | | 68,737 | 100.0% | |
| Other non-current assets (5) | 12,984 | | | 7,510 | | 7,510 | 57.8% | 13,566 | | 6,486 | | 6,486 | 47.8% | |
| Non-current assets from derivative instruments (6) | | | | | | | | 485 | | | | | | |
| Advance tax receivables (7) | 11,185 | | | | | | | 9,758 | | | | | | |
| Non-current assets | 548,720 | | | 72,751 | | 72,751 | 13.3% | 522,574 | | 75,223 | | 75,223 | 14.4% | |
| Current assets | | | | | | | | | | | | | | |
| Inventories (8) | 5,410 | | | | | | | 4,311 | | | | | | |
| Trade receivables (9) | 59,940 | | 98 | 827 | | 925 | 1.5% | 148,079 | 45 | 213 | 1,930 | | 2,189 | 1.5% |
| Other current assets (10) | 66,849 | 1,971 | | | | 1,971 | 2.9% | 47,207 | 4,504 | | | | 4,504 | 9.5% |
| Tax receivables (11) | 1,490 | | | | | | | 1,007 | | | | | | |
| Cash and cash equivalents (12) | 44,672 | | | | | | | 8,822 | | | | | | |
| Current assets from derivative instruments (13) | 816 | | | | | | | 1,304 | | | | | | |
| Current assets | 179,177 | 1,971 | 98 | 827 | | 2,896 | 1.6% | 210,730 | 4,550 | 213 | 1,930 | | 6,693 | 3.2% |
| ASSETS | 727,897 | 1,971 | 98 | 74,733 | | 76,802 | 10.6% | 733,304 | 4,550 | 213 | 77,153 | | 81,916 | 11.2% |
| Net equity and liabilities | | | | | | | | | | | | | | |
| Total Net equity | | | | | | | | | | | | | | |
| Share capital | 234,412 | | | | | | | 234,412 | | | | | | |
| Own shares | (17,521) | | | | | | | (17,521) | | | | | | |
| Reserves | 212,866 | | | | | | | 221,164 | | | | | | |
| Net equity of the Group | 429,756 | | | | | | | 438,055 | | | | | | |
| Net equity of Others | 4,239 | | | | | | | 6,154 | | | | | | |
| Total Net equity (14) | 433,994 | | | | | | | 444,209 | | | | | | |
| Non-current liabilities | | | | | | | | | | | | | | |
| Provisions for risks and charges (15) | 7,083 | | | | | | | 6,992 | | | | | | |
| Severance indemnity (16) | 4,991 | | | | | | | 4,077 | | | | | | |
| Medium- and long-term bank loans (17) | 54,360 | | | | | | | 34,541 | | | | | | |
| Other non-current liabilities (18) | 22,405 | | | | | | | 20,267 | | | | | | |
| Non-current financial liabilities (19) | 296 | | | | | | | 357 | | | | | | |
| Deferred tax payables (20) | 15,978 | | | | | | | 16,814 | | | | | | |
| Non-current liabilities | 105,112 | | | | | | | 83,050 | | | | | | |
| Current liabilities | | | | | | | | | | | | | | |
| Payables due to banks and financing institutions (21) | 78,060 | | | | | | | 64,397 | | | | | | |
| Trade payables (22) | 62,210 | | 114 | 589 | | 475 | 0.8% | 103,052 | | 186 | 2,642 | | 2,828 | 2.7% |
| Tax payables (23) | 905 | | | | | | | 1,231 | | | | | | |
| Other current liabilities (24) | 45,338 | 267 | | | | 267 | 0.6% | 33,691 | 7,738 | | | | 7,738 | 23.0% |
| Current financial liabilities (25) | 2,271 | | | 2,071 | | 2,071 | 91.2% | 3,645 | | | 5,057 | | 5,057 | 138.7% |
| Current liabilities from derivative financial instrun (26) | 7 | | | | | | | 29 | | | | | | |
| Current liabilities | 188,790 | 267 | 114 | 2,660 | | 2,813 | 1.5% | 206,045 | 7,738 | 186 | 7,699 | | 15,623 | 7.6% |
| Liabilities | 293,903 | 267 | 114 | 2,660 | | 2,813 | 1.0% | 289,095 | 7,738 | 186 | 7,699 | | 15,623 | 5.4% |
| Net equity and liabilities | 727,897 | 267 | 114 | 2,660 | | 2,813 | 0.4% | 733,304 | 7,738 | 186 | 7,699 | | 15,623 | 2.1% |

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Income statement and Comprehensive consolidated income statement

| (Thousands of Euro) | Note | Third quarter 2017 | | | | | | | Third quarter 2016 | | | | | | |
|---|------|--------------------|-----------|--------------------------|-----------------|----------------|-----------------|----------------|--------------------|--------------------------|------------|---------------|--------------|---------------|----------------|
| | | A | B | Of which related parties | | Total | % | A | B | Of which related parties | | Total | % | | |
| Revenues | (27) | 377,344 | 53 | 360 | 8,360 | 8,773 | 2.3% | 353,337 | 39 | 329 | 4,719 | 5,087 | 1.4% | | |
| Total operating costs | | 319,573 | | 530 | 47,445 | 1,232 | 49,206 | 15.4% | 293,238 | 542 | 44,185 | 1,225 | 45,952 | 15.7% | |
| Purchase costs for raw material (gas) | (28) | 172,400 | | | 41,505 | | 41,505 | 24.1% | 169,292 | | 38,246 | | 38,246 | 22.6% | |
| Purchase costs for other raw materials | (29) | 15,676 | | | | | | | 14,717 | 1 | 6 | | 6 | 0.0% | |
| Costs for services | (30) | 82,738 | | 529 | 5,940 | 308 | 6,777 | 8.2% | 77,611 | 536 | 5,933 | 427 | 6,896 | 8.9% | |
| Costs for personnel | (31) | 18,150 | | | | 923 | 923 | 5.1% | 16,043 | | | 798 | 798 | 5.0% | |
| Other management costs | (32) | 31,271 | | 1 | | | 1 | 0.0% | 15,729 | 6 | | | 6 | 0.0% | |
| Other income | (33) | 662 | | | | | | | 155 | | | | | | |
| Amortization and depreciation | (34) | 16,176 | | | | | | | 15,140 | | | | | | |
| Operating result | | 41,595 | 53 | (170) | (39,085) | (1,232) | (40,433) | -97.2% | 44,959 | 39 | 213 | 39,466 | 1,225 | 40,865 | -90.9% |
| Financial income | (35) | 253 | | | 1 | | 1 | 0.2% | 196 | | 2 | | 2 | 1.0% | |
| Financial charges | (35) | 503 | | | 4 | | 4 | 0.7% | 658 | | 7 | | 7 | 1.0% | |
| Evaluation of subsidiary companies with the net equity method | (35) | 4,962 | | 5 | (0) | | 5 | 0.1% | 4,571 | | 3 | (0) | 3 | 0.1% | |
| Earnings before tax | | 46,307 | 53 | (164) | (39,088) | (1,232) | (40,431) | -87.3% | 49,067 | 39 | 210 | 39,471 | 1,225 | 40,866 | -83.3% |
| Taxes for the period | (36) | 12,698 | 34 | | | | 34 | 0.3% | 14,708 | 12,279 | | | | 12,279 | 83.5% |
| Result for the period | | 33,610 | 19 | (164) | (39,088) | (1,232) | (40,465) | -120.4% | 34,359 | 12,240 | 210 | 39,471 | 1,225 | 53,146 | -154.7% |
| Net result for the period | | 33,610 | 19 | (164) | (39,088) | (1,232) | (40,465) | -120.4% | 34,359 | 12,240 | 210 | 39,471 | 1,225 | 53,146 | -154.7% |
| Group's Net Result | | 32,200 | | | | | | | 32,621 | | | | | | |
| Third parties Net Result | | 1,410 | | | | | | | 1,738 | | | | | | |
| 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 | | (784) | | | | | | | 863 | | | | | | |
| 2. Components that can not be reclassified to the income statement | | | | | | | | | | | | | | | |
| Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax | | 3 | | | | | | | (310) | | | | | | |
| Total comprehensive income | | 32,829 | 19 | (164) | (39,088) | (1,232) | (40,465) | -123.3% | 34,912 | 12,240 | 210 | 39,471 | 1,225 | 53,146 | -152.2% |
| Group's overall net result | | 31,587 | 19 | (164) | (39,088) | (1,232) | (40,465) | -128.1% | 33,039 | (12,222) | (192) | (39,453) | (1,207) | (53,128) | -160.8% |
| Third parties' overall net result | | 1,241 | | | | | | | 1,735 | (18) | (18) | (18) | (18) | (18) | -1.0% |
| Base income per share | | 0.145 | | | | | | | 0.147 | | | | | | |
| Diluted net income per share | | 0.145 | | | | | | | 0.147 | | | | | | |

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) | Third quarter 2017 | Of which related parties | | | | | | Third quarter 2016 | Of which related parties | | | | | |
|---|--------------------|--------------------------|--------------|----------------|----------|-----------------|-------------|--------------------|--------------------------|----------------|---------------|----------|---------------|-------------|
| | | A | B | C | D | Total | % | | A | B | C | D | Total | % |
| Net income of the Group | 32,200 | | | | | | | 32,621 | | | | | | |
| Cash flows generated (used) by operating activities | | | | | | | | | | | | | | |
| Adjustments to reconcile net income to net cash | | | | | | | | | | | | | | |
| Third-parties operating result | 1,410 | | | | | 0 | 0% | 1,738 | | | | | 0 | 0% |
| Amortization | 16,176 | | | | | 0 | 0% | 15,140 | | | | | 0 | 0% |
| Bad debt provisions | 1,134 | | | | | 0 | 0% | 1,379 | | | | | 0 | 0% |
| Variations in severance indemnity | 141 | | | | | 0 | 0% | 569 | | | | | 0 | 0% |
| Current assets / liabilities on financial instruments | 951 | | | | | 0 | 0% | (897) | | | | | 0 | 0% |
| Net variation of other funds | 471 | | | | | 0 | 0% | 411 | | | | | 0 | 0% |
| Evaluation of subsidiaries with the net equity method | (4,962) | 0 | | (4,364) | | (4,364) | 88% | (4,571) | 0 | (3,627) | (140) | 0 | (3,766) | 82% |
| Impairment losses / (gains) on shareholdings | (373) | | | | | 0 | 0% | 0 | | | | | 0 | 0% |
| Interests paid | (403) | | | | | 0 | 0% | (555) | | | | | 0 | 0% |
| Taxes paid | (14,517) | | | | | 0 | 0% | (1,695) | | | | | 0 | 0% |
| Interest expense for the year | 410 | | | | | 0 | 0% | 599 | | | | | 0 | 0% |
| Taxes for the year | 12,698 | | | | | 0 | 0% | 14,708 | | | | | 0 | 0% |
| Variations in assets and liabilities | | | | | | | | | | | | | | |
| Inventories | (927) | | | | | 0 | 0% | (2,163) | | | | | 0 | 0% |
| Accounts payable | 94,363 | 45 | 115 | 1,103 | 0 | 1,264 | 1% | 108,709 | 180 | (52) | (9,900) | 0 | (9,771) | -9% |
| Other current assets | (13,890) | 2,533 | 0 | 0 | 0 | 2,533 | -18% | 6,754 | 0 | 0 | 0 | 0 | 0 | 0% |
| Trade payables | (59,760) | 0 | (300) | (2,054) | 0 | (2,353) | 4% | (69,555) | 0 | 0 | 0 | 0 | 0 | 0% |
| Other current liabilities | 5,400 | (7,471) | 0 | 0 | 0 | (7,471) | -138% | (12,504) | 0 | 0 | 2,471 | 0 | 2,471 | -20% |
| Other non-current assets | 592 | 0 | 0 | (1,024) | 0 | (1,024) | -173% | 1,800 | 0 | 0 | 39,867 | 0 | 39,867 | 2215% |
| Other non-current liabilities | 1,137 | 0 | 0 | 0 | 0 | 0 | 0% | 2,124 | | | | | 0 | 0% |
| Total adjustments and variations | 40,051 | (4,892) | (184) | (6,339) | 0 | (11,415) | -29% | 61,991 | 180 | (3,679) | 32,299 | 0 | 28,801 | 46% |
| Cash flows generated (used) by operating activities | 72,251 | (4,892) | (184) | (6,339) | 0 | (11,415) | -16% | 94,611 | 180 | (3,679) | 32,299 | 0 | 28,801 | 30% |
| Cash flows generated (used) by investments | | | | | | | | | | | | | | |
| Investments in intangible assets | (14,010) | | | | | 0 | 0% | (13,498) | | | | | 0 | 0% |
| Realisable value of intangible assets | 2 | | | | | 0 | 0% | 640 | | | | | 0 | 0% |
| Investments in tangible assets | (682) | | | | | 0 | 0% | (804) | | | | | 0 | 0% |
| Realisable value of tangible assets | (0) | | | | | 0 | 0% | 2 | | | | | 0 | 0% |
| Disposals / (Acquisition) of investments and advances | (9,655) | | | | | 0 | 0% | 0 | | | | | 0 | 0% |
| Other net equity operations | 212 | | | | | 0 | 0% | (310) | | | | | 0 | 0% |
| Cash flows generated/(used) by investments | (24,133) | 0 | 0 | 0 | 0 | 0 | 0% | (13,971) | 0 | 0 | 0 | 0 | 0 | 0% |
| Cash flows generated (used) by financial activities | | | | | | | | | | | | | | |
| Net changes in debts due to other financiers | (61) | 0 | 0 | 0 | 0 | 0 | 0% | (58) | | | | | 0 | 0% |
| Net changes in short-term bank borrowings | (7,856) | | | | | 0 | 0% | (45,287) | | | | | 0 | 0% |
| Net variation in current financial assets and liabilities | (1,374) | 0 | 0 | (2,985) | 0 | (2,985) | 217% | 9,306 | 3,509 | 0 | 0 | 0 | 3,509 | 38% |
| Ignitions loans and mortgages | 300,000 | | | | | 0 | 0% | 76,000 | | | | | 0 | 0% |
| Redemptions loans and mortgages | (266,430) | | | | | 0 | 0% | (107,500) | | | | | 0 | 0% |
| Dividends distributed to Ascopiave S.p.A. shareholders' | (40,016) | | | | | 0 | 0% | (33,347) | | | | | 0 | 0% |
| Dividends distributed to other shareholders | (3,237) | | | | | 0 | 0% | (2,222) | | | | | 0 | 0% |
| Dividends distributed from subsidiary companies | 6,706 | | | 6,706 | 6,706 | 6,706 | 100% | 5,980 | | 5,980 | | | 5,980 | 100% |
| Cash flows generated (used) by financial activities | (12,268) | 0 | 0 | 3,720 | 0 | 3,720 | -30% | (97,128) | 3,509 | 5,980 | 0 | 0 | 9,489 | -10% |
| Variations in cash | 35,851 | | | | | 0 | 0% | (16,487) | | | | | 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 | 44,672 | | | | | 0 | 0% | 11,814 | | | | | 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

| (Thousands of Euro) | 30.09.2017 | | | | | | | 31.12.2016 | | | | | | |
|---|-----------------|---|---|----------------|----------------|-------------|-----------------|----------------|----------------|----------------|-------------|---|--|--|
| | A | B | C | D | Total | % | A | B | C | D | Total | % | | |
| A Cash and cash equivalents on hand | 19 | | | | | | 19 | | | | | | | |
| B Bank and post office deposits | 44,654 | | | | | | 8,803 | | | | | | | |
| D Liquid assets (A) + (B) + (C) | 44,672 | | | | | | 8,822 | | | | | | | |
| F Payables due to banks | (65,021) | | | | | | (55,110) | | | | | | | |
| G Current portion of medium-long-term loans | (13,039) | | | | | | (9,287) | | | | | | | |
| H Current financial liabilities | (2,271) | | | (2,071) | (2,071) | 91.2% | (3,645) | (3,412) | (3,412) | (3,412) | 93.6% | | | |
| I Current financial indebtedness (F) + (G) + (H) | (80,331) | | | (2,071) | (2,071) | 2.6% | (68,042) | (3,412) | (3,412) | (3,412) | 5.0% | | | |
| J Net current financial indebtedness (I) - (E) - (D) | (35,659) | | | (2,071) | (2,071) | 5.8% | (59,220) | (3,412) | (3,412) | (3,412) | 5.8% | | | |
| K Medium- and long-term bank loans | (54,360) | | | | | | (34,541) | | | | | | | |
| M Non-current financial liabilities | (296) | | | | | | (357) | | | | | | | |
| N Non-current financial indebtedness (K) + (L) + (M) | (54,656) | | | | | | (34,899) | | | | | | | |
| O Net financial indebtedness (J) + (N) | (90,315) | | | (2,071) | (2,071) | 2.3% | (94,119) | (3,412) | (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 first nine months of 2017

Amendments and additions to regulations governing settlement gas

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

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

In order to determine the amounts of natural gas under the scope of the different sales companies, in compliance with the new regulations, the same algorithms already used upon first allocation shall apply, and the differentials emerging between the total quantities injected into the distribution network and taken therefrom, shall be subdivided on the basis

of the latter. The differential of the annual quantities injected into the distribution network and the quantities supplied to the end users connected thereto will determine the quantity of cubic metres of raw material subject to adjustment. They will be distributed proportionally to the various sales companies on the basis of the volumes of natural gas used by the end customers and measured by means of readings. The adjustment session for 2013-2016 is scheduled for May 2018.

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

Currently, the Group is exposed to the positive and negative economic effects arising from the probable modification of the allocated volumes and the volumetric differences that are naturally formed in different parts of the network where natural gas is measured.

It is noted that, thanks to the high percentage of meter reading collected during the period being recalculated by Snam Rete Gas S.p.A., the Management is confident that the estimate of the purchase costs of natural gas in the period is accurate. Should the regulation evolve and require an adjustment in the estimated values, increasing significantly purchases costs, the Group will evaluate possible actions to preserve its interests.

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

Estenergy S.p.A.

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

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

Balance sheet - summary data

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Current assets | 42,711 | 56,707 |
| of which | | |
| Cash and cash equivalents | 23,422 | 4,014 |
| Non-current assets | 69,899 | 71,240 |
| Current liabilities | 21,228 | 31,905 |
| of which | | |
| Current financial liabilities | 33 | 11 |
| Non - current liabilities | 4,635 | 5,280 |
| | 86,746 | 90,762 |
| Group inteterest | 48.999% | 48.999% |
| Net profit for the period attributable of the Group | 42,505 | 44,472 |

Income Statement - summary data

| (Thousands of Euro) | 3rd Quarter 2017 | 3rd Quarter 2016 |
|--|------------------------------------|------------------------------------|
| Revenues | 85,741 | 84,477 |
| Total operating costs | 76,111 | 76,258 |
| Gross operative margin | 9,629 | 8,219 |
| Amortization and depreciation | 1,281 | 1,346 |
| Operating result | 8,349 | 6,873 |
| Financial income | 156 | 238 |
| Financial charges | 5 | 9 |
| Earnings before tax | 8,501 | 7,102 |
| Taxes of the period | 2,557 | 2,426 |
| Result of the period | 5,944 | 4,676 |
| Group inteterest | 48.999% | 48.999% |
| Net profit for the period attributable of the Group | 2,912 | 2,291 |

Unigas Distribuzione S.r.l.

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

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

Balance sheet - summary data

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Current assets | 15,367 | 18,467 |
| of which | | |
| Cash and cash equivalents | 4,733 | 4,335 |
| Non-current assets | 47,093 | 46,993 |
| Current liabilities | 18,593 | 21,933 |
| of which | | |
| Current financial liabilities | 0 | 0 |
| Non - current liabilities | 1,407 | 1,070 |
| | 42,460 | 42,457 |
| Group inteterest | 48.86% | 48.86% |
| Net profit for the period attributable of the Group | 20,746 | 20,745 |

Income Statement - summary data

| (Thousands of Euro) | 3rd Quarter 2017 | 3rd Quarter 2016 |
|--|------------------------------------|------------------------------------|
| Revenues | 13,395 | 12,071 |
| Total operating costs | 8,991 | 7,215 |
| Gross operative margin | 4,404 | 4,855 |
| Amortization and depreciation | 1,820 | 1,772 |
| Operating result | 2,584 | 3,083 |
| Financial income | 4 | 3 |
| Financial charges | 152 | 55 |
| Earnings before tax | 2,436 | 3,031 |
| Taxes of the period | 633 | 1,022 |
| Result of the period | 1,803 | 2,009 |
| Group inteterest | 48.86% | 48.86% |
| Net profit for the period attributable of the Group | 881 | 982 |

Asm Set S.r.l.

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

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

Balance sheet - summary data

| (Thousands of Euro) | 30.09.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| Current assets | 5,092 | 10,084 |
| of which | | |
| Cash and cash equivalents | 525 | 1,006 |
| Non-current assets | 5,109 | 5,319 |
| Current liabilities | 2,846 | 7,263 |
| of which | | |
| Current financial liabilities | 0 | 0 |
| Non - current liabilities | 937 | 957 |
| | 6,417 | 7,183 |
| Group inteterest | 49% | 49% |
| Net profit for the period attributable of the Group | 3,145 | 3,520 |

Income Statement - summary data

| (Thousands of Euro) | 3rd Quarter 2017 | 3rd Quarter 2016 |
|--|------------------------------------|------------------------------------|
| Revenues | 17,720 | 16,825 |
| Total operating costs | 15,950 | 15,200 |
| Gross operative margin | 1,770 | 1,625 |
| Amortization and depreciation | 152 | 153 |
| Operating result | 1,618 | 1,472 |
| Financial income | 14 | 21 |
| Financial charges | 6 | 7 |
| Earnings before tax | 1,627 | 1,486 |
| Taxes of the period | 467 | 479 |
| Result of the period | 1,159 | 1,007 |
| Group intetereest | 49% | 49% |
| Net profit for the period attributable of the Group | 568 | 493 |

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, 7th November 2017

Chairman of the Board of Director
Nicola Ceconato

DECLARATION

(Translation from the original issued in Italian)

CERTIFICATION OF THE QUARTERLY REPORT as of 30th September 2017

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

The undersigned, dr. Cristiano Belliato, in his position as Manager Designate for preparing the financial and company documents of Ascopiave S.p.A. herein declares, to the best of his knowledge, pursuant to the provisions of Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting information stated in the Quarterly Report as of 30th September 2017 tallies with the documental results, book-keeping entries and the accounting records.

Pieve di Soligo, 7th November 2017

Ascopiave S.p.A.
dr. Cristiano Belliato